Route1 Announces Q2 2023 Financial Results

Toronto, Canada, August 25, 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 six month period ended June 30, 2023.

Statement of operations *In 000s of CAD dollars*	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Revenue						
Subscription and services	**1,159**	1,086	1,103	1,326	1,854	1,911
Devices and appliances	**3,026**	3,486	2,279	5,519	5,251	2,781
Other	**(1)**	3	6	2	9	3
Total revenue	**4,184**	4,575	3,388	6,847	7,114	4,695
Cost of revenue	**3,011**	2,897	2,032	4,842	5,015	2,572
Gross profit	**1,173**	1,678	1,356	2,005	2,099	2,123
Operating expenses	**1,533**	1,805	1,859	1,802	1,972	2,012
Operating profit [1]	**(360)**	(128)	(503)	203	127	111
Total other expenses [2, 3]	**280**	177	1,223	139	183	112
Net income (loss)	**(640)**	(305)	(1,726)	64	(56)	(1)

[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 *in 000s of CAD dollars*	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Application software	**343**	456	475	804	1,402	1,483
Other services	**816**	630	628	522	452	428
Total	**1,159**	1,086	1,103	1,326	1,854	1,911

Other services revenue *in 000s of CAD dollars*	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Technology life-cycle maintenance and support	**310**	285	300	275	214	209
Professional services	**506**	345	328	246	238	219
Total	**816**	630	628	521	452	428

Adjusted EBITDA *in 000s of CAD dollars*	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Adjusted EBITDA [3]	**(27)**	219	(142)	543	459	446
Amortization	**332**	346	361	340	332	335
Operating profit	**(360)**	(128)	(503)	203	127	111

[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 *In 000s of CAD dollars*	**Jun 30 2023**	**Mar 31 2023**	**Dec 31 2022**	**Sep 30 2022**	**Jun 30 2022**	**Mar 31 2022**
Cash	**27**	80	79	103	299	481
Total current assets	**3,563**	3,691	4,901	5,445	4,593	3,618
Total current liabilities	**8,484**	8,001	8,825	9,629	9,012	8,147
Net working capital	**(4,921)**	(4,329)	(3,924)	(4,184)	(4,419)	(4,529)
Total assets	**10,571**	11,016	12,355	14,826	13,909	12,574
Net bank debt and seller notes	**3,350**	3,344	3,042	3,018	2,515	2,297
Total shareholders' equity	**936**	1,499	1,765	3,209	2,883	2,774

As of August 25, 2023, there are a total of 2,275,000 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 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	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22
Quarter Value	$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	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22
Quarter Value	**$228**	$212	$222	$213	$168	$165
Annualized Value	**$912**	$848	$888	$852	$672	$660

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

In 000s of CAD dollars	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22
Cost of revenue	**1,533**	1,805	1,859	1,802	1,972	2,012

Operating Results Commentary

- Route1's second quarter operating performance was negatively impacted by reduced levels of transactional revenue generated by device and appliance sales, and a continued reduction in MobiKEY software application revenue.
- The MobiKEY application software and Route1's next generation cloud-based secure remote access and user authentication offering, MobiKEY X, will continue to see a revenue reduction throughout the 2023 year.
- The MobiKEY technology's successful path forward is being significantly challenged by stiff competition from cloud based enterprise offering providers, specifically Microsoft 365, to secure the U.S. Department of Defense's user mobility and remote access requirements.
- Route1 is having success in growing its turnkey engineering services business model that leverages video capture technologies.
- 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.
- Route1's second half of 2023 will see an increase in activity and associated gross profit related to the new business model. The company expects that each of the third and fourth quarter's gross profit, as described in Benchmark A ,should be in excess of USD $1.0 million.

Business Update Conference Call and Webcast

Route1 will not hold a shareholder conference call and web cast to discuss second quarter 2023 results but will after the release of its third quarter 2023 results in late October 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. 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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