



## Route1 Announces Q4 and Fiscal Year 2023 Financial Results

Toronto, Canada, April 24, 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 and twelve-month periods ended December 31, 2023.

### ***Fiscal Year 2023 (FY 2023)***

<i>In 000s of CAD dollars</i>	<b>FY 2023</b>	<b>FY 2022</b>	<b>FY 2021</b>
Revenue			
Services	<b>\$4,456</b>	\$6,194	\$9,702
Device	<b>13,104</b>	15,830	17,432
Other	<b>18</b>	21	137
Total Revenue	<b>17,578</b>	22,045	27,271
Cost of revenue	<b>11,703</b>	14,462	16,446
Gross profit	<b>5,875</b>	7,583	10,825
Operating expenses	<b>6,439</b>	7,645	9,812
Operating profit <sup>1</sup>	<b>(564)</b>	(62)	1,013
Total other expenses <sup>2,3</sup>	<b>719</b>	1,656	791
Net income (loss)	<b>(\$1,283)</b>	(\$1,718)	\$222

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

### ***Fourth Quarter 2023 (Q4 2023)***

<b>Statement of operations</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
<i>In 000s of CAD dollars</i>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
Revenue						
Subscription and services	<b>\$1,064</b>	\$1,148	\$1,159	\$1,086	\$1,103	\$1,326
Devices and appliances	<b>3,222</b>	3,370	3,026	3,486	2,279	5,519
Other	<b>10</b>	5	(1)	3	6	2
Total revenue	<b>4,296</b>	4,523	4,184	4,575	3,388	6,847
Cost of revenue	<b>2,797</b>	2,998	3,011	2,897	2,032	4,842
Gross profit	<b>1,499</b>	1,525	1,173	1,678	1,356	2,005
Operating expenses	<b>1,558</b>	1,542	1,533	1,805	1,859	1,802
Operating profit <sup>1</sup>	<b>(59)</b>	(17)	(360)	(128)	(503)	203
Total other expenses <sup>2,3</sup>	<b>226</b>	53	265	175	1,223	139
Net income (loss)	<b>(\$285)</b>	(\$70)	(\$625)	(\$303)	(\$1,726)	\$64

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

<sup>2</sup> 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.

<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> <i>in 000s of CAD dollars</i>	<b>Dec 31</b> <b>2023</b>	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Application software	\$139	\$280	\$343	\$456	\$475
Other services	925	868	816	630	628
<b>Total</b>	<b>\$1,064</b>	<b>\$1,148</b>	<b>\$1,159</b>	<b>\$1,086</b>	<b>\$1,103</b>

<b>Other services revenue</b> <i>in 000s of CAD dollars</i>	<b>Dec 31</b> <b>2023</b>	Sept 30 2022	Jun 30 2023	Mar 31 2023	Dec 31 2022
Technology life-cycle maintenance and support	\$323	\$314	\$310	\$285	\$300
Professional services	602	553	506	345	328
<b>Total</b>	<b>\$925</b>	<b>\$867</b>	<b>\$816</b>	<b>\$630</b>	<b>\$628</b>

<b>Adjusted EBITDA</b> <i>In thousands of Canadian dollars</i>	<b>Dec 31</b> <b>2023</b>	Sep 30 2023	Jun 30 2023	Mar 31 2022	Dec 31 2022
Adjusted EBITDA	\$226	\$297	(\$27)	\$219	(\$142)
Depreciation and amortization	285	314	333	349	361
<b>Operating profit</b>	<b>(\$59)</b>	<b>(\$17)</b>	<b>(\$360)</b>	<b>(\$128)</b>	<b>(\$503)</b>

<sup>1</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> <i>In 000s of CAD dollars</i>	<b>Dec 31</b> <b>2023</b>	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Cash	38	23	27	80	79
Total current assets	3,071	3,877	3,563	3,691	4,901
Total current liabilities	8,089	8,728	8,484	8,001	8,825
Net working capital	(5,018)	(4,851)	(4,921)	(4,329)	(3,924)
Total assets	9,541	10,678	10,571	11,016	12,355
Net bank debt and seller notes	3,258	3,248	3,378	3,425	3,118
Total shareholders' equity	1,765	838	936	1,499	1,765

As of April 24, 2024, there are a total of 2,075,000 options currently outstanding under the stock option plan.

**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 impactful 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	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22
Quarter Value	\$1,170	\$1,124	\$794	\$1,163	\$862	\$1,231	\$896

- 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	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22
Quarter Value	\$237	\$235	\$228	\$212	\$222	\$213	\$168
Annualized Value	\$946	\$941	\$914	\$847	\$888	\$852	\$672

As of April 24, 2024, Route1 is in excess of US \$1.0 million in annualized revenue.

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

In CAD 000s	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22
Fixed Costs	\$1,558	\$1,542	\$1,533	\$1,805	\$1,859	\$1,802	\$1,972

**Operating Results Commentary**

- Route1’s third quarter operating performance again 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, saw 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 and Q3 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 Q1 and Q2 2024 should both see business activity and associated gross profit related to its new business model, as described in Benchmark A, in excess of USD \$1.05 million.

“We are pleased to achieve another solid quarter through our sales model pivot, which created positive operating cash flow and growth in business activity. There continues to be work to do to improve our working capital position, reduce third party debt levels and generate improved operating cash flow but, the announced fourth quarter was another step forward,” said Tony Busseri.

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

The Company will hold a conference call and web cast to provide a business update on Thursday, April 25, 2024 at 4:30 pm Eastern Time.

Participants should dial Toll-Free 888-506-0062 or Toll/International 973-528-0011 at least 10 minutes prior to the conference call and web cast. The participant access code is 232702. For those unable to attend the call, a replay will be available at Toll-Free 877-481-4010 passcode 45656 until 4:30 pm on April 25, 2025 .

The webcast will be presented live at <https://www.webcaster4.com/Webcast/Page/2167/50358>

#### **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](http://www.route1.com).

#### **For More Information, Contact:**

Tony Busseri  
President and Chief Executive Officer

+1 480 578-0287

[tony.busseri@route1.com](mailto:tony.busseri@route1.com)

This news release, required by applicable Canadian laws, does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

© 2023 Route1 Inc. All rights reserved. No part of this document may be reproduced, transmitted or otherwise used in whole or in part or by any means without prior written consent of Route1 Inc. See <https://www.route1.com/terms-of-use/> for notice of Route1’s intellectual property.

This news release may contain statements that are not current or historical factual statements that may constitute forward-looking statements or future oriented financial information. These statements are based on certain factors and assumptions, including, expectations regarding the expected growth in the value of support contracts for the LPR business, price and liquidity of the common shares, competition for skilled personnel, expected financial performance and subscription-based revenue, business prospects, technological developments, development activities and like matters. While Route1 considers these factors and assumptions to be reasonable, based on information currently available, they may prove to be incorrect. These statements involve risks and uncertainties, including but not limited to the market demand for the Company’s products and services and risk factors described in reporting documents filed by the Company. Actual results could differ materially from those projected as a result of these and other risks and should not be relied upon as a prediction of future events. The Company undertakes no obligation to update any forward-looking statement or future oriented financial information to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, except as required by law. Estimates used in this presentation are from Company sources. Past or forecasted performance is not a guarantee of future performance and readers should not rely on historical results or forward-looking statements or future oriented financial information as an assurance of future results.

###