



## Route1 Announces Q4 and Fiscal Year 2022 Financial Results

Toronto, Canada, April 26, 2023 - [Route1 Inc.](#) (OTCQB: ROIUF and TSXV: ROI) (the “Company” or “Route1”), an advanced North American provider of data-centric business empowerment solutions, today reported its financial results for the three and twelve-month periods ended December 31, 2022.

### ***Fiscal Year 2022 (FY 2022)***

The Company’s operating results for fiscal year 2021 with comparatives are as follows:

<i>In 000s of CAD dollars</i>	<b>FY 2022</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>
Revenue					
Services	<b>6,194</b>	9,702	9,574	7,834	6,209
Device	<b>15,830</b>	17,432	20,038	16,169	19,972
Other	<b>21</b>	137	94	7	49
Total Revenue	<b>22,045</b>	27,271	29,707	24,010	26,231
Cost of revenue	<b>14,462</b>	16,446	18,635	14,978	18,732
Gross profit	<b>7,583</b>	10,825	11,072	9,032	7,499
Operating expenses	<b>7,645</b>	9,812	9,935	8,214	6,892
Operating profit <sup>1</sup>	<b>(62)</b>	1,013	1,137	818	607
Patent litigation <sup>2</sup>	-	-	1,610	1,289	841
Total other expenses <sup>3,4</sup>	<b>1,656</b>	791	1,234	82	200
<b>Net income (loss)</b>	<b>(1,718)</b>	<b>222</b>	<b>(1,707)</b>	<b>(554)</b>	<b>(434)</b>

<sup>1</sup> Before stock-based compensation

<sup>2</sup> For FY 2020, the Company incurred expenses for patent litigation net of the reversal of an accounting liability reflecting the funds the Company received from its litigation funding agreement. The Company has concluded the litigation with VMWare in both Canada and the United States and will incur no additional expense for this litigation.

<sup>3</sup> Includes gain on litigation, gain or loss on asset disposal, stock-based compensation expense, interest expense, income tax recovery, foreign exchange loss or gain, other expenses and acquisition expense.

<sup>4</sup> For FY 2022, the Company wrote down its deferred tax asset and liabilities with a net impact of (\$1,141).

### ***Fourth Quarter 2022 (Q4 2022)***

“Route1’s fourth quarter of 2022 net income was negatively impacted by our decision to remove deferred taxes assets and liabilities from the Company’s balance sheet in the net amount of approximately CAD \$1.1 million. It had no cash consequence. Further, the accounting decision has no impact on our ability to use our \$11.8 million in Canadian operating tax losses that are being carried forward to reduce or eliminate cash tax obligations annually on our taxable operating income”, said Tony Busseri, Route1’s President and CEO.

The Company’s operating results for Q4 2022 with comparatives are as follows:

<b>Statement of operations</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
<i>In 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
Revenue					
Subscription and services	<b>1,103</b>	1,326	1,854	1,911	1,977
Devices and appliances	<b>2,279</b>	5,519	5,251	2,781	5,022
Other	<b>6</b>	2	9	3	36
Total revenue	<b>3,388</b>	6,847	7,114	4,695	7,035
Cost of revenue	<b>2,032</b>	4,842	5,015	2,572	4,660
Gross profit	<b>1,356</b>	2,005	2,099	2,123	2,375
Operating expenses	<b>1,859</b>	1,802	1,972	2,012	2,383
Operating profit <sup>1</sup>	<b>(503)</b>	203	127	111	(8)
Total other expenses <sup>2,3</sup>	<b>1,223</b>	139	183	112	307
Net income (loss)	<b>(1,726)</b>	64	(56)	(1)	(315)

<sup>1</sup> Before stock-based compensation

<sup>2</sup> Includes gain on litigation, gain or loss on asset disposal, stock-based compensation expense, interest expense, income tax recovery, foreign exchange loss or gain, other expenses and acquisition expense.

<sup>3</sup> For Q4 2022, the Company wrote down its deferred tax asset and liabilities with a net impact of (\$1,141).

<b>Subscription and services revenue</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
Application software	<b>475</b>	804	1,402	1,483	1,504
Technology as a service (TaaS)	-	-	-	-	50
Other services	<b>628</b>	522	452	428	423
Total	<b>1,103</b>	1,326	1,854	1,911	1,977

<b>Other services revenue</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
Technology life-cycle maintenance and support	<b>300</b>	275	214	209	175
Professional services	<b>328</b>	246	238	219	248
Total	<b>628</b>	521	452	428	423

<b>Adjusted EBITDA</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>
<i>in 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
Adjusted EBITDA <sup>3</sup>	<b>(142)</b>	543	459	446	341
Amortization	<b>361</b>	340	332	335	348
Operating profit	<b>(503)</b>	203	127	111	(8)

<sup>3</sup> Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation and amortization, stock-based compensation, patent litigation, restructuring and other costs. Adjusted EBITDA does not have any standardized

meaning prescribed under IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. Adjusted EBITDA allows Route1 to compare its operating performance over time on a consistent basis.

<b>Balance sheet extracts</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>
<i>In 000s of CAD dollars</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
Cash	79	103	299	481	63
Total current assets	4,901	5,445	4,593	3,618	5,726
Total current liabilities	8,825	9,629	9,012	8,147	10,563
Net working capital	(3,924)	(4,184)	(4,419)	(4,529)	(4,837)
Total assets	12,355	14,826	13,909	12,574	15,097
Net bank debt and seller notes	3,042	3,018	2,515	2,297	2,926
Total shareholders' equity	1,765	3,209	2,883	2,774	2,728

As of April 26, 2023, there are a total of 2,925,000 options currently outstanding under the stock option plan.

### ***Business and Operations Metrics***

Further to the Company's most recent shareholder call and webcast presentation held on February 28, 2023, Route1 communicated operating metrics that it believes assists in the establishment of whether its business model direction change is being successful and can be scaled. Specifically, the growth of gross profit generated from non-MobiKEY sales on a quarterly basis needs to achieve a minimum of US \$1.15 million ("Benchmark A"), and recurring ALPR support contracts need to grow to in excess of US \$1.0 million in annualized revenue value ("Benchmark B").

#### **Benchmark A**

in US 000s	<b>Q4-22 A</b>	<b>Q3-22 A</b>	<b>Q2-22 A</b>	<b>Q1-22 A</b>
<b>Annualized Value</b>	<b>\$802</b>	<b>\$1,080</b>	<b>\$705</b>	<b>\$672</b>

#### **Benchmark B**

Route1 continued to see improved levels of recurring revenue derived from its LPR clients through improved support contracts – technology life-cycle maintenance and support revenue. Route1 started the year at a base of US \$595,000 per annum.

in US 000s	<b>Q4-22 A</b>	<b>Q3-22 A</b>	<b>Q2-22 A</b>	<b>Q1-22 A</b>
Reported Quarter Value	\$222	\$213	\$168	\$165
<b>Annualized Value</b>	<b>\$888</b>	<b>\$852</b>	<b>\$672</b>	<b>\$660</b>



Since the closing of the Spyrus Solutions acquisition, Route1 has monetized the inventory acquired and realized good short-term success in selling the PocketVault P-3X technology. The Company spent approximately US \$580,000 to acquire Spyrus Solutions.

in US 000s	Q4-22 A	Q3-22 A	Q2-22 A	Q1-22 A	Q4-21 A
Spyrus Solutions Gross Profit	\$128	\$280	\$109	\$281	\$410

***Business Update Conference Call and Webcast***

The Company has decided to hold a conference call and web cast with the announcement of its Q1 2023 financial results in late May 2023.

**About Route1 Inc.**

Route1 Inc. is an advanced North American technology company that empowers their clients with data-centric solutions necessary to drive greater profitability, improve operational efficiency and gain sustainable competitive advantages, while always emphasizing a strong cybersecurity and information assurance posture. Route1 delivers exceptional client outcomes through real-time secure delivery of actionable intelligence to decision makers, whether it be in a manufacturing plant, in-theater or in a university parking lot. Route1 is listed in Canada on the TSX Venture Exchange under the symbol ROI. For more information, visit: [www.route1.com](http://www.route1.com).

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