



REDISHREDTM
CAPITAL CORP.

**ANNUAL
REPORT
2016**

About Redishred Capital Corp.

Profile

Redishred Capital Corp. (“Redishred” or “the Company”) is a growth-oriented company that owns the **PROSHRED®** Platform (“**PROSHRED®**”) and operates in the information destruction industry. Redishred through **PROSHRED®**, provides information destruction services in over 30 markets in the United States with System Sales of just under \$30 million USD.

Growth Strategy

Redishred’s strategy is to:

- Maximize organic same location revenue (in particular scheduled/recurring revenue) and earnings,
- Expand the location footprint in North America by way of franchising and accretive acquisitions, and
- Drive depth of service and cash flows in existing locations by way of accretive tuck-in acquisitions.

Mission

PROSHRED® will consistently and reliably provide the best on-site information security and liability protection for our clients.

Core Values

Honest and Integrity | Professionalism | Strong Work Ethic and Initiative | Protection of the Environment | Lifelong Learning | Health | Family and Fun | Team Work.



28.6%

Corporate Location
Return on Invested Capital

\$0.066

Normalized Operating
Income per Share
(Fully Diluted)

8.3%

Annual Increase in Normalized
Operating Income per Share
(Fully Diluted)

19.0%

System Sales Growth
(Same Locations)

48.0%

Scheduled
(Recurring System Sales)

23.3%

5 Year Average EBITDA Growth Rate
Corporate Locations
(Same Locations)

\$29.7M

System Sales (USD)

30+ Markets

Serviced in the United States



Financial and Operational Highlights

(Value in 000's, except per unit amounts and where noted)

	2016	2015	% Change
Operations			
Franchise system revenue	\$2,118	\$1,757	21%
Corporate location revenue	\$7,482	\$5,921	26%
Corporate location EBITDA	\$2,608	\$2,537	3%
Consolidated Normalized Operating Income ("OI" ⁽¹⁾)	\$1,916	\$1,820	5%
Consolidated Net Income	\$174	\$892	-80%
Normalized Operating Income/Share (diluted)	\$0.066	\$0.061	8%

Financial Position

Total assets	\$10,001	\$10,714	-7%
Total liabilities	\$9,483	\$10,184	-7%
Total equity	\$519	\$530	-2%
Shares outstanding (At Dec 31)	28,885	28,885	0%
Working capital ⁽²⁾	\$116	\$22	427%
Debt to total assets ratio	0.95	0.95	0%
Fixed Charge Coverage ratio	1.18	1.36	-13%
Total funded Debt to EBITDA ratio	3.39	3.52	-4%

System Information

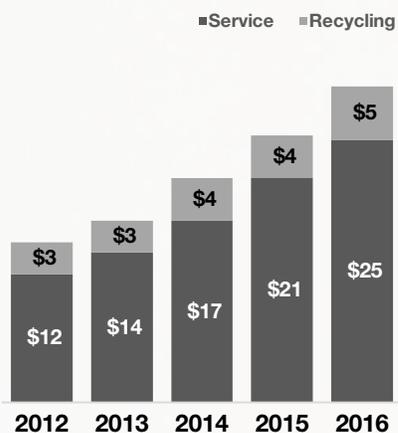
System sales	\$29,673	\$24,883	19%
% scheduled (recurring)	48%	49%	
System sales - same location	\$29,498	\$24,726	19%
% scheduled (recurring)	48%	49%	

(1) Excludes one-time costs that relate to non-capitalized financing costs as a result of the financing process that commenced in the fourth quarter, accounting and consulting costs related to the corporate structure and stock based compensation expense for the issuance of options to technical advisors.

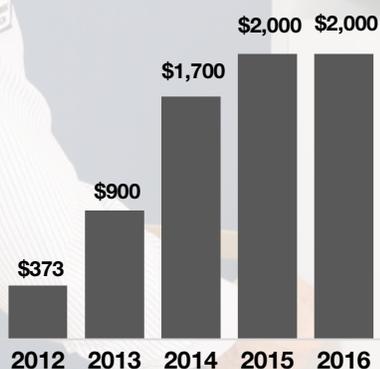
(2) Working capital has been increased by \$4.5M for this calculation as the Line of Credit that was due to expire on November 27, 2017 was extended by 2 years shortly after year end. Under IFRS the Line of Credit was fully classified as current.

Charts related to Financial and Operational Highlights

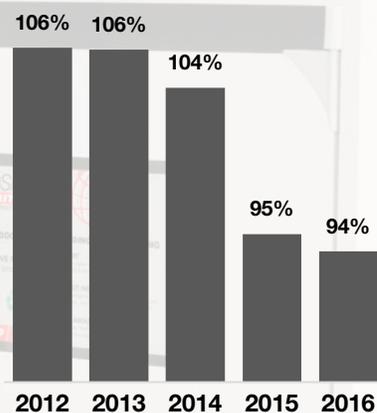
System Sales (USD) In Millions



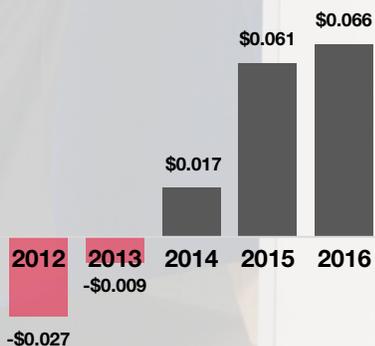
Corporate Location Operating Income (CAD - in 000's)



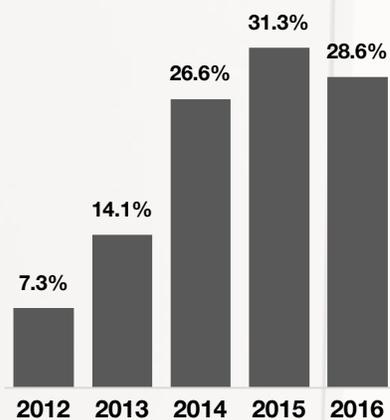
Debt as a % of Total Assets



Consolidated Operating Income per Share (diluted) Excluding one-time costs



Return on Invested Capital - Corporate Locations



Letter from CEO

Dear Shareholders,

I am pleased to report that we had another year of growth in many areas at Redishred. In 2016 Redishred achieved \$2.5M in normalized EBITDA, creating a stable base from which to invest in people, trucks and technology. These investments were taken with a view to creating sustainable and scalable growth in 2017 and beyond. During 2016, we hired new operational support specialists as well as a new National Director of Marketing, with a view to grow sales and penetrate the market. Simultaneously, in our Corporate locations, we (1) continued to enhance our local management and sales teams by way of hiring stronger skilled managers and then (2) investing in our managers and in their team's success with on-going training and support programs, and (3) continued to review our truck fleet, replacing trucks where warranted and adding new trucks when capacity is being achieved. Our goal is to reduce truck downtime and to enhance client service.

The aforementioned investments were all conducted while doubling the principle paid on our line of credit (we paid down \$500K in 2016 versus \$250K in 2015). As a result, our balance sheet continued to improve with debt as a percentage of total assets declining to 94%. Since 2014, the company has reduced debt as a percentage of total assets by 8%. In 2017, Redishred will be looking to further reduce its' debt levels as well as the cost of its' debt. Management believes that reducing debt levels and the cost of its debt will allow the Company to reduce operational risk and enhance overall cash generation.

In 2016, the Company also took the opportunity to review its entire order to cash operations and began the process of transitioning its Corporate location inside sales functions and invoicing and receivables functions to its National Support Centre in Mississauga, Canada. This decision was deemed crucial in order to create a platform for sustainable and scalable growth going forward.

With the aforementioned items all occurring simultaneously, Redishred continued to perform well financially:

- (1) Increasing system sales from close to \$25 million US dollars in 2015 to just shy of \$30 million US dollars in 2016.
- (2) Corporate location operating income remained steady at \$2 million in 2016 versus 2015, including the significant investment made in people, trucks, technology and

centralization. Management believes that Corporate location operating income is poised to grow in 2017 as a result of these investments.

- (3) Consolidated operating income per share (Excluding one-time costs) increased by 8% in 2016 over 2015 to \$.061. Since 2012, that is an increase of \$0.092 in consolidated operating income per share (Excluding one-time costs).

Our management team at Redishred remains committed to maximizing the Company's long-term profitability by focusing on its' key performance areas; (1) maximize organic same location revenue (in particular scheduled/recurring revenue) and earnings, (2) expand the location footprint in North America by way of franchising and accretive acquisitions, and (3) drive depth of service and cash flows in existing locations by way of accretive tuck-in acquisitions.

Increasing our same location revenue and earnings is a crucial element to achieving growth. Our franchisees and corporate locations all performed well in 2016, with organic same location system sales growing 19%. Our Corporate location revenues grew by 14% not including acquired revenue. The entire **PROSHRED**[®] system continues to deliver the same message and the same client promise, that we will destroy our client's information on-site at their door, and this continues to resonate with a broad base of clients in the United States.

Franchising has always been a core differentiator and feature for **PROSHRED**[®]. In 2016, **PROSHRED**[®] launched operations in three new markets, led by Mark Lindgren in Minnesota, Mark MacMillan in Orlando, FL and Nguyen Violette in St. Louis, MO. As these locations grow from infancy to maturity, the Company will see an increase in royalty revenues from these locations.

Looking forward, acquisitions will play a larger role for Redishred and the **PROSHRED**[®] system. During 2016, a number of franchisees conducted acquisitions of smaller independents, with a view to enhancing service coverage and route density in their markets.

Redishred also integrated one tuck-in acquisition in the Miami/Fort Lauderdale market. This acquisition performed well for Redishred, achieving just under 30% return on invested capital in its first year. Redishred anticipates conducting between \$3 million and \$4 million in acquisition value in 2017.

Last, but never least, **PROSHRED**[®] continues to commit to social and green causes.

- (1) **PROSHRED**[®] continues to be a proud partner of the American Institute of Cancer Research with the goal to raise funds for the cancer prevention research they do.

On June 3, 2017, **PROSHRED**[®] will be holding its 4th annual Shred Cancer Event in every single **PROSHRED**[®] location in the United States.

(2) During 2016, **PROSHRED**[®] shred and recycled 40,000 tons of paper, which equates to 603,000 trees being saved.

In closing, the management team of Redishred Capital Corp. would like to thank our hard working and dedicated franchisees and employees for their efforts and support in growing the **PROSHRED**[®] brand. Furthermore, we would like to thank our board of directors, shareholders, suppliers and most importantly our clients for their ongoing support. **PROSHRED**[®] continues to demonstrate that it is the system of choice for on-site information destruction, and we are looking forward to continuing our growth in 2017 and onwards.

Yours truly,



Jeffrey Hasham

Recap of Strategy and 2017 Targets *(In Canadian Dollars except where noted)*

Growth of Same Location Service System Sales ⁽¹⁾:

2017 Target	Growth of 12% to \$27.5M USD.
Longer-term target	Growth between 8% and 10% per annum.

Consolidated EBITDA from existing operations:

2017 Target	Attain EBITDA of \$2.8M from existing locations, growing by 18% over 2016.
Longer-term target	Attain EBITDA growth of 5% to 10% from existing locations.

Consolidated Operating Income from existing operations ⁽²⁾:

2017 Target	At least \$2.0M
Longer-term target	Grow existing Operating Income by 10% to 15% per annum.

Expand by way of Accretive Acquisitions ⁽³⁾:

2017 Target	Conduct between \$3M and \$4M of acquisitions.
Longer-term target	Increase the Corporately operated portfolio from 6 to 12 locations by 2020.

Franchise Development:

2017 Target	Award between two and four new franchised locations per annum.
Longer-term target	Continue to add a minimum of 2 new franchised locations per annum.

(1) Service related sales excludes recycling sales.

(2) Existing operations includes the existing corporate operations, the franchise system and the existing infrastructure to support up the existing locations.

(3) Acquisitions may include tuck-in acquisitions within existing corporate locations. These would not be considered as a net new location.

Management Team

Jeffrey Hasham, CPA, CA
Chief Executive Officer



Mr. Hasham is the Chief Executive Officer of Redishred. He has held this position since April 2011. Mr. Hasham has worked in franchising and in particular with logistics based franchise concepts for 16 years. Mr. Hasham is also a Chartered Professional Accountant, having articulated at Ernst & Young LLP.

Kasia Pawluk, CPA, CA
Chief Financial Officer



Mrs. Pawluk is the Chief Financial Officer of Redishred, a position she has held since April 2011. Prior to being appointed to her current position, Mrs. Pawluk was the Manager of Finance for Redishred. Mrs. Pawluk is also a Chartered Professional Accountant, having articulated with the accounting firm of Deloitte LLP.

Ron Gable
Senior Vice President of Performance & Operations



Mr. Gable is the Senior Vice President of Performance and Operations. He has held this position since November 2015 and has been employed with the Company since July of 2015. Mr. Gable has spent 25 years as a business strategy and performance consultant. His clients included many multi-national corporations with multiple branches and with diverse business models, including franchising and logistics.

Jack Pulkinen, CPA, CA
Senior Vice President of Corporate Development



Mr. Pulkinen is the Senior Vice President of Corporate Development. From October 2015 to October 2016, Mr. Pulkinen was the Chief Financial Officer of Redishred. Mr. Pulkinen has spent 30 years working with leading Public Companies and Private Equity backed Companies in senior and NEO roles. Mr. Pulkinen is also a Chartered Professional Accountant, having articulated with Clarkson Gordon (now Ernst & Young LLP).

Information

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