ROUTE1
DRIVING DATA FORWARD

# Q3 2022 Shareholder Presentation

Route1 is an advanced North American engineering and professional services company using data capture technologies.

November 17, 2022

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# Route1 Snapshot

- **Bringing security and operations together with real-time actionable intelligence**.
  - Route1 provides you with advanced data in a usable format from video capture technologies to enhance safety and security, driving greater profitability and improving operational efficiencies.
  - We build strong and lasting relationships with our clients and technology partners. We are involved at every step, from design and installation to the continuous support of technological enhancements and ever-changing outcomes.
- **Technology Focus**:
  - Automatic License Plate Recognition (ALPR).
  - Surveillance and Video Intelligence: surveillance video, body worn cameras, access control and drones
  - Data Security and User Authentication.
- **The Route1 Difference:**
  - We leverage our IP and people, and our partners' video capture technology to help our clients gain a better understanding of their data and use that data to develop more intuitive real-time decisions.
  - With a deep-rooted background in software development, network operations, and cybersecurity, Route1 has a significant competitive advantage in the engineering and professional services arena.

| Route1 Inc. | |
|---|---|
| Incorporation Year | 2006 |
| Employees | 34 |
| Offices | Scottsdale, AZ<br>Denver, CO<br>Boca Raton, FL<br>Cincinnati, OH<br>Chattanooga, TN<br>Toronto, Canada |
| FY 2021 Revenue | $27.6 million |
| ALPR Clients with Support Contracts | 149 |
| Ticker | TSXV: ROI |

# Our Business Model **Evolution**

**2008 to 2017:** All about MobiKEY - Route1's flagship secure remote access technology.

**2018 to 2021:** MobiKEY + internally developed software applications leveraging Route1's private cloud service delivery platform + acquired rugged device VARs with a public safety client focus.

**Q4 2021 and beyond:** Sales paradigm revenue shift toward "turnkey engineering services".

# **ALPR Marketplace** Summary

- The market has dramatically changed over the last two years.
  - The delivery of public safety / smart parking as products have and will continue to evolve and at the core rely on video capture based data / technology.
  - The global pandemic stripped away the delivery of quality service and in person relationships.
  - End users have outcomes based expectations; they buy an outcome not a “widget”.
  - End users want a fully integrated “solution”.
  - Expectations change very quickly and don’t lessen.
- End users look at ALPR value; price is being sold too often.
- The ALPR industry is set up to be transactional when the end user wants a life cycle relationship.
  - The primary sale of the hardware / software does not cover the long term end user’s support and service requirements.
  - The “rub”.
- There is a very large opportunity to sell on the basis of outcomes and service.

# **Outcomes** Based Approach

## The Services You Expect

- Advisory + Analysis
- Design + Engineering
- Hardware + Software Procurement
- Project Management
- Installation + Configuration

## The Route1 Difference

- Operations Optimization
- Technology Life-Cycle Maintenance + Support
- End User + Administrator Training

# The **Route1** Difference

"Time and time again, Route1 has demonstrated their ability **to go the extra mile** and **deliver new value and innovation** for our joint customers. [They] help organizations use their physical security systems as strategic tools, and go beyond traditional applications to deliver more value."

**Stephan Kaiser**
*AutoVu™ General Manager, Genetec, Inc.*

## Operations Optimization

Combining disparate data sets and video intelligence with our expertise in process optimization to drive greater profitability and improved operational efficiencies.

## Technology Life-Cycle Maintenance and Support

Support of mission critical operations, regular process reviews, hardware upgrades, and evolution of your systems as technology advances.

## End User + Admin Training

Audience tailored, instructor-led training, to ensure you get the most out of your investment.

# Genetec AutoVu, the **Leader in ALPR**

## Future-proof

AutoVu ALPR devices leverage the latest machine learning technology to continuously deliver new value, so you can be confident your investment will stand the test of time.

## Fully unified

Speed up investigations by combining ALPR reads with video surveillance footage, or use ALPR to manage access to sensitive facilities. AutoVu works with the rest of your system

## Purpose-built

The value of ALPR is directly related to its performance. That's why we offer fixed and mobile devices designed specifically for license plate detection and recognition.

## Field-proven

AutoVu has been used by parking management organizations, law enforcement agencies and critical infrastructure facilities for over two decades.

Genetec™

# Next 120 Days

- **Operationally focused and cash flow driven**
  - Working capital management.
  - Note and debt repayment.
  - Build the ALPR, video surveillance and rugged device sales pipeline.
  - Put in place the building blocks for the manufacturing of additional PocketVault P-3X product.
  - Deliver growing, consistent operating results.
    - As a comparative to Q3-22, Q4-22 will be impacted by (a) seasonality, (b) the acceleration of certain Q4 deals into Q3, and (c) reflect the full quarterly impact of the Aug-22 DoD component MobiKEY account loss.
- **Finalize research and development**
  - Route1's cloud based, next generation secure, remote access offering - commercial release is client demand driven.
  - MobiLPR evolved to support parking use cases.
- **Acquisition growth**

# Quarterly Operating Performance

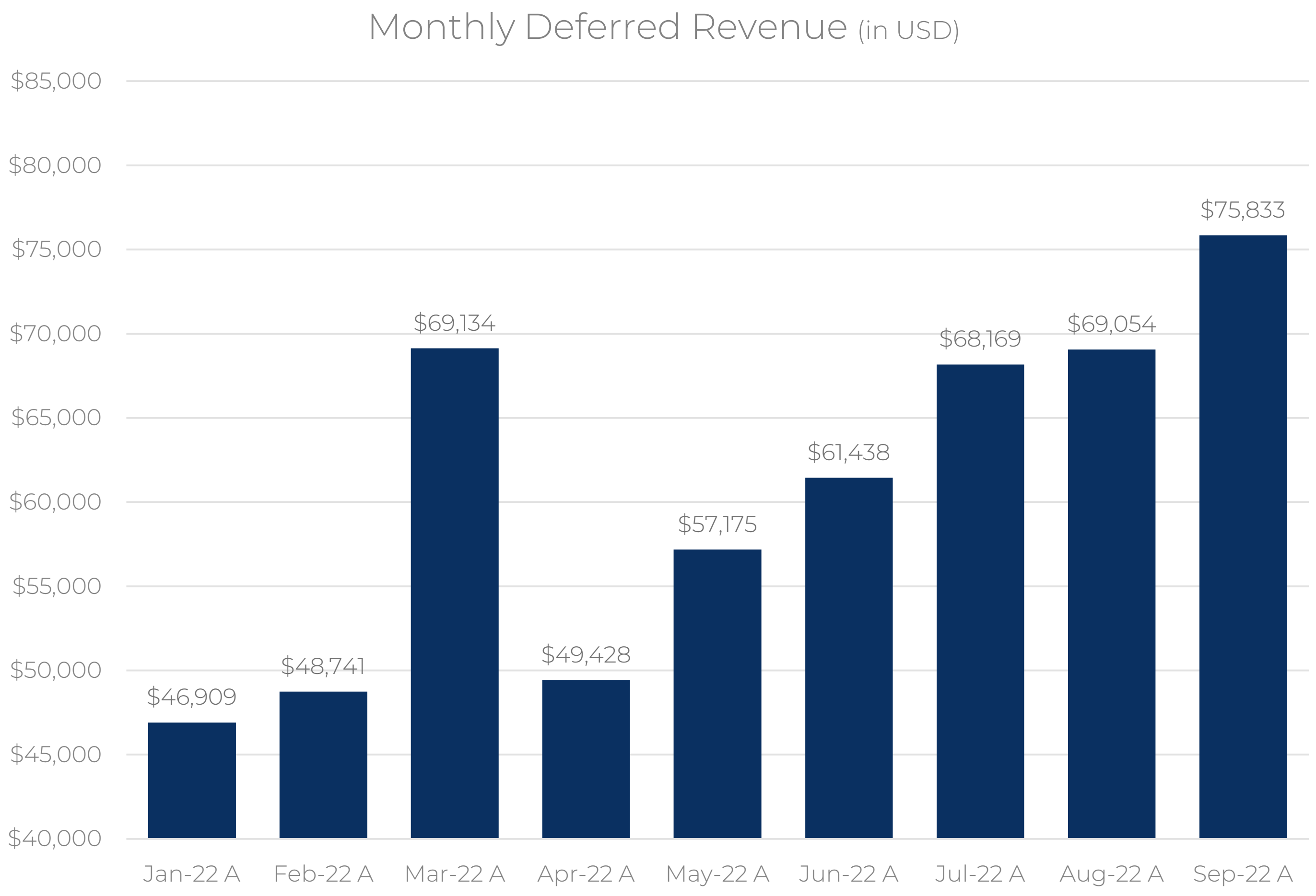
| In 000s of CAD Dollars | Q3 A 2022 | Q2 A 2022 | Q1 A 2022 | Q4 A 2021 | Q3 A 2021 | Q2 A 2021 | Q1 A 2021 |
|---|---|---|---|---|---|---|---|
| Revenue | **6,847** | 7,114 | 4,695 | 7,035 | 7,288 | 6,338 | 6,611 |
| Devices and Appliances | **5,519** | 5,251 | 2,781 | 5,022 | 4,960 | 3,663 | 3,786 |
| Subscription Revenue and Services | **1,326** | 1,854 | 1,911 | 1,977 | 2,297 | 2,671 | 2,758 |
| Other Revenue | **2** | 9 | 3 | 36 | 31 | 4 | 67 |
| Gross Margin | **2,005** | 2,099 | 2,123 | 2,375 | 2,592 | 2,895 | 2,964 |
| Gross Margin % | **29%** | 29% | 45% | 34% | 36% | 46% | 45% |
| Expenses | **1,802** | 1,972 | 2,012 | 2,382 | 2,437 | 2,451 | 2,542 |
| Operating Income | **150** | 127 | 111 | (7) | 155 | 444 | 422 |
| **EBITDA** | **543** | **459** | **446** | **341** | **465** | **760** | **764** |
| Net Income (Loss) | **64** | (56) | 1 | (315) | (61) | 461 | 138 |

# Recurring Revenue Profile

| In 000s of CAD Dollars | Q3 A 2022 | Q2 A 2022 | Q1 A 2022 | Q4 A 2021 |
|---|---|---|---|---|
| Subscription Revenue and Services | **1,326** | 1,854 | 1,911 | 1,977 |
| **Components:** | | | | |
| Application Software | **804** | 1,402 | 1,483 | 1,504 |
| Technology as a Services | **0** | 0 | 0 | 50 |
| Professional Services | **246** | 238 | 219 | 248 |
| Technology Life-Cycle Maintenance and Support | **275** | 214 | 209 | 175 |

# ALPR Support Contract Growth: **Bettering Plan**

- **The goal** was to increase the aggregate post sales support annual contract value to **US $850,000** by Dec 31-22
  - FY 2021 realized $594,767 in support contract revenue.
- 2022 net organic growth to date is 4%:
  - 2022 new logos to date: 24 (17%)
  - 2022 lost or fired accounts: 18 (-13%)
- 18% of our 149 accounts improved their support plans above Elemental:



# When we sell ALPR it looks like…

## Primary Transaction Components

- Resell Genetec AutoVu hardware
- Resell Genetec AutoVu software license – one-year
- Resell Genetec AutoVu hardware warranty
- Resell non-Genetec hardware and accessories – mounts, tablets, antennas, etc..
- Sale of Route1 professional services
- Sale of Route1 support plan

## Secondary Transaction Types

- Expanded investment – organic growth
- Hardware damage – rip and reinstall
- Purchase of offsite Route1 professional services
- Improved support plan
- Renewal of licensing and support
- Route1 software applications - MobiLPR

# Spyrus Solutions Contribution: **Invest**

| In 000s of USD Dollars | Q3 A 2022 | Q2 A 2022 | Q1 A 2022 | Q4 A 2021 |
|---|---|---|---|---|
| Revenue | **314** | 120 | 329 | 555 |
| Contributory Gross Margin | **280** | 109 | 281 | 410 |
| Contributory Gross Margin % | **89%** | 90% | 85% | 74% |
| **Contributory EBITDA** | **286** | **122** | **302** | **382** |

Note: Route1 purchase price – assumption of approximately $580,000 of non-trade obligations.

# Indirect Costs: **New Baseline**

| In 000s of CAD Dollars | Q3 A 2022 | Q2 A 2022 | Q1 A 2022 | Q4 A 2021 | Q3 A 2021 | Q2 A 2021 | Q1 A 2021 |
|---|---|---|---|---|---|---|---|
| General and Administration (includes amortization) | **1,247** | 1,344 | 1,299 | 1,492 | 1,518 | 1,453 | 1,471 |
| Research and Development | **122** | 213 | 266 | 253 | 248 | 201 | 204 |
| Selling and Marketing | **433** | 414 | 447 | 637 | 671 | 797 | 867 |
| Total | **1,802** | 1,972 | 2,012 | 2,382 | 2,437 | 2,451 | 2,542 |
| Amortization | **340** | 332 | 335 | 348 | 311 | 316 | 342 |
| Total with no Amortization | **1,462** | 1,640 | 1,677 | 2,034 | 2,216 | 2,135 | 2,200 |

# Balance Sheet: **Should Improve from Here**

| In 000s of CAD Dollars | Sep 30 22 A | Jun 30 22 A | Mar 31 22 A | Dec 31 21 A | Sep 30 21 A |
|---|---|---|---|---|---|
| Cash | **103** | 299 | 481 | 62 | 727 |
| Total current assets | **5,445** | 4,593 | 3,618 | 5,726 | 7,453 |
| Total current liabilities | **9,629** | 9,012 | 8,147 | 10,563 | 11,542 |
| Current contract liabilities (“CCL”) | **1,282** | 1,609 | 2,192 | 2,632 | 3,771 |
| Net working capital (“NWC”) | **(4,184)** | (4,419) | (4,528) | (4,837) | (3,999) |
| Non-current assets | **9,381** | 9,316 | 8,956 | 9,371 | 9,290 |
| Total assets | **14,826** | 13,909 | 12,574 | 15,097 | 16,833 |
| **Net bank debt and promissory/seller notes** | **3,018** | **2,515** | **2,297** | **2,926** | **2,194** |
| Total liabilities | **11,617** | 11,026 | 9,800 | 12,369 | 13,850 |
| Shareholders’ Equity | **3,209** | 2,883 | 2,774 | 2,728 | 2,982 |
| NWC – not including CCL and lease liabilities | **(2,473)** | (2,395) | (1,976) | (852) | (228) |

# Net Debt: **Lags the Actions Already Taken**

| In 000s of CAD Dollars | Sep 30 22 A | Jun 30 22 A | Mar 31 22 A | Dec 31 21 A | Sep 30 21 A | Jun 30 21 A |
|---|---|---|---|---|---|---|
| Lines of Credit | **2,293** | 1,972 | 1,784 | 1,626 | 1,593 | 1,081 |
| • RBC | **1,057** | 984 | 880 | 875 | 850 | 620 |
| • Vectra | **1,236** | 988 | 904 | 951 | 743 | 461 |
| Windsor Promissory Note – paid out Apr 30-24 | **632** | 632 | 632 | 632 | 632 | 357 |
| Pakkebier Promissory Notes(s) – paid out Jun 28-23 | **93** | 119 | 186 | 263 | 348 | 401 |
| Spyrus Promissory Note(s) | **0** | 90 | 175 | 266 | 357 | 0 |
| Less: Cash | **0** | (299) | (481) | (62) | (727) | (166) |
| **Net Debt** | **3,018** | **2,515** | **2,297** | **2,926** | **2,194** | **1,673** |

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# **THANK** YOU

**Q3 22 Shareholder Presentation**

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