Route1 Reports Q2 2026 Results

Gross Margin Expands and Recurring Revenue Exceeds US$1.4 Million as ALPR Market Shifts Toward Governance and Operational Control

TORONTO, CANADA, August 25, 2026 - Route1 Inc. ("Route1" or the "Company") (TSXV: ROI), a provider of technology-enabled services focused on parking operations, public safety and mobility, today announced its financial results for the three- and six-month periods ended June 30, 2026.

The three months ended June 30, 2026 ("Q2 2026") reflected lower transactional device and professional-service activity, while several measures tied to the quality and cash characteristics of the business improved. Gross margin increased to 45.2% from 36.5% a year earlier, technology lifecycle maintenance and support revenue increased 12.4% year-over-year, and Route1 generated $0.304 million of cash from operating activities during the quarter.

Route1 entered the second half of 2026 with its annualized recurring revenue base continuing to expand. As of August 1, 2026, annualized recurring revenue exceeded US$1.4 million. At the same time, the external market around automated license plate recognition ("ALPR") is changing quickly as legislation, privacy requirements and customer expectations increasingly move governance, auditability and operating control from policy documents into technology and day-to-day operating requirements. These changes are creating concrete compliance, replacement and modernization catalysts across Route1's target markets. Route1 is positioned to convert those catalysts, customer deployments and lifecycle events into recurring relationships that can increase revenue quality, Adjusted EBITDA and free cash flow over time.

Q2 2026 Highlights

- **Revenue:** was $2.40 million compared with $3.69 million in Q2 2025, with the decrease primarily reflecting the timing and size of transactional device orders and professional-service activity.
- **Gross margin:** increased to 45.2% from 36.5% in Q2 2025.
- **Annualized recurring revenue base:** exceeded US$1.408 million as of August 1, 2026, compared with approximately US$1.346 million as of March 31, 2026.
- **Technology lifecycle maintenance and support revenue:** increased 12.4% year-over-year to $0.463 million from $0.412 million.
- **Adjusted EBITDA:** was positive $0.043 million compared with $0.269 million in Q2 2025.
- **Operating cash flow:** was a positive $0.304 million compared with negative $0.033 million in Q2 2025.
- **Net loss:** improved to approximately $0.001 million from $0.061 million in Q2 2025.
- **Six-month operating cash flow:** increased to $0.403 million from $0.094 million for the same period in 2025.
- **Six-month operating expenses:** declined 11.8% year-over-year, while gross margin increased to 42.1% from 38.1%.

Q2 2026 Commentary

Revenue during Q2 2026 was $2.40 million compared with $3.69 million during Q2 2025. Devices and appliances revenue was $1.25 million compared with $2.23 million, while subscription revenue and services was $1.15 million compared with $1.47 million. The year-over-year decline in subscription revenue and services primarily reflected the timing of professional-service activity; technology lifecycle maintenance and support revenue increased to $0.463 million from $0.412 million.

The mix of revenue produced a materially stronger gross margin. Gross profit was $1.09 million compared with $1.35 million in Q2 2025, while gross margin increased to 45.2% from 36.5%. Operating expenses decreased 4.8% to $1.21 million. Adjusted EBITDA remained positive at $0.043 million and net loss for the quarter was approximately $0.001 million.

For the six months ended June 30, 2026, Route1 generated $0.403 million of cash from operating activities compared with $0.094 million for the same period in 2025. Operating expenses declined 11.8% year-over-year and the operating loss before other income and expense improved to $0.182 million from $0.321 million.

The recurring support component of the business continued to strengthen even as total revenue declined. Technology lifecycle maintenance and support revenue increased 12.4% to $0.463 million in Q2 2026 from $0.412 million in Q2 2025. Management believes the continued growth of recurring support revenue is a more useful indicator of the direction of Route1's operating model than quarter-to-quarter fluctuations in large device orders and project-based professional services.

"Q2 showed the economics we are building around the business. Gross margin expanded, recurring lifecycle support revenue grew, and we generated positive operating cash flow. Since quarter-end, our annualized recurring revenue base has moved above US$1.41 million. More importantly, the ALPR market is moving rapidly toward stronger governance, auditability and customer control, creating the type of operational complexity Route1 is built to address. We have a meaningful set of customer opportunities already in commercial, procurement or approval processes. Our job now is straightforward: close them, deploy well and convert them into additional recurring revenue, EBITDA and free cash flow," said Tony Busseri, Chief Executive Officer of Route1.

Market Drivers and Commercial Catalysts

During the last several months, the ALPR market has moved materially toward stronger governance, privacy controls and operational accountability. Washington State enacted ESSB 6002, establishing a new statutory framework for government ALPR use that addresses permitted uses, data ownership, sharing, retention, agency policies, training and oversight. In California, SB 1013 advanced during August 2026 and continues to contemplate tighter controls around retention, inter-agency access, user access, employee training, search justification and compliance audits. These are no longer abstract policy developments; they are becoming technology-selection, configuration and day-to-day operating requirements for public-sector agencies.

The competitive market is changing as well. On August 13, 2026, Flock Safety announced significant changes to its operating model, including a recommended seven-day default ALPR retention period, required case codes for searches, proactive user lockouts for abnormal activity, more granular inter-agency sharing controls, mandatory multi-factor authentication and an independent cybersecurity review. For Route1, the significance is clear: governance is becoming product functionality, validating the need for customer-controlled architectures backed by implementation, integration and ongoing operational support.

The competitive question has therefore moved beyond which vendor supplies a camera or software license. Public-sector customers increasingly need an ALPR environment that can be architected, implemented, integrated and continuously operated within evolving legal and operational requirements. Route1 competes at this broader operating layer through technology deployment, recurring support programs, Route1 ABI, field execution and operational-performance support.

Recurring Revenue and 2H 2026 Execution

Route1's annualized recurring revenue base exceeded US$1.408 million as of August 1, 2026, compared with approximately US$1.346 million as of March 31, 2026. Growth in this base is being driven primarily by recurring support programs, Route1 ABI and other ongoing operational engagements. Management's objective is not simply to add recurring contracts, but to increase the recurring economic value of customer environments in which Route1 already provides technology, field services or operational support.

The City of Davis, California and the Santa Barbara Police Department provide recent examples of this model. As announced on August 11, 2026, those transactions represented approximately US$0.29 million of combined customer contract value and added more than US$25,000 of annual recurring support and Route1 ABI revenue before preventive-maintenance services. Davis converted a lifecycle hardware replacement into a higher-value recurring support relationship, while Santa Barbara expanded an existing deployment and Route1 ABI engagement.

Route1 enters the second half of 2026 with multiple municipal and university opportunities that have progressed beyond initial business-development discussions into commercial, procurement or senior-approval processes. Several contemplate new or expanded recurring operational programs, including individual annual recurring-revenue opportunities ranging from approximately US$20,000 to more than US$100,000, together with related technology-deployment opportunities that in certain cases represent several hundred thousand dollars of potential project revenue. These opportunities are not included in Route1's recurring-revenue base unless and until awarded. The Company's immediate priority is conversion: securing awards, deploying successfully and turning that activity into additional recurring revenue, EBITDA and free cash flow.

Commercial and Operating Progress

Route1 also has a signed enterprise autonomous parking-enforcement deployment for which the required deposit has been received and installation is later this month. The project extends Route1's operating model into autonomous enforcement and provides another live operating environment in which to demonstrate integration, field execution and operational support. In parallel, the Company is advancing additional municipal and university opportunities involving recurring operational support, Route1 ABI, lifecycle modernization and new technology deployments. Route1 does not identify prospective customers before an award or executed agreement permits disclosure; management intends to report material customer wins as they are secured.

Route1 is also continuing to advance the intellectual-property foundation supporting its operational-intelligence strategy. During August 2026, Company counsel completed a constructive interview with the U.S. Patent and Trademark Office examiner regarding Route1's parking copilot patent application. The application is being prosecuted under an accelerated examination process. Counsel is preparing a response to the current Office Action based on the examiner's feedback, which included suggestions for addressing the current claim rejections.

Corporate Leadership

Route1 also announced the appointment of Dan Fuccello as President and an officer of the Company. Mr. Fuccello will be responsible for driving commercial execution and operating performance as Route1 works to convert its current opportunity set into awarded business, recurring revenue and improved operating results.

Q2 2026 Financial Results

Statement of Operations

(in 000s of Canadian dollars, except per-share amounts)

	Q2-26	Q1-26	Q4-25	Q3-25	Q2-25
Subscription revenue and services	1,151	981	1,041	1,203	1,466
Devices and appliances	1,246	1,572	1,596	1,758	2,233
Other	2	14	-	(7)	(8)
Total revenue	**2,399**	**2,567**	**2,637**	**2,954**	**3,691**
Cost of revenue	1,313	1,560	1,610	1,775	2,343
Gross profit	**1,085**	**1,007**	**1,027**	**1,179**	**1,348**
Operating expenses	1,213	1,062	1,186	1,136	1,274
Operating profit (loss)	**(128)**	**(54)**	**(159)**	**44**	**74**
Total other income (expense)	140	(28)	(163)	212	(111)
Net income (loss)	**(1)**	**(82)**	**(327)**	**253**	**(61)**

Adjusted EBITDA

(in 000s of Canadian dollars)

	Q2-26	Q1-26	Q4-25	Q3-25	Q2-25
Adjusted EBITDA	**43**	**125**	**19**	**220**	**269**
Depreciation and amortization	171	180	178	176	195
Operating profit (loss)	(128)	(54)	(159)	44	74

Subscription and Services Revenue

(in 000s of Canadian dollars)

	Q2-26	Q1-26	Q4-25	Q3-25	Q2-25
Application software	3	13	16	14	15
Technology lifecycle maintenance and support	**463**	**465**	**438**	**413**	**412**
Professional services	685	503	587	776	1,039
Total	**1,151**	**981**	**1,041**	**1,203**	**1,466**

Adjusted EBITDA is calculated as operating income or loss before depreciation and amortization and stock-based compensation. Adjusted EBITDA is a non-IFRS financial measure and does not have a standardized meaning under IFRS. It may therefore not be comparable with similarly titled measures presented by other issuers.

About Route1 Inc.

Route1 helps organizations using license plate recognition, secure-access and other data-capture technologies navigate operational change and improve operational performance. The Company combines software, engineering, professional services, recurring support programs and related technology solutions to help customers operationalize changes arising from legislation, cybersecurity requirements, artificial intelligence, aging infrastructure and evolving operating needs. Route1 trades on the TSX Venture Exchange under the symbol ROI.

For More Information, Contact:

Tony Busseri
Chief Executive Officer
+1 480 578-0287
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.

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 Company's recurring operational programs, Route1 ABI, intellectual-property strategy, commercialization activities, customer opportunities, market trends, legislative and regulatory developments affecting ALPR, 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 market demand for the Company's products and services, timing of customer procurement and awards, the Company's ability to generate positive cash flow and obtain financing when required, 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. Past performance is not a guarantee of future performance.

#