



**REDISHRED**<sup>TM</sup>  
CAPITAL CORP.

TSXV **KUT**

# Investor Presentation

Q1- 2018 Results  
May 31, 2018

# FORWARD LOOKING STATEMENTS

The Summary includes certain statements, estimates and projections with respect to the Company's anticipated future performance. In some cases, the recipient can identify forward-looking statements by terms such as 'may,' 'will,' 'should,' 'could,' 'would,' 'expects,' 'plans,' 'anticipates,' 'believes,' 'estimates,' 'projects,' 'predicts,' 'potential', or 'continue' or the negative of those forms or other comparable terms. The Company's forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. As a result of these uncertainties, the recipient of the Summary should not place undue reliance on the Company's forward-looking statements. The Company does not intend to update any of these factors or to publicly announce the result of any revisions to any of the Company's forward-looking statements contained herein, whether as a result of new information, any future event or otherwise.

The prospective financial information included in the Summary was not prepared with a view toward compliance with the published guidelines of (i) any securities regulator including the U.S. Securities and Exchange Commission, or (ii) any accounting or auditing regulatory body including the Canadian Institute of Chartered Accountants or the American Institute of Certified Public Accountants ("AICPA") for the preparation of projections (such as the AICPA audit and accounting guide for prospective financial information). The statements contained in this document has not been compiled, examined, or have had any audit procedures, and accordingly, we do not express an opinion or any other form of assurance with respect thereto. The Company, expressly disclaim all responsibility for the validity, reasonableness, accuracy or completeness of such statements, estimates and projections.



# AGENDA

Fundamentals First. Then the Look Ahead.

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- *Performance*
- *Growth Strategy*
- *Opportunity*



# PERFORMANCE



# REDISHRED OVERVIEW

Consolidating the US On-site Document and Data Destruction Industry

## OVERVIEW

- Publicly-owned and listed on TSX Venture Exchange under symbol **KUT**
- 100% owner of Professional Shredding Corporation including:
  - IP & TMs associated with the **PROSHRED®** brand;
  - 30-year proven operations system; and
  - Serving 40+ markets in the United States

## STOCK CHART



## CAPITAL STRUCTURE

Common Shares Outstanding	47.5M
Market Capitalization	\$28.5M
Board & Mgmt. Ownership	35.2%
Net Debt	\$3.6M
Enterprise Value	\$32.1M

## KEY STATS

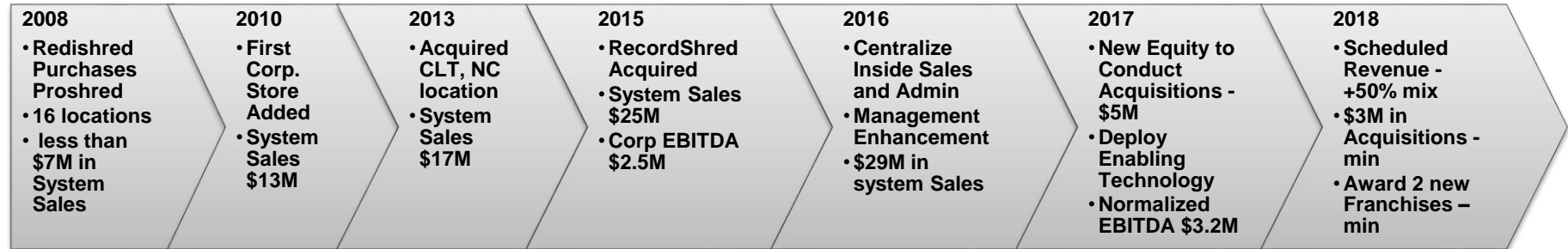
Share Price (May 24)	\$0.60	Market Cap	\$28.5M
Shares Out.	47.5M	Float (non-insider)	40.3%
52 wk High/Low	\$0.85/\$0.49	EV/EBITDA (May 24)	10.35X

**Our Mission:** Drive growth in shareholder value with increased cash flows by continuously improving operational efficiencies, completing corporate acquisitions, and expanding the US footprint (Franchising and Acquisitions)

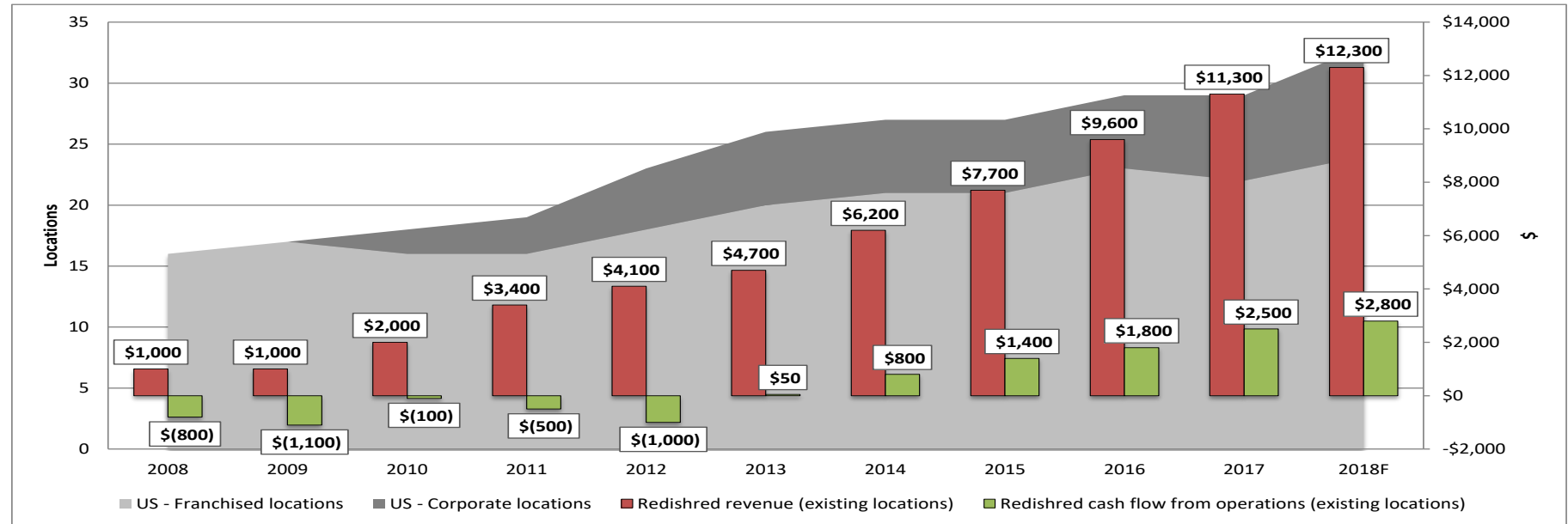
# REDISHRED PERFORMANCE TIMELINE

Company Achievements: Growth in Cash Flow and Locations

## MILESTONES



## FINANCIAL PERFORMANCE AND LOCATIONS





# RESULTS – FY2018

Performance Target: Grow Same Location Service System Sales 10% over 2017 = **On Target**

## SYSTEM SALES HIGHLIGHTS

### Service System Sales

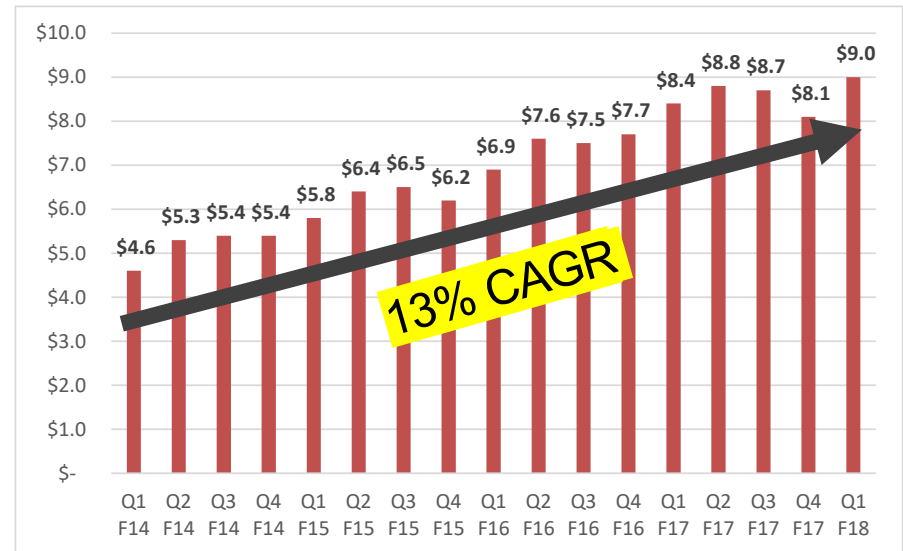
- ◆ Same Location Service System Sales ↑11% over Q1-2017<sup>(1)</sup>
- ◆ **Scheduled Sales were ↑ 11% over Q1-2017 (Recurring Component now 49% of total mix)**

(1) Excludes Recycling Sales

### Total System Sales

- ◆ 7% increase over Q1-2017
- ◆ Recycling System Sales was down 8% over Q1-2017 due to a 10% reduction in paper prices

## QUARTERLY SYSTEM SALES *in millions – USD*



## GROWTH DRIVEN BY:

Dedication to secure on-site method

Targeting of SMEs  
Recurring Monthly Service

Investing in Sales,  
Marketing and New Trucks

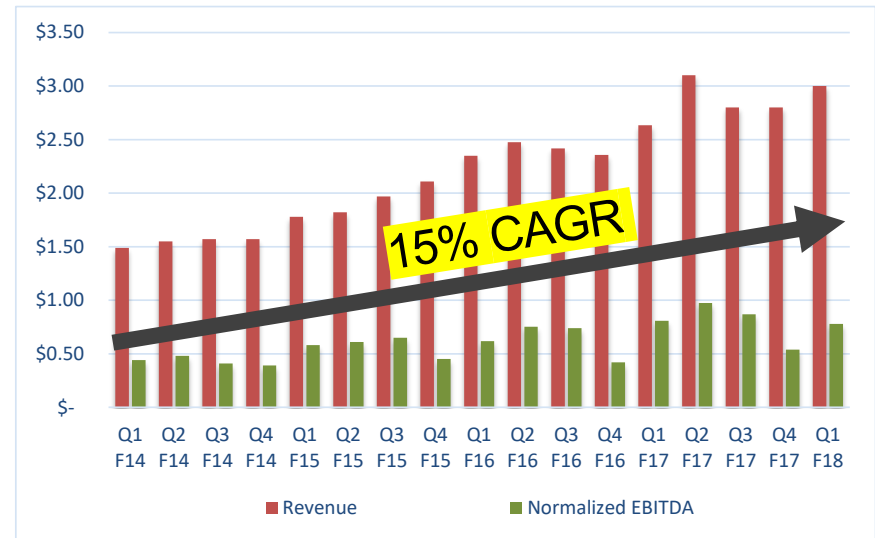
# RESULTS – FY2018

Performance Target: Earn \$3.3M in Annual EBITDA from existing locations = **On Target**

## EBITDA HIGHLIGHTS

- ♦ EBITDA (Existing Operations) in Q1-2018 = \$780K
  - Flat with Q1-2017
  - Includes \$135K in non-cash stock option expense
- ♦ EBITDA (All Locations) as a % of Consolidated Revenue = 26%
- ♦ Total Funded Debt to EBITDA Ratio 1.14 down 11% over 2017 Year End

## CONSOLIDATED REVENUE AND EBITDA RCC in millions – USD



## GROWTH DRIVEN BY:

### INCREASED SALES SYSTEM WIDE

Driving royalty revenue and Corporate location revenue  
Continued Strong Sales and Operating Income Growth  
in Corporate Locations – Focus on Scheduled Sales

### TECHNOLOGY INTEGRATION

Leading to enhanced conversion of one time “purges” to  
on going scheduled revenue – also scalable as we add  
new locations



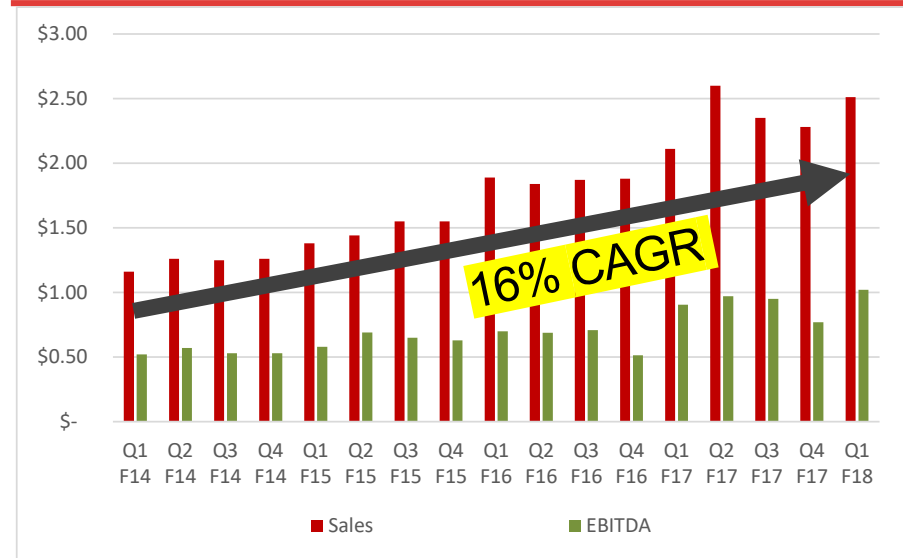
# RESULTS – CORPORATE LOCATIONS

Corporate Locations benefited from centralized services and strong local management

## CORPORATE LOCATION PROFITABILITY

- ◆ Same Corporate Location EBITDA grew by 10% over Q1-2017
- ◆ Total Corporate Location EBITDA grew by 20% over Q1-2017
- ◆ EBITDA as a percentage of revenue was 41% in Q1-2018
- ◆ Tuck in acquisition in Up-State NY to favorably impact Q2-2018 results.

## CORPORATE LOCATION PERFORMANCE *in millions – CDN*



## GROWTH DRIVEN BY:

Investment in newer trucks to ensure minimization of truck downtime and major repairs

Investment in sales management systems (CRM) and operations systems (routing)

Focus on driving scheduled sales

# RESULTS - DEVELOPMENT

Footprint Growth by Franchising and Acquisitions

Acquisitions	Franchising
2018 Target = \$3M in acquisitions	2018 Target – 2 new Franchisees
Q1-2018 – Conducted Tuck-In Acquisition in Up-State NY, April 1, 2018 = \$685K Valuation	No Franchisees awarded to date in 2018
Pipeline of targets include a number of smaller tuck-ins as well as a couple Franchisees	Focus is primarily on West of the Mississippi, while acquisition activity is focused East of the Mississippi
<b><i>On Target</i></b>	<b><i>Not on target</i></b>





# GROWTH

# OPERATIONAL GROWTH STRATEGY

Investment in People, Trucks and Process will continue to drive cash production

## CONTINUOUS IMPROVEMENT & OPTIMIZATION

- Enhancing Web Brand Presence, and Lead Conversion – multiple channels.
- Driving Route Density – Own the Building
- Focus on Sales Force Tools – Drive Scheduled Revenue
- Deploy Enabling Technology – CRM and Technology Integration

## ACQUISITION & EXPANSION

- Franchising – West of the Mississippi
- Tuck-in Acquisition – In Current and Adjacent markets – East Coast – Drive Synergies
- Hub Acquisitions – Existing Franchisees as they come due
- Deployment of newest truck fleet

## CORPORATE STORES

- Continued investment in strong local management
- Continued investment in local outside sales
- Centralized Order to Cash
- Continued investment in truck fleet = high uptime and client satisfaction

**DRIVING CASH FLOW**

# FOOTPRINT GROWTH STRATEGY

Plan designed to drive depth on the East Coast, and footprint elsewhere

1. ACQUISITIONS	Tuck-in Targets over 750 independents in the US 90% 2 trucks or less	Hub Targets – Franchisees at Renewal – Typically \$2M in Revenue – 35% EBITDA	Goal – drive depth of market presence and route density in chosen markets
2. FRANCHISING	Platform well developed to successfully launch and on-going support	Focus on Western US Markets	Secondary markets ideal for Franchising
3. LICENSING	Current License in the Middle East	International Growth to be driven via licensing	

## ACQUISITION PLAN

### KEY TARGET STATS

- Key Target Stats
  - ◆ Average revenue of Independent is under \$500,000 per annum
  - ◆ Over 750 independents, 90% are two trucks and under
  - ◆ EBITDA multiples between 4X and 6X

### WHY TARGETS ARE WILLING TO SELL OPERATIONS?

- Why independent targets are willing to sell operation?
  - ◆ Cannot compete with big-name brand recognition
  - ◆ Difficulty spending the required marketing dollars to compete with the larger firms
  - ◆ Larger Competitors have limited interest in purchasing smaller operators – not enough “torque”
  - ◆ Industry moving to Information destruction
    - Requires different equipment for digital destruction
    - Frequent rotation of equipment required to ensure quality of service
    - Cost of upgrading prohibitive to independents due to capital constraints
  - ◆ Industry is mature; therefore many older operators looking to retire





# OPPORTUNITY



# 2018 AND BEYOND TARGETS

Your investment is driving the business forward

## Growth of Same Location Service System Sales<sup>(1)</sup>:

<b>2018 Target</b>	Growth of 10% to \$30.25M USD.
<b>Longer-term target</b>	Growth between 8% and 10% per annum.

## Consolidated EBITDA from existing operations<sup>(2)</sup>:

<b>2018 Target</b>	Attain EBITDA of \$3.3M from existing locations, growing by 14% over 2017 normalized EBITDA.
<b>Longer-term target</b>	Attain EBITDA growth of 5% to 10% from existing locations.

## Consolidated Operating Income from existing operations<sup>(2)</sup>:

<b>2018 Target</b>	Attain operating income of \$2.3M from existing operations, growing by 10% over 2017 normalized operating income.
<b>Longer-term target</b>	Grow existing Operating Income by 8% to 10% per annum.

## Franchise Development:

<b>2018 Target</b>	Open two to four new markets in the United States by way of franchising.
<b>Longer-term target</b>	Continue to add at least two new markets per annum.

## Expand by way of Accretive Acquisitions:

<b>2018 Target</b>	Conduct between \$3M and \$4M of acquisitions.
<b>Longer-term target</b>	Increase the Corporately operated portfolio from 7 to 12 locations by 2020.

(1) Service related sales excludes recycling sales.

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

## Overall Observations:

1. Management focus will be on helping franchisees and corporate locations drive scheduled revenue – create durable cash flows
2. Paper prices were soft in Q1-2018 versus 2017, per National Association of Information Destruction we should see a good rebound in Q2/Q3 2018 (We have seen some increases in April and May)
3. Acquisition activity is building

# CONTACT US

Please Direct Your Investor Inquiries to:

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