

## Route1 Announces Q2 2024 Financial Results

**Toronto, Canada, August 20, 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 six-month periods ended June 30, 2024.

<b>Statement of operations</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>In 000s of CAD dollars</i>	<b>2024</b>	2024	2023	2023	2023	2023
Revenue						
Subscription and services	<b>\$888</b>	\$906	\$1,064	\$1,148	\$1,159	\$1,086
Devices and appliances	<b>2,605</b>	3,123	3,222	3,370	3,026	3,486
Other	<b>(9)</b>	3	10	5	(1)	3
Total revenue	<b>3,484</b>	4,032	4,296	4,523	4,184	4,575
Cost of revenue	<b>2,269</b>	2,716	2,797	2,998	3,011	2,897
Gross profit	<b>1,215</b>	1,317	1,499	1,525	1,173	1,678
Operating expenses	<b>1,457</b>	1,431	1,558	1,542	1,533	1,805
Operating profit <sup>1</sup>	<b>(242)</b>	(115)	(59)	(18)	(360)	(128)
Total other expenses <sup>2</sup>	<b>86</b>	34	223	52	265	175
Net income (loss)	<b>(\$328)</b>	(\$149)	(\$282)	(\$70)	(\$625)	(\$303)

<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 expenses.

<b>Adjusted EBITDA <sup>1</sup></b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>In thousands of Canadian dollars</i>	<b>2024</b>	2024	2023	2023	2023	2023
Adjusted EBITDA	<b>\$2</b>	\$134	\$226	\$297	(\$27)	\$219
Depreciation and amortization	<b>245</b>	248	285	314	333	349
Operating profit	<b>\$242</b>	(\$115)	(\$59)	(\$18)	(\$360)	(\$128)

<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>Subscription and services revenue</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2024</b>	2024	2023	2023	2023	2023
Application software	<b>\$49</b>	\$129	\$139	\$280	\$343	\$456
Other services	<b>839</b>	777	925	868	816	630
Total	<b>\$888</b>	\$906	\$1,064	\$1,148	\$1,159	\$1,086

<b>Other services revenue</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
<i>in 000s of CAD dollars</i>	<b>2024</b>	2024	2023	2023	2023	2023
Technology life-cycle maintenance and support	<b>\$356</b>	\$347	\$323	\$314	\$310	\$285
Professional services	<b>483</b>	430	602	553	506	345
<b>Total</b>	<b>\$839</b>	<b>\$777</b>	<b>\$925</b>	<b>\$867</b>	<b>\$816</b>	<b>\$630</b>

### **Operating Results Commentary**

“Simply put, the results for our second quarter of 2024 did not reflect the quality and potential of our business and growth plan. We expect a much stronger second half to 2024 compared to the first half; stay tuned”, said Tony Busseri, President and CEO.

**Execution and Talent.** The second quarter of 2024 was impacted by a few ALPR projects being pushed out of the quarter into a later period, and the Company did not have the ability to pull in other sales opportunities to offset the negative revenue and cash flow impact attributable to these projects.

Route1’s immediate sales goal is to build a more robust and diversified pipeline of growth opportunities that will lead to greater stability and overall improvement in its quarterly operating results to levels exceeding those from the last four quarters. Execution requires talent and during the first half of 2024 the Company prioritized improving and building on its sales and client experience team in its cybersecurity, rugged device reselling and ALPR turnkey engineering services practices.

An example is Jeff Barnes who was hired on July 1, 2024, as a new member of Route1’s ALPR customer experience team to compliment Elton Crawford. Mr. Barnes is a CAPP credentialed parking professional where prior to joining Route1 he spent 26 years at Kansas State University as the Assistant Director of Parking leading the Enforcement and Maintenance sections, and the Director for the last six years.

Route1’s customer experience team of Jeff and Elton use their parking and public safety industry experience to show the Company’s clients the power of Genetec’s Security Center AutoVu™ automatic license plate recognition (ALPR) system as a unifying platform and the benefits of establishing a better community-based approach to security and video surveillance and capture technology roadmap. The team specializes in helping Route1’s clients develop relevant ALPR dashboards and reporting metrics that can improve visualization of their ALPR operations, and help measure Return-on-Investment, as well as capture unrealized revenue opportunities.



**Large PocketVault Order.** On Friday, June 28, 2024, Route1 received a sales order from an approved reseller under a blanket purchase agreement for the U.S. Department of State valued at USD \$443,000. The sales order is for 64 GB, 512 GB and 2 TB PocketVault P-3X devices.

From the time Company purchased Spyru Solutions in September 2021 to now, this is the largest single sales order Route1 has received for its PocketVault technology.

The overall size of the order requires the Company to manufacture and provision additional devices, and as a result, Route1 is expecting to complete the shipment of the order by the end of the third quarter of 2024. Gross margins from the sale of PocketVault technology are greater than the Company's overall gross profit margin, ranging from 45 to 70%.

**PocketVault and Zero Trust.** Over the last year Jerry Iwanski, Route1's Senior Vice President, Chief Engineering and Technology Officer has been building innovative cybersecurity technologies designed to protect client's digital assets.

The concept of "zero trust" has emerged as the gold standard in cybersecurity, focusing on continuous verification and strict access controls. Route1's own cybersecurity product portfolio focuses on three key areas where it will enhance an organization's zero trust posture:

- Security of access to systems and data-in-transit (DAT), which mitigates network perimeter vulnerabilities. *Work from anywhere.*
- High assurance data-at-rest (DAR) protection in mobile form factors. *Carry your data – or an entire work environment – in your pocket, without risk of loss or exposure.*
- Cryptographically secure enterprise-wide sharing of files. *Ensure that the files you share do not fall into the wrong hands.*

Route1 remains product agnostic, and we present our customers with the best solutions available, Route1 also has developed best-in-class technologies, including PocketVault.

PocketVault combines high assurance data storage with a smart card cryptographic element for multifactor authentication. It is also available in a configuration that packages the operating system and the required application into a trusted and completely mobile execution environment. What further distinguishes the PocketVault product line from anything else in the marketplace is the control afforded to organizations that deploy the optional Enterprise Management System.

Security officers and administrators can define policies, including controls over length and frequency of offline access versus online access to the devices. An administrator can disable a user's device through the management system. Full audit capabilities record all access to the devices as well as which files were added, modified, or deleted.

PocketVault is also a technology that can be used to boot a hardened instance of the operating

system on any computer. The verified applications are available to the users but controlled by an organization's IT department. Files and any other data-at-rest remain secured on that same device. And, of course, the user must pass the strict smart card-based authentication before they can access any of it.

PocketVault is available as a hardened, FIPS compliant USB device or MicroSD card – in various capacities to suit your applications.

### **Balance Sheet Extracts**

<i>In 000s of CAD dollars</i>	<b>Jun 30</b>	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
	<b>2024</b>	2024	2023	2023	2023	2023
Cash	<b>\$136</b>	\$27	\$38	\$23	\$27	\$80
Total current assets	<b>2,501</b>	2,650	3,071	3,877	3,563	3,691
Total current liabilities	<b>7,983</b>	7,856	8,089	8,728	8,484	8,001
Net working capital	<b>(5,482)</b>	(5,206)	(5,018)	(4,851)	(4,921)	(4,329)
Total assets	<b>8,677</b>	9,017	9,541	10,678	10,571	11,016
Net bank debt and seller notes	<b>2,953</b>	2,783	3,258	3,248	3,378	3,425
Total shareholders' equity	<b>\$47</b>	\$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	<b>Q2-24</b>	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23
Quarter Value	<b>\$998</b>	\$1,064	\$1,170	\$1,124	\$794	\$1,163

- B. Recurring ALPR support contracts need to grow to more than 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	<b>Q2-24</b>	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22
Quarter Value	<b>\$261</b>	\$258	\$237	\$235	\$228	\$212	\$222
Annualized Value	<b>\$1,044</b>	\$1,032	\$946	\$941	\$914	\$847	\$888

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

In CAD 000s	<b>Q2-24</b>	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22
Fixed Costs	<b>\$1,457</b>	\$1,431	\$1,558	\$1,542	\$1,533	\$1,805	\$1,859

### **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)

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