

Route1 Announces Q1 2024 Financial Results

Toronto, Canada, May 15, 2024 - [Route1 Inc.](#) (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 month period ended March 31, 2024.

Statement of operations	Q1	Q4	Q3	Q2	Q1
<i>In 000s of CAD dollars</i>	2024	2023	2023	2023	2023
Revenue					
Subscription and services	\$906	\$1,064	\$1,148	\$1,159	\$1,086
Devices and appliances	3,123	3,222	3,370	3,026	3,486
Other	3	10	5	(1)	3
Total revenue	4,032	4,296	4,523	4,184	4,575
Cost of revenue	2,716	2,797	2,998	3,011	2,897
Gross profit	1,317	1,499	1,525	1,173	1,678
Operating expenses	1,431	1,558	1,542	1,533	1,805
Operating profit ¹	(115)	(59)	(18)	(360)	(128)
Total other expenses ^{2,3}	34	223	52	265	175
Net income (loss)	(\$149)	(\$282)	(\$70)	(\$625)	(\$303)

¹ Before stock-based compensation

² Includes 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.

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

Adjusted EBITDA ¹	Q1	Q4	Q3	Q2	Q1
<i>In thousands of Canadian dollars</i>	2024	2023	2023	2023	2023
Adjusted EBITDA	\$134	\$226	\$297	(\$27)	\$219
Depreciation and amortization	248	285	314	333	349
Operating profit	(\$115)	(\$59)	(\$18)	(\$360)	(\$128)

¹ 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.

Subscription and services revenue	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2024	2023	2023	2023	2023
Application software	\$129	\$139	\$280	\$343	\$456
Other services	777	925	868	816	630
Total	\$906	\$1,064	\$1,148	\$1,159	\$1,086

Other services revenue	Q1	Q4	Q3	Q2	Q1
<i>in 000s of CAD dollars</i>	2024	2023	2023	2023	2023
Technology life-cycle maintenance and support	\$347	\$323	\$314	\$310	\$285
Professional services	430	602	553	506	345
Total	\$777	\$925	\$867	\$816	\$630

Operating Results Commentary

- A short delay late in March 2024 in the completed manufacturing of additional Route1 PocketVault P-3X devices resulted in certain sales orders not fulfilled and recognized in Q1 2024. The net result was a reduction in gross profit and EBITDA reducing Route1’s Q1 2024 EBITDA to a level below the quarterly norms established in the second half of the 2023 fiscal year.
- Recurring ALPR support contracts grew to a value in excess of US \$1.0 million in annualized revenue for the first time.
- Adjustments in February 2024 to Route1’s standard payment terms for “direct” ALPR clients (versus through a parking industry partner) led to increased cash received in deposits on new sales orders which in turn led to a reduction in bank debt, from \$3.3 million as at December 31, 2024 to \$2.8 million as at March 31, 2024.
- Route1’s trailing four quarter EBITDA value is expected to improve after the completion of the second quarter of 2024, moving towards \$1.0 million annually in EBITDA. Further, the return on total assets deployed to generate the improving trailing four quarters cash flow should increase due to the positive impact of the above noted adjustment to Route1’s standard payment terms for “direct” ALPR clients reducing Route1’s investment in working capital and long-term assets continue to be amortized without a similar investment by Route1 in sustenance capital expenditures.

Balance Sheet Extracts

<i>In 000s of CAD dollars</i>	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
	2024	2023	2023	2023	2023
Cash	\$27	\$38	\$23	\$27	\$80
Total current assets	2,650	3,071	3,877	3,563	3,691
Total current liabilities	7,856	8,089	8,728	8,484	8,001
Net working capital	(5,206)	(5,018)	(4,851)	(4,921)	(4,329)
Total assets	9,017	9,541	10,678	10,571	11,016
Net bank debt and seller notes	2,783	3,258	3,248	3,378	3,425
Total shareholders’ equity	\$407	\$584	\$838	\$936	\$1,499

Business and Operations Metrics

Route1 has established three operating metrics that are critical to the Company’s business model initially creating cash flow stability and then generating sustainable shareholder value. It is the Company’s goal to demonstrate success through cash flow generation that provides for meaningful debt reduction and improved returns on invested capital, and additionally demands scaling the business model through acquisition.

- A. Gross profit (GP) generated from non-MobiKEY and other Route1 software application sales on a quarterly basis needs to achieve and maintain a minimum value of US \$1.15 million (“Benchmark A”). Gross profit is defined as revenue less devices and appliances direct costs but does not include other direct costs including salaries, wages and consulting fees, bad debts and travel expenses.

in US 000s	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22
Quarter Value	\$1,064	\$1,170	\$1,124	\$794	\$1,163	\$862	\$1,231

- B. Recurring ALPR support contracts need to grow to in excess of US \$1.0 million in annualized revenue (“Benchmark B”).

Route1 started the 2022 fiscal year at a base of US \$595,000 per annum.

in US 000s	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22
Quarter Value	\$258	\$237	\$235	\$228	\$212	\$222	\$213
Annualized Value	\$1,032	\$946	\$941	\$914	\$847	\$888	\$852

- C. Fixed costs including amortization need not to exceed CAD \$1.65 million per quarter (“Benchmark C”).

In CAD 000s	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22
Fixed Costs	\$1,431	\$1,558	\$1,542	\$1,533	\$1,805	\$1,859	\$1,802

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. Route1 is listed in Canada on the TSX Venture Exchange under the symbol ROI. For more information, visit: www.route1.com.



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