

**PRESS RELEASE**  
**REDISHRED CAPITAL CORP. TSXV: KUT**  
Mississauga, Ontario  
August 22, 2019

## **REDISHRED CAPITAL CORP. (“REDISHRED”) ANNOUNCES Q2-2019 RESULTS**

### **Quarterly Earnings Call:**

9:00am EST, August 23, 2019, Participant call in number is 1-800-319-4610

### **Second Quarter Highlights:**

#### *Consolidated Highlights:*

- Consolidated EBITDA for Q2-2019 was \$1.7M CAD, growing 77% over Q2-2018.
- Consolidated operating income for Q2-2019 was \$1M CAD, growing 51% over Q2-2018.
- Consolidated operating income margin for Q2-2019 remained flat over Q2-2018 at 19%.
- The Company generated revenue of \$5.6M CAD during Q2-2019, growing 55% over Q2-2018.

#### *Corporate Locations Highlights:*

- Corporate locations revenue in Q2-2019 grew 65% over Q2-2018 to \$4.8M CAD.
- Corporate locations EBITDA in Q2-2019 grew 45% over Q2-2018 to \$1.7M CAD.
- Same corporate location EBITDA in Q2-2019 declined 9% over Q2-2018 due to the decline in commodity paper prices and increased costs related to driver shortages and truck repairs.
- The decline in commodity paper prices led to a decline in recycling revenue of \$159,000 CAD for same corporate locations which accounted for 15% of Q2-2018 EBITDA.

#### *Capital Management:*

- During Q2-2019, the Company secured an additional senior credit facility of \$9.5M USD and advanced \$4.47M USD (\$6M CAD). The advance on the term loan bears interest at a fixed rate of 3.50% with an amortization period of 84 months.
- The Company also revised the terms of its existing credit facilities with its lender during Q2-2019. The \$3M non-revolving term loan interest rate was reduced from prime rate plus 2.50% to prime rate plus 1.00% and the operating line of credit interest rate was reduced from prime rate plus 1.25% to prime rate plus 1.00%.
- Subsequent to Q2-2019, on July 4, 2019, the Company completed a private placement of 11,842,000 common shares at a price of \$0.95 per common share for total gross proceeds of \$11,249,900. The net proceeds of the private placement will be used to fund future growth initiatives including both acquisitions and organic growth, and for general corporate purposes. Broker commissions will be paid in connection with the offerings of approximately \$683,000, as well as legal fees of approximately \$107,000.

## Management's Comments on the Q2 2019 Results

Jeffrey Hasham, the Company's Chief Executive Officer, noted "The Company's second quarter was strong, led by the ProShred Kansas and Safe Shred Acquisitions conducted in the last 9 months. These two locations have performed as expected. The entire system saw scheduled system sales on a same location basis grow by 18%. This metric is important as scheduled system sales is a recurring and sustainable cash flow stream for franchisees and Corporate locations. Unfortunately, paper prices continued to decline and the average paper price in the Proshred system in Q2-2019 was 21% lower than in Q2-2018. This has impacted same location EBITDA. Management will continue to focus on growing scheduled sales and maximizing route efficiencies to counter the decline in paper prices. To start the third quarter, the Company completed an equity raise of \$11.25M Canadian Dollars to fund future acquisitions and for general business purposes.

In closing, we would like to highlight Redishred's Shred Cancer events that were held on June 1, 2019. These events raise much needed funds for the American Institute for Cancer Research. We are proud to inform that we have raised over \$150,000 to date for this cause. Our gratitude goes out to our franchisees and employees who contribute to this very worthy cause."

### Financial Highlights:

	For the three months ended June 30			For the six months ended June 30		
(in 000's except as noted)	2019	2018 <sup>(1)</sup>	% change	2019	2018 <sup>(1)</sup>	% change
<b>System Sales Performance – in USD</b>						
Total locations in the United States	30	29	3%	30	29	3%
System sales	\$11,664	\$10,192	14%	\$22,890	\$19,198	19%
Percentage scheduled	48%	45%	3%	47%	46%	1%
<b>Consolidated Operating Performance – in CDN</b>						
Revenue	\$5,570	\$3,584	55%	\$10,773	\$6,738	60%
EBITDA <sup>(2)</sup>	\$1,691	\$956	77%	\$3,311	\$1,755	89%
EBITDA margin	30%	27%	3%	31%	26%	5%
Operating Income <sup>(3)</sup>	\$1,034	\$684	51%	\$2,067	\$1,235	67%
Operating income margin	19%	19%	0%	19%	18%	1%
Operating Income per share fully diluted	\$0.015	\$0.012	25%	\$0.030	\$0.025	20%
<b>Corporate Locations Performance – in CDN</b>						
Revenue	\$4,833	\$2,924	65%	\$9,341	\$5,431	72%
EBITDA <sup>(2)</sup>	\$1,704	\$1,179	45%	\$3,427	\$2,202	56%
EBITDA margin	35%	40%	(5)%	37%	41%	(4)%
Operating income <sup>(3)</sup>	\$1,091	\$912	20%	\$2,266	\$1,694	34%
Operating income margin	23%	31%	(8)%	24%	31%	(7)%

(1) With the adoption of IFRS 15 for the year ended December 31, 2018, the Company has restated the comparative information in accordance with this standard.

(2) EBITDA is determined as revenue less operating costs.

(3) Operating income is determined as revenue less operating costs less depreciation related to tangible assets. Operating income includes transition costs associated with acquired operations.

## Capital Management – in CAD

As at June 30 and December 31,	2019	2018	%
			<i>change</i>
Working capital (In \$000's)	<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)%

## Stronger System Sales driving both Royalty and Corporate Location Revenue

System sales increased due to the Company's continued focus on providing recurring scheduled service to small and medium sized enterprise clients. In addition, the Company continued to invest in marketing initiatives designed to capture one-time unscheduled revenue.

During the first half of 2019 Redishred's System Sales growth over the first half of 2018 was as follows:

<b>Total System Sales increased by 19% (Same Location 12%)</b>	
<u>By Service Type:</u> Scheduled (recurring) increased by 21% (Same Locations 15%) Unscheduled increased by 21% (Same Locations 10%) Recycling increased by 13% (Same Locations 7%)	<u>By Location Type:</u> Franchise locations system sales increased by 17% (Same Locations 17%) Corporate locations system sales increased by 72% (Same Locations 9%)

## Franchise Operations

The Company's roots are founded in franchising and at June 30, 2019, the Company supported 21 franchisees through the United States. The franchise system continued to perform well with the following high sales results highlighted:

In USD, In \$000's	<i>For the 6 months ended June 30</i>		
	2019	2018	% Change
Total same store locations	<b>21</b>	21	0%
Total same store system sales	<b>\$15,300</b>	\$13,523	13%
Total same store scheduled service sales	<b>\$7,314</b>	\$6,278	17%
Total same store unscheduled service sales	<b>\$5,081</b>	\$4,633	10%
Total same store recycling sales	<b>\$2,904</b>	\$2,613	11%

## Corporate Operations

As of June 30, 2019, the Company operates nine shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey and Kansas. These locations represent the Company's corporately owned locations. The commodity paper prices declined by 29% for same corporate locations during Q2-2019 over Q2-2018 which led to the decline in recycling revenue, EBITDA, operating income and margins.

(In CDN, In 000's)	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the 3 months ended June 30, Revenue:	\$	\$		\$	\$		\$	\$
Shredding service	4,157	2,353	77%	2,601	2,353	11%	1,556	-
Recycling	677	571	19%	412	571	(28)%	265	-
Total revenue	4,834	2,924	65%	3,013	2,924	3%	1,821	-
Operating costs	3,130	1,745	79%	1,936	1,745	11%	1,194	-
EBITDA	1,704	1,179	45%	1,077	1,179	(9)%	627	-
% of revenue	35%	40%	(5)%	36%	40%	(4)%	34%	-
Depreciation – tangible assets <sup>(1)</sup>	613	267	130%	357	267	34%	256	-
Corporate operating income	1,091	912	20%	720	912	(21)%	371	-
% of revenue	23%	31%	(8)%	24%	31%	(7)%	20%	-

(1) The Q2-2019 results include the IFRS 16 adjustments which were not applied retrospectively.

Same corporate location operating income margins declined year over year due to the following:

- (1) decline in commodity paper prices causing a decline of 30% (or \$132,000) in recycling revenue;
- (2) driver shortages and turnover causing upward pressure on driver wages and increased overtime;
- (3) increased truck repair costs and truck downtime.

### Corporate Locations Trend:

	2019 <sup>(1)</sup>		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (\$)	4,833,148	4,507,462	3,607,617	2,977,170	2,924,082	2,506,453	2,280,150	2,349,342
Quarter over quarter % change	8%	25%	21%	2%	17%	10%	(3)%	(9)%
EBITDA (\$)	1,566,740	1,602,650	1,169,290	1,038,069	1,178,593	1,023,026	768,539	952,118
Quarter over quarter % change	(2)%	37%	12%	(12)%	15%	33%	(19)%	(2)%

(1) The Q2-2019 and Q1-2019 amounts exclude the IFRS 16 adjustments.

## Community and Social Commitment

Our locations under the **PROSHRED**<sup>®</sup> banner conduct many community shredding events. These events provide an opportunity for our clients, clients' employees, local businesses and local residents to ensure their personal and confidential materials are securely destroyed. In addition to helping to reduce identity theft, several of these events allow for donations to various not-for-profit organizations. **PROSHRED**<sup>®</sup> is also proud that 100% of the shredded material is recycled, as our continued goal is to foster the use of fewer trees in the production of all paper products. Future community shredding event locations can be found at our website, [www.proshred.com](http://www.proshred.com). On June 1, 2019, **PROSHRED**<sup>®</sup> held its 6<sup>th</sup> annual Shred Cancer event at most of its locations, raising money for the American Institute for Cancer Research ("AICR"). It is our goal as a Company and Franchise System to support the AICR in their endeavor to prevent cancer and possibly cure this disease. So far, **PROSHRED**<sup>®</sup> has raised in excess of \$150,000 for this cause. Please visit [www.proshred.com/aicr](http://www.proshred.com/aicr) for more information on this effort.

## Financial Statements

Redishred's June 30, 2019 Financial Statements, Notes and Management's Discussion and Analysis will be available at [www.sedar.com](http://www.sedar.com) and [www.redishred.com](http://www.redishred.com).

## About Redishred

Redishred Capital Corp. is the owner of the **PROSHRED**<sup>®</sup> trademarks and intellectual property in the United States. **PROSHRED**<sup>®</sup> shreds and recycles confidential documents and proprietary materials for thousands of customers in the United States in all industry sectors. **PROSHRED**<sup>®</sup> is a pioneer in the mobile document destruction and recycling industry and has the ISO 9001:2015 certification. It is **PROSHRED**<sup>®</sup>'s vision to be the 'system of choice' and provide shredding and recycling services on a global basis. Redishred Capital Corp. grants **PROSHRED**<sup>®</sup> franchise businesses in the United States and by way of license arrangement in the Middle East. Redishred Capital Corp. also operates nine corporate shredding businesses directly. The Company's plan is to grow its business by way of both franchising and the acquisition and operation of document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling and concurrent unscheduled shredding service.

## FOR FURTHER INFORMATION PLEASE CONTACT:

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