



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

TSXV **KUT**

# Company Presentation

Q2-2019 Results

# 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.



# REDISHRED – VISION | PURPOSE | GOALS

Easily, the most secure information destruction and protection services Company



Durable and Sustainable:

- Focus is on Scheduled and Recurring Revenue Generation for our Franchisees and Corporate locations

Easy:

- Make it easy for our clients to transact business with us

Empowerment:

- Hire great people and give them the tools and ability to make sound decisions



# PERFORMANCE



# REDISHRED PERFORMANCE TIMELINE

Company Achievements: Growth in Cash Flow and Locations

## MILESTONES

### 2008 - 2013

- 2008: Redishred Purchases Proshred
- 2010: First Corporate Location Acquired
- 2013: Acquired Proshred CLT, System Sales \$17M USD

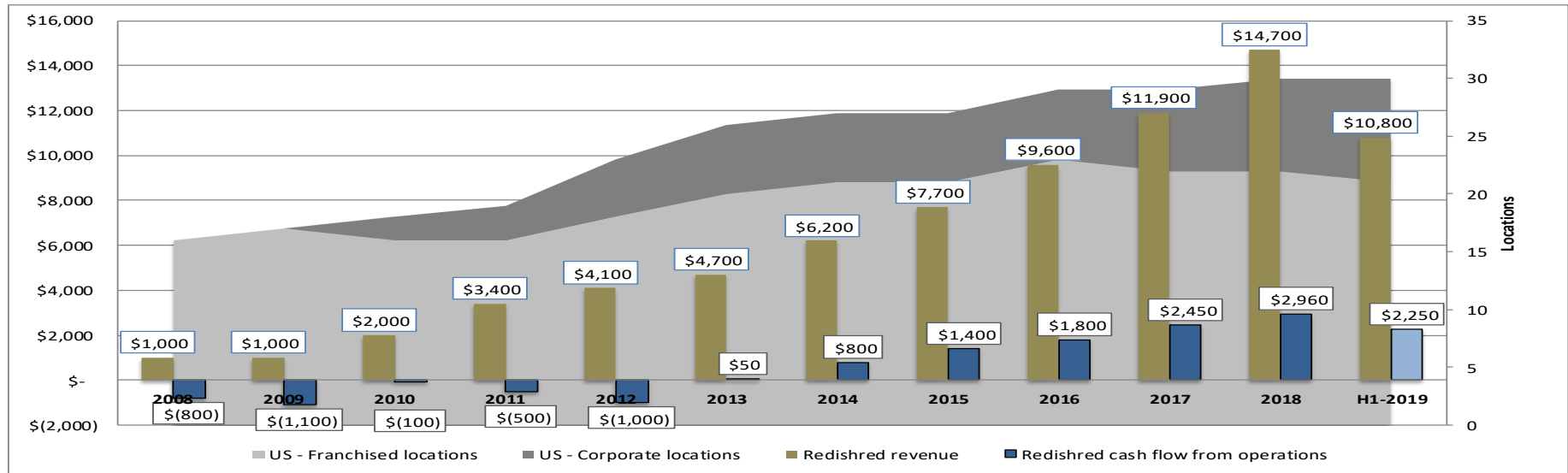
### 2014 - 2018

- \$7M in Acquisitions
- 2018: Cash Flow from operations just shy of \$3M
- Equity Raise of \$11M @ 60 cents CAD

### 2019

- Acquired Proshred Kansas - \$11M CAD
- Acquisition Capacity \$20M CAD
- H1 Cash Flow from Operations = \$2.25M

## FINANCIAL PERFORMANCE AND LOCATIONS (in 000's)



Note 1

# RESULTS – Q2-2019

Target: Grow Same Location Shredding System Sales 10% over 2018 = **On Target**

## SYSTEM SALES HIGHLIGHTS

### Shredding System Sales<sup>1</sup>

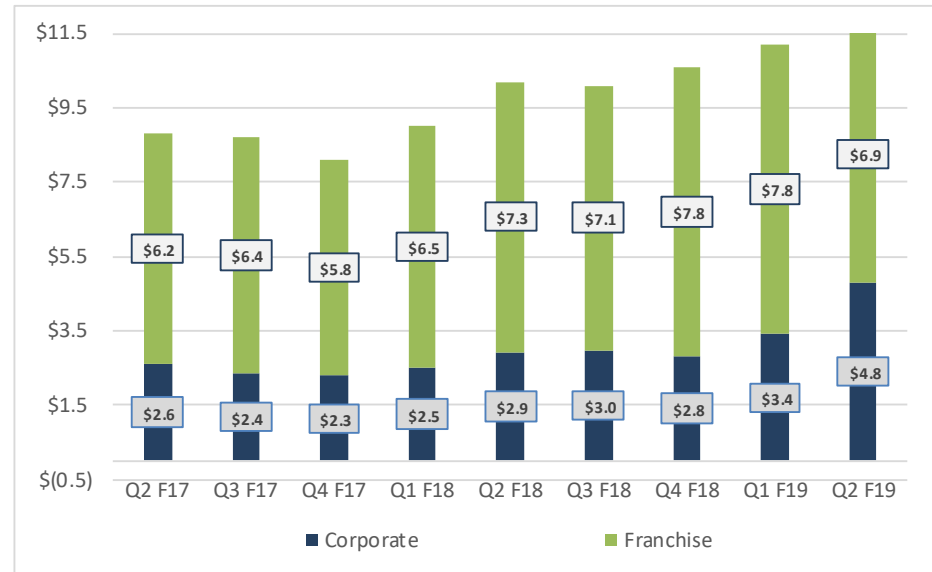
- ◆ Same Location Service System Sales ↑13% over Q2-2018
- ◆ **Same Location Scheduled (recurring) Sales were ↑15% over Q2-2018 (48% of total mix)**

<sup>1</sup> Excludes Recycling Sales

### Total System Sales

- ◆ 14% increase over Q2-2018 (Scheduled up ↑22%)
- ◆ Recycling System Sales are down ↓12% over Q2-2018 due to a 21% decrease in paper prices (Same locations Recycling System Sales are down ↓16% over Q2-2018)
- ◆ Notice: Paper Prices expected to be lower for the rest of 2019 versus the prior year comparative.

## 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



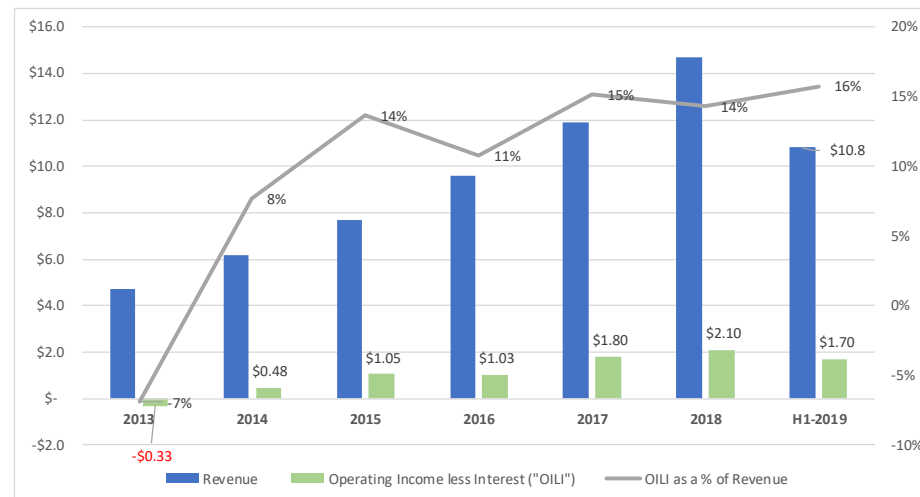
# RESULTS – Q2-2019

Consolidated Operating Income: Acquisitions/Organic Shredding Revenue Growth offset significant declines in paper prices.

## OPERATING INCOME LESS INTEREST (“OILI”) HIGHLIGHTS

- ◆ Consolidated OILI for H1-2019 was \$1.7M versus \$1.1M H1-2018
  - Acquired locations in Kansas and North New Jersey were accretive
  - Non-recurring transition costs related to the new acquisitions accounted for 2% of total revenue
  - Same location Shredding revenue was up 11% year over year
  - Paper prices in Q2-2019 declined 21% versus Q2-2018, resulting in a 2% reduction in Recycling Revenue for the corporate locations in H1-2019
- ◆ SG&A costs declined slightly in the first half of 2019 versus the same period in 2018

## CONSOLIDATED REVENUE AND OILI (in millions – CAD)



## GROWTH DRIVEN BY:

### INCREASED SALES SYSTEM WIDE

The focus on the generation of scheduled system sales has resulted in increased royalty revenue for Redishred. Corporate locations have further invested in new sales human resources further driving system sales.

### TECHNOLOGY INTEGRATION

The Company continues to invest in routing and accounting software with a view to enhancing route profitability and allowing the company to administer increased transactions as we add further locations.

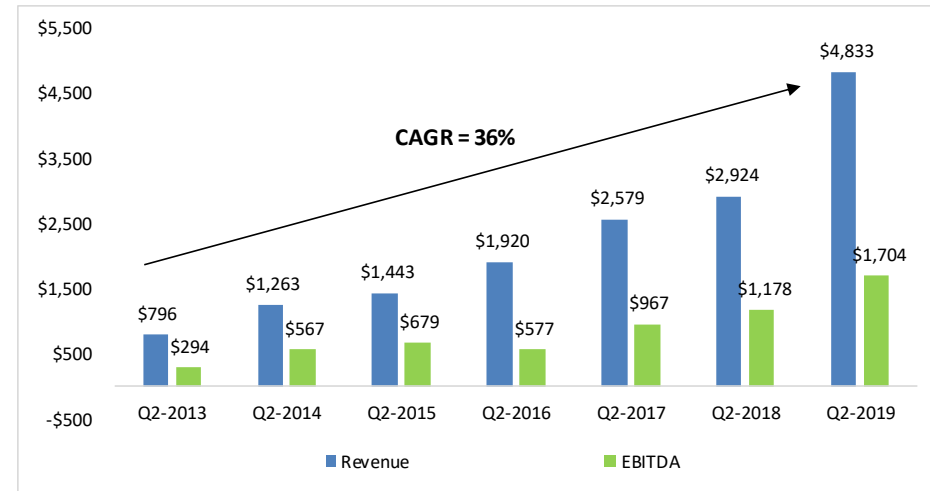
# RESULTS – CORPORATE LOCATIONS

Corporate Locations continued to drive cash flows, benefiting from organic growth and acquisitions

## CORPORATE LOCATION PROFITABILITY

- ◆ Total Corporate Location EBITDA grew by 45% over Q2-2018 (*Includes acquired operations*)
- ◆ Same Corporate Location EBITDA declined by 9% over Q2-2018
  - Shredding service revenue increased 11% in Q2-2019 versus Q2-2018
  - Decline in EBITDA was primarily driven by reduced paper prices when comparing the all-time highs from Q2-2018 to the three-year lows seen in Q2-2019 – Recycling revenue was down 28% versus Q2-2018
- ◆ EBITDA as a percentage of revenue was 35% during Q2-2019
- ◆ Operating Income as a percentage of revenue was 23% during Q2-2019
- ◆ The reduction in recycling revenue equaled 6% of same location revenue in Q2-2019
- ◆ Non-recurring transition costs related to the new acquisitions accounted for 2% of total revenue

## CORPORATE LOCATION PERFORMANCE *in thousands – CAD*



## 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. Three acquisitions conducted.



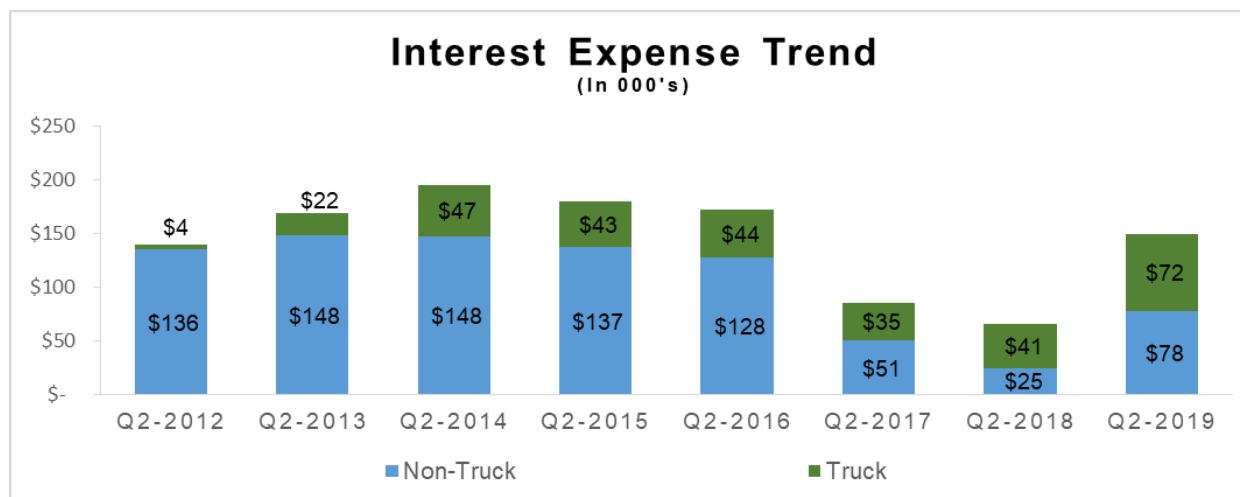
# CAPITAL MANAGEMENT

## Acquisition Capacity at \$20M CAD

### Capital Management – in CAD

Working capital	<b>\$2,928</b>	\$7,288	(60)%
Debt to total assets ratio	<b>0.45</b>	0.29	(55)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>2.51</b>	1.94	29%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>2.55</b>	1.69	(51)%

- ◆ In May 2019, Tier 1 Lender advanced \$6M CAD for the Kansas and North New Jersey acquisitions, increasing our cash balances by \$6M. In addition, the Company's financial covenants were increased.
- ◆ In July 2019, the Company raised \$11.25M CAD in Equity @ 95 cents per share.
- ◆ Interest expense has risen as a result of the new debt financing and additional trucks in the fleet.





# 2019 INITIATIVES



# 2019 SCALING INITIATIVES

People and Technology Investments to enhance long term shareholder value

- Conducted just under \$18 million in acquisitions in the last 4 quarters, coupled with continued double digit service revenue growth (Same locations), this has created the need to:
  - ◆ Invest in sales, marketing and accounting professionals with a view to supporting existing operations as well as allowing the Company to continue to add new locations (Acquired and Franchised)
  - ◆ Continue our investment in our Integrated Technology tools with a view to create one platform that unifies all our tools (Sales, Marketing, Order Entry, Workflow, Accounting and Routing) and enhance client service and routing efficiencies
  - ◆ Invest in new ERP (Integrated), starting with Accounting modules with a view to enhancing business analysis and reducing the potential for errors related to period end closing process
  - ◆ Continue our investment in Cyber Security Protocols to ensure that our platform and the resident information is safe

# BUSINESS PROCESS TRANSFORMATION

Creating a Platform for Continued Growth

## Need to Change

### *Unified/Integrated Technology:*

9 Corporate Locations, 21 Franchised Locations, using various technology tools independently = inconsistent process, duplicated tasks and lack of consistent measurement protocols

### *New ERP – Accounting:*

Increased Corporate Locations and organic growth coupled with the need to report accurately and proactively has created increased manual processes and a lack of automated real time reporting

## Initiatives

- Developed an integrated platform in 2017 called the Client Management Platform (“CMP”) that unifies CRM, Marketing Automation and Workflow, next steps are routing logistics, accounting and client booking
- Implementing a new ERP platform, with the first roll out in the accounting and finance area. The second step in this process will be to integrate the ERP into the CMP

Drive better organization efficiency

Increase operational performance from our routes

Pursue commercial excellence

Ensure continued best in class external reporting

***Allow the Company to continue to scale effectively, efficiently and securely***

# CONTACT US

Please Direct Your Investor Inquiries to:

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# APPENDICES

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# SENIOR MANAGEMENT

## Proven Management Team



**Jeff Hasham**  
*Chief Executive Officer*

- 14 years with Redishred and **PROSHRED®**
- Led company through significant growth
- Conducted all acquisitions – all accretive
- MBA, CA, CPA
- Former Ernst & Young



**Kasia Pawluk**  
*Chief Financial Officer*

- 9 years with Redishred and **PROSHRED®**
- 10 Year's finance and accounting experience with emphasis on publically reporting entities
- CA, CPA
- Former Deloitte



**Ron Gable**  
*Sr. VP Performance & Operations*

- 4 Years with Redishred and **PROSHRED®**
- 5 Years of experience with Shred-it during its infancy.
- Strong Logistics Experience
- Former Consultant for PWC and KPMG



**Francesco Marascia**  
*VP of Marketing*

- 3 years with Redishred and **PROSHRED®**
- 15 Years of experience with strong emphasis on Digital Technologies.
- Chartered Marketer (CM), MBA



# PROSHRED® BRAND

Consolidating the US On-site Document and Data Destruction Industry

## WHO WE ARE

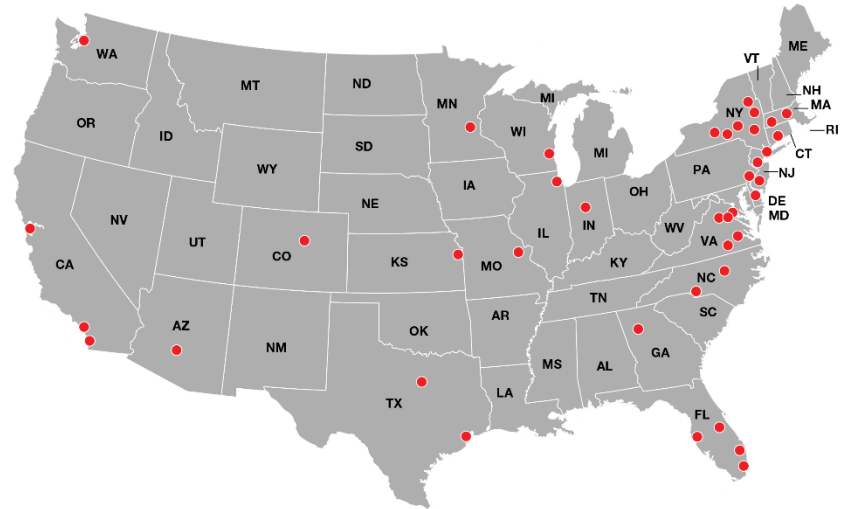
- Established international brand
- 40+ markets directly serviced in the United States
- Dual Certified – ISO and NAID
- Industry leader in security, quality, and customer service
- On-Site = Most Secure
- Only large national company to provide services primarily on-site

## VALUE PROPOSITION

***“Backed by 30 years of experience in material destruction, PROSHRED® consistently and reliably provides the best information security and liability protection. Anything less is a risk to your security and your business.”***

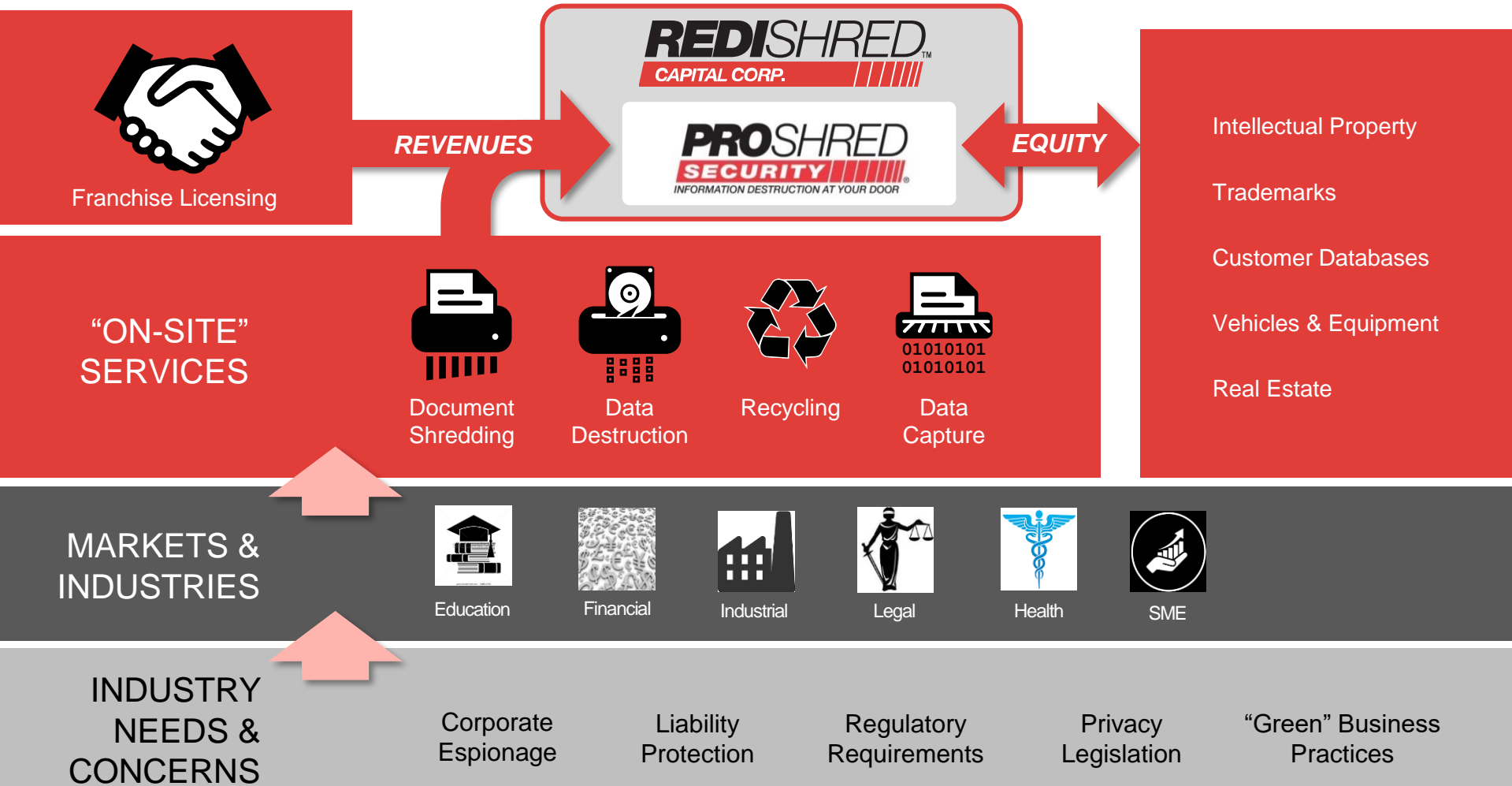
## OUR LOCATIONS

Over 30 locations respectively across the US – Blend of Corporate and Franchised serving 40 markets



# VALUE FLOWS

Driving Shareholder Value



# Document Destruction Industry

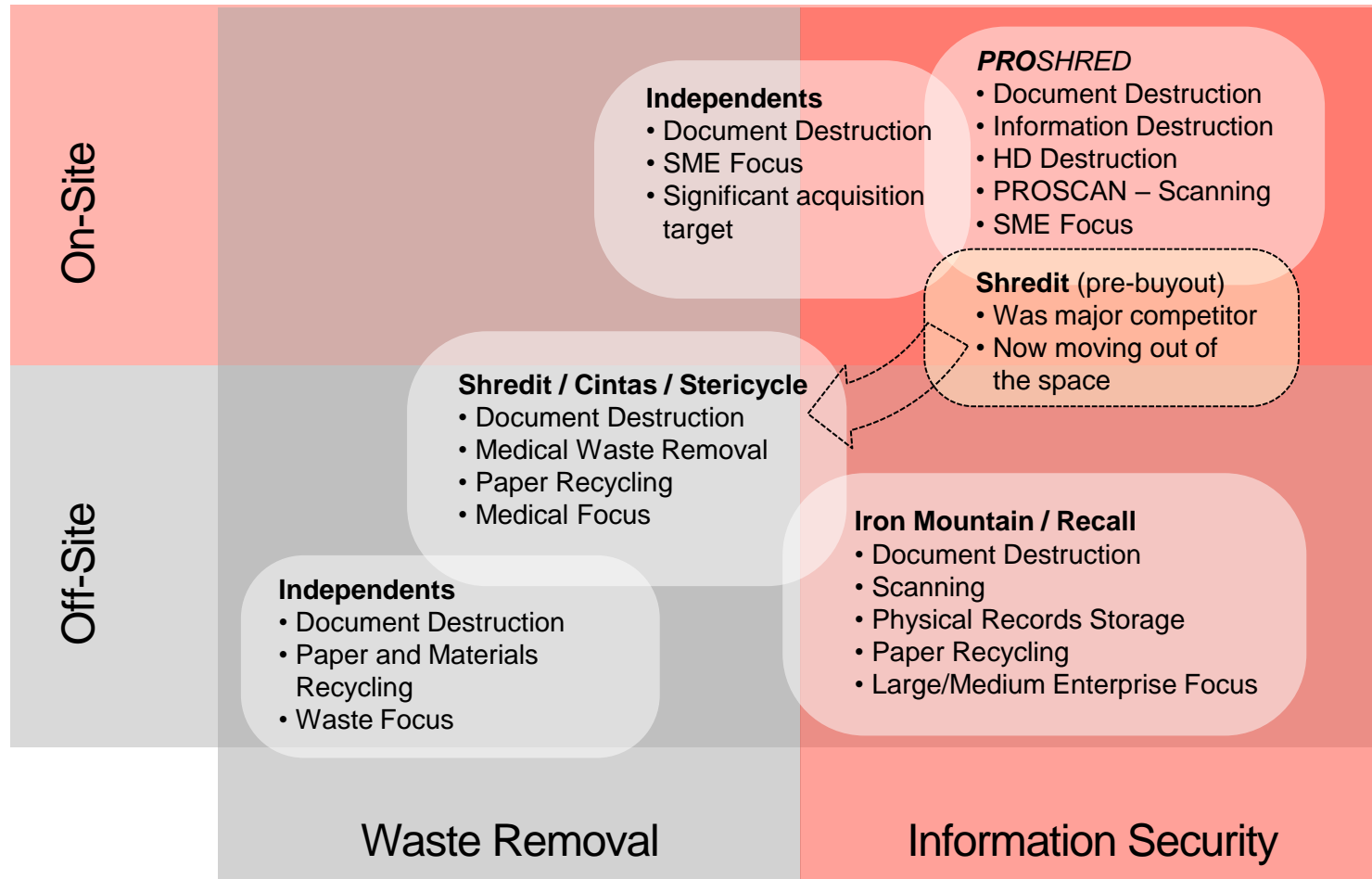
Well Researched and Well Understood Marketplace

- US\$3.6 billion per year
- U.S. market highly fragmented with many independents and only a handful of large providers
- Robust Market Drivers
  - ◆ concern about identity theft and corporate espionage
  - ◆ concern about liability protection and transference
  - ◆ tighter regulatory requirements, legislation and enforcement
  - ◆ massive push towards “green” business practices
- Trending demand for “on-site service” – the largest players moving to off-site
- SMEs typically under served by larger national competitors which tend to target large contract clients

# BRAND POSITIONING

Focused on Our Strengths in the Marketplace

***PROSHRED®** is positioned to provide secure material destruction through on-site operations*



# 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 channel.
- 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

<b>1. ACQUISITIONS</b>	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
<b>2. FRANCHISING</b>	Platform well developed to successfully launch and on-going support	Focus on Western US Markets	Secondary markets ideal for Franchising
<b>3. LICENSING</b>	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

# DEMONSTRATED ACQUISITION VALUE

## Comparison of EBITDA Multiples with Competitor's Acquisition

### PROSHRED ACQUISITION CASE STUDY

- Increase in Shareholder Value Completed without Financing
- Acquired new location in Miami December 31, 2015
- Includes Shredding Company with 2 Paper Trucks, 1 HD Truck
- \$100K in Pre-Acquisition EBITDA (**4X EBITDA** - Pre)
- New EBITDA \$200K after consolidation with PROSHRED Miami (**2X EBITDA** – Post)

SOURCES		USES	
Working Capital	\$25,000		
Consoles	\$10,000		
Computers/Equipment	\$5,000	Promissory Note	\$100,000
Trucks	\$225,000	Truck Financing	\$250,000
Customers	\$135,000	Contingent Consideration	\$50,000
Total	\$400,000	Total	\$400,000

### INDUSTRY COMPARABLE ACQUISITION STUDY

- EBITDA Multiples with Competitor's Acquisition
- Stericycle (Largest Health Care Waste Firm in the World)
- Shred-It (Largest Document Shredding Firm in the World)
- Acquisition completed in 2015
- Focus migrating from on-site model to off-site model

FINANCIAL METRICS	
Revenue - 2015	\$661M
Operating EBITDA	\$179M
Acquisition Price	\$2.3B
Multiple of Revenue	3.48X
Multiple of Operating EBITDA	<b>12.85X</b>