

PRESS RELEASE
REDISHRED CAPITAL CORP. TSXV: KUT
Mississauga, Ontario
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REDISHRED CAPITAL CORP. (“REDISHRED”) ANNOUNCES Q3-2019 RESULTS

Quarterly Earnings Call:

8:30am EST, November 28, 2019, Participant call in number is 1-800-319-4610

Third Quarter Highlights:

Consolidated Highlights:

- Consolidated EBITDA for Q3-2019 was \$1.1M CAD, growing 32% over Q3-2018.
- Due to the decline in commodity paper prices of 54%, consolidated operating income for Q3-2019 declined by 21% over Q3-2018 to \$441,000 CAD.
- The Company generated revenue of \$5.4M CAD during Q3-2019, growing 47% over Q3-2018.
- Total recycling revenue declined \$551,000 CAD in Q3-2019 over Q3-2018.
- Total paper tonnage increased by 18% and same location paper tonnage increased 9% in Q3-2019 over Q3-2018.

Corporate Locations Highlights:

- Corporate location revenue in Q3-2019 grew 57% over Q3-2018 to \$4.7M CAD.
- Corporate location EBITDA in Q3-2019 grew 38% over Q3-2018 to \$1.4M CAD.
- Same corporate location EBITDA in Q3-2019 declined 14% over Q3-2018. The impact from paper prices was a \$356,000 CAD reduction in same location recycling revenue.
- Same location operating income excluding recycling revenue grew 95% in Q3-2019 over Q3-2018.

Capital Management:

- 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 \$11.25 million CAD. 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 and legal fees paid in connection with the offerings were \$835,000 CAD.

Acquisitions

- Subsequent to Q3-2019, the Company purchased the assets of the Proshred Chicago business from its franchisee. The Chicago location earned approximately \$4M USD in revenue for the fiscal year 2018 and currently operates 14 trucks in the Chicagoland area. The consideration paid included cash and earnout.

Management’s Comments on the Q3 2019 Results

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “The Company’s third quarter was strong, as our operations continued to deliver increased scheduled shredding sales and strong financial metrics, when adjusted for the decline in paper prices. Both the ProShred Kansas and Safe Shred acquisitions conducted in the last 12 months have performed as expected. Overall, the entire system saw same location scheduled system sales grow by 18%. This metric is important as scheduled system sales drives sustainable cash flow for franchisees and corporate locations. Management will continue to focus on growing scheduled sales and maximizing route efficiencies to mitigate against the current decline in paper prices.” Mr. Hasham further noted that “The Company has the capacity to fund future acquisitions due to the completed equity raise of \$11.25M Canadian Dollars on July 4th.

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 have raised over \$150,000 to date for this cause. Our gratitude goes out to our franchisees, vendors, partners and of course our employees who contribute to this very worthy cause.”

Financial Highlights:

In \$000's	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
System Sales Performance – in USD						
Total locations in the United States	30	29	3%	30	29	3%
System sales	\$10,954	\$10,067	9%	\$33,844	\$29,265	16%
<i>Percentage scheduled</i>	52%	46%		49%	46%	
System sales – same location	\$10,232	\$10,067	2%	\$31,680	\$29,265	8%
<i>Percentage scheduled</i>	53%	46%		50%	46%	
Consolidated Operating Performance – in CAD						
	Three months ended September 30, 2018			Nine months ended September 30, 2018		
	2019	(restated)	% change	2019	(restated)	% change
Revenue	\$5,353	\$3,633	47%	\$16,125	\$10,371	55%
EBITDA	\$1,129	\$854	32%	\$4,440	\$2,609	70%
<i>EBITDA margin</i>	21%	23%	(2)%	28%	25%	3%
Operating income	\$441	\$557	(21)%	\$2,523	\$1,792	41%
<i>Operating income margin</i>	8%	15%	(7)%	16%	17%	(1)%
Operating income per weighted average share fully diluted	\$0.006	\$0.009	(33)%	\$0.036	\$0.034	6%

Financial Highlights:

In \$000's	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% change	2019	2018	% change
Corporate Location Performance – in CAD						
Revenue	\$4,662	\$2,977	57%	\$14,002	\$8,408	67%
EBITDA	\$1,432	\$1,039	38%	\$4,859	\$3,240	50%
<i>EBITDA margin</i>	31%	35%	(4)%	35%	39%	(4)%
Operating income	\$801	\$753	6%	\$3,067	\$2,446	25%
<i>Operating income margin</i>	17%	25%	(8)%	22%	29%	(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 September 30 and December 31,	2019	2018	% change
In \$000's			
Working capital	\$13,244	\$7,288	82%
Debt to total assets ratio	0.34	0.29	(17)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	2.28	1.94	18%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	2.24	1.69	(33)%

System Sales Growth despite declining Paper Prices

Shredding system sales grew 24% during Q3-2019 over Q3-2018 with scheduled recurring sales growth of 23% during the same period. Same location shredding system sales growth was 16% and scheduled recurring sales growth was 18% in Q3-2019 over Q3-2018 as the Company continued to 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. Total system sales growth was 9% in Q3-2019 over Q3-2018 as commodity paper prices continued to decline into Q3-2019. The average paper price in the Proshred system declined by 54% in Q3-2019 over Q3-2018 as the price dropped from \$186 per ton to \$85 per ton.

During Q3-2019 Redishred's system sales growth over Q3-2018 was as follows:

Total System Sales increased by 9% (Same Locations 2%)	
<u>By Service Type:</u>	<u>By Location Type:</u>
Scheduled (recurring) increased by 23% (Same Locations 18%)	Franchise location system sales increased by 5% (Same Locations 5%)
Unscheduled increased by 27% (Same Locations 12%)	Corporate location system sales increased by 57% (Same Locations declined 5%)
Recycling decreased by 46% (Same Locations 48%)	

Franchise Operations

The Company's roots are founded in franchising and at September 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	For the 9 months ended September 30		
	2019	2018	% Change
Total same store locations	21	21	0%
Total same store system sales	\$22,550	\$20,435	10%
Total same store scheduled service sales	\$11,233	\$9,476	19%
Total same store unscheduled service sales	\$7,584	\$6,785	12%
Total same store recycling sales	\$3,733	\$4,174	(11)%

Corporate Operations

As of September 30, 2019, the Company operates nine shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey and Kansas. Subsequent to Q3-2019, the Company acquired its 10th corporate location, the Proshred Chicago franchised business. Commodity paper prices declined by 54% for same corporate locations during Q3-2019 over Q3-2018 which led to the decline in recycling revenue, EBITDA, operating income and margins.

In CAD	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the 3 months ended September 30,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding service	4,200	2,361	78%	2,566	2,361	9%	1,634	-
Recycling	461	616	(25)%	260	616	(58)%	201	-
Total revenue	4,661	2,977	57%	2,826	2,977	(5)%	1,835	-
Operating costs	3,229	1,939	67%	1,931	1,939	0%	1,298	-
EBITDA	1,432	1,038	38%	895	1,038	(14)%	537	-
EBITDA margin	31%	35%	(4)%	32%	35%	(3)%	29%	-
Depreciation – tangible assets	631	285	121%	369	285	29%	262	-
Operating income	801	753	6%	527	753	(30)%	274	-
Operating income margin	17%	25%	(8)%	19%	25%	(6)%	15%	-
Operating income less recycling	340	137	147%	267	137	95%	73	-
Operating income less recycling margin	8%	6%	2%	10%	6%	4%	4%	-

(1) The Q3-2019 results include the IFRS 16 adjustments which were not applied retrospectively.

Same corporate location operating income less recycling revenue grew 95% in Q3-2019 over Q3-2018. Non-same corporate locations include vendor-related consulting fees which account for 5% of non-same revenue.

Corporate Locations Trend:

In \$000's	2019			2018			2017	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue (\$)	4,662	4,833	4,507	3,608	2,977	2,924	2,506	2,280
Quarter over quarter % change	(4)%	8%	25%	21%	2%	17%	10%	(3)%
EBITDA (\$)	1,432	1,566	1,603	1,169	1,038	1,179	1,023	769
Quarter over quarter % change	(9)%	(2)%	37%	12%	(12)%	15%	33%	(19)%

(1) The Q1 2019 to Q3 2019 amounts exclude the IFRS 16 adjustments.

Community and Social Commitment

Our locations under the **PROSHRED®** 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®** 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. On June 1, 2019, **PROSHRED®** held its 6th 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®** has raised in excess of \$150,000 for this cause. Please visit www.proshred.com/aicr for more information on this effort.

Financial Statements

Redishred's September 30, 2019 Financial Statements, Notes and Management's Discussion and Analysis will be available at www.sedar.com and www.redishred.com.

About Redishred

Redishred Capital Corp. is the owner of the **PROSHRED®** trademarks and intellectual property in the United States. **PROSHRED®** shreds and recycles confidential documents and proprietary materials for thousands of customers in the United States in all industry sectors. **PROSHRED®** is a pioneer in the mobile document destruction and recycling industry and has the ISO 9001:2015 certification. It is **PROSHRED®**'s vision to be the 'system of choice' and provide shredding and recycling services on a global basis. Redishred Capital Corp. grants **PROSHRED®** 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.

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