

Route1 Announces Q3 2023 Financial Results

Toronto, Canada, November 16, 2023 - [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 and nine month periods ended September 30, 2023.

| Statement of operations | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
|-------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <i>In 000s of CAD dollars</i> | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| Revenue | | | | | | |
| Subscription and services | 1,148 | 1,159 | 1,086 | 1,103 | 1,326 | 1,854 |
| Devices and appliances | 3,370 | 3,026 | 3,486 | 2,279 | 5,519 | 5,251 |
| Other | 5 | (1) | 3 | 6 | 2 | 9 |
| Total revenue | 4,523 | 4,184 | 4,575 | 3,388 | 6,847 | 7,114 |
| Cost of revenue | 2,998 | 3,011 | 2,897 | 2,032 | 4,842 | 5,015 |
| Gross profit | 1,525 | 1,173 | 1,678 | 1,356 | 2,005 | 2,099 |
| Operating expenses | 1,542 | 1,533 | 1,805 | 1,859 | 1,802 | 1,972 |
| Operating profit ¹ | (17) | (360) | (128) | (503) | 203 | 127 |
| Total other expenses ^{2,3} | 53 | 265 | 175 | 1,223 | 139 | 183 |
| Net income (loss) | (70) | (625) | (303) | (1,726) | 64 | (56) |

¹ Before stock-based compensation

² 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.

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

| Subscription and services revenue | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
|------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| <i>in 000s of CAD dollars</i> | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| Application software | 280 | 343 | 456 | 475 | 804 | 1,402 |
| Other services | 867 | 816 | 630 | 628 | 522 | 452 |
| Total | 1,148 | 1,159 | 1,086 | 1,103 | 1,326 | 1,854 |

| Other services revenue | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
|-----------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>in 000s of CAD dollars</i> | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| Technology life-cycle maintenance and support | 314 | 310 | 285 | 300 | 275 | 214 |
| Professional services | 553 | 506 | 345 | 328 | 246 | 238 |
| Total | 867 | 816 | 630 | 628 | 521 | 452 |

| Adjusted EBITDA | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>in 000s of CAD dollars</i> | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| Adjusted EBITDA ³ | 297 | (27) | 219 | (142) | 543 | 459 |
| Amortization | 314 | 332 | 346 | 361 | 340 | 332 |
| Operating profit | (17) | (360) | (128) | (503) | 203 | 127 |

³ 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.

| Balance sheet extracts | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
|--------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| <i>In 000s of CAD dollars</i> | 2023 | 2023 | 2023 | 2022 | 2022 | 2022 |
| Cash | 23 | 27 | 80 | 79 | 103 | 299 |
| Total current assets | 3,877 | 3,563 | 3,691 | 4,901 | 5,445 | 4,593 |
| Total current liabilities | 8,728 | 8,484 | 8,001 | 8,825 | 9,629 | 9,012 |
| Net working capital | (4,851) | (4,921) | (4,329) | (3,924) | (4,184) | (4,419) |
| Total assets | 10,678 | 10,571 | 11,016 | 12,355 | 14,826 | 13,909 |
| Net bank debt and seller notes | 3,248 | 3,378 | 3,425 | 3,118 | 3,018 | 2,515 |
| Total shareholders' equity | 838 | 936 | 1,499 | 1,765 | 3,209 | 2,883 |

As of November 15, 2023, there are a total of 2,075,000 options currently outstanding under the stock option plan.

Business and Operations Metrics

Further to the Company's prior news releases, shareholder calls and webcast presentations, Route1 has communicated operating metrics that it believes assist in establishing whether the Company's business model is generating shareholder value. The Company is adapting to an increasingly difficult competitive environment and is achieving success in the automatic license plate recognition technology component of its business. It is the Company's goal to demonstrate success through cash flow generation that provides for impactful debt reduction and improved returns on invested capital, and additionally justifies scaling the business model.

Further in today's update, we have added a third metric, quarterly fixed costs.

- 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 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|---------------|---------|-------|---------|-------|---------|-------|-------|
| Quarter Value | \$1,124 | \$794 | \$1,163 | \$862 | \$1,231 | \$896 | \$876 |

- 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 | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|------------------|-------|-------|-------|-------|-------|-------|-------|
| Quarter Value | \$235 | \$228 | \$212 | \$222 | \$213 | \$168 | \$165 |
| Annualized Value | \$941 | \$914 | \$847 | \$888 | \$852 | \$672 | \$660 |

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

| In CAD 000s | Q3-23 | Q2-23 | Q1-23 | Q4-22 | Q3-22 | Q2-22 | Q1-22 |
|-------------|---------|---------|---------|---------|---------|---------|---------|
| Fixed Costs | \$1,542 | \$1,533 | \$1,805 | \$1,859 | \$1,802 | \$1,972 | \$2,012 |

Operating Results Commentary

- Route1’s third quarter operating performance moved in the right direction even with the continued reduction in MobiKEY software application revenue, a reflection of the growth and improvement in the balance of the Company’s revenue generating activities including:
 - ALPR new client and current client expansion of technology usage projects,
 - ALPR client life-cycle maintenance and support contract servicing and expansion,
 - Rugged device value added reseller sales, and
 - Sales derived from the Company’s PocketVault P-3X data security and user authentication technology.
- Route1 is building a larger “book” of recurring revenue generated by technology life-cycle maintenance and support contracts / end users as shown in Benchmark B above.
- The MobiKEY application software and Route1’s next generation cloud-based secure remote access and user authentication offering, MobiKEY X, will see a further revenue reduction in Q4 2023 as a result of the loss of the U.S. Department of the Navy account.
- As outlined in the Company’s Q2 2023 update, the MobiKEY technology’s successful path forward with U.S. Department of Defense clientele is significantly challenged by stiff competition from cloud based enterprise offering providers, specifically Microsoft 365.
- Route1’s Q4 2023 should see business activity and associated gross profit related to its new business model, as described in Benchmark A, in excess of USD \$1.0 million.

“The sales model pivot is creating operational stability and growth in business activity. There is meaningful further work to do to improve our working capital position, reduce third party debt levels and generate improved operating cash flow but, the announced third quarter was a step forward,” said Tony Busseri.

Business Update Conference Call and Webcast

Route1 will not hold a shareholder conference call and web cast to discuss its third quarter 2023 results. Shareholder queries can be directed to the Company’s President and CEO Tony Busseri by using the contact information provided below.

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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