

PRESS RELEASE
REDISHRED CAPITAL CORP. TSXV: KUT
Mississauga, Ontario
August 25, 2020

REDISHRED CAPITAL CORP. (“REDISHRED”) ANNOUNCES Q2 2020 RESULTS HIGHLIGHTING 8% REVENUE GROWTH

Quarterly Earnings Call:

8:45am EST, August 26, 2020, Participant call in number is 1-800-319-4610

Second Quarter Highlights:

Consolidated Highlights:

- The Company generated revenue of \$6.0 million *CAD* during Q2-2020, growing 8% over Q2-2019.
- Consolidated EBITDA for Q2-2020 was \$1.6 million *CAD*, declining 7% over Q2-2019.
- The decline in consolidated EBITDA was driven by the negative impacts of COVID-19, positively offset by the acquisitions conducted in Connecticut and Chicago over the last 12 months.
- During Q2-2020, the Company qualified for two government grant programs – the Paycheck Protection Program (“PPP”) in the United States and the Canadian Wage Subsidy Program in Canada. The Company received \$1.7 million *CAD* in Q2-2020 from these programs of which the Company has estimated the forgivable amount to be \$1.26 million *CAD*.

Corporate Locations Highlights:

- Corporate location revenue in Q2-2020 grew 14% over Q2-2019 to \$5.5 million *CAD*.
- Corporate location EBITDA in Q2-2020 grew 2% over Q2-2019 to \$1.7 million *CAD*.
- Same corporate location EBITDA in Q2-2020 declined by 28% over Q2-2019 to \$1.2 million *CAD* due to the ‘Shelter at Home’ orders instituted by the various state governments preventing the Company from servicing non-essential businesses.
- Total and same corporate location EBITDA margins remained above 30% in Q2-2020 as management implemented a cost reduction program in response to the declining revenues.

Capital Management:

- The Company increased its cash balance from \$7.0 million *CAD* at March 31, 2020 to \$8.8 million *CAD* at June 30, 2020.
- In response to the impacts of COVID-19, the Company negotiated with its financial institution the deferral of its principal payments for a six-month period beginning in April 2020.
- During Q2-2020 the Company also deferred 87% of its truck loan payments for a three-month period beginning in April 2020.

Management’s Comments on Q2 2020

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “The proactive steps taken by the management team throughout the second quarter of 2020 has allowed Redishred to remain agile during the COVID-19 pandemic, and adaptive to the changing environment that we currently operate in. The efforts of the entire Redishred team allowed us to deliver positive cash flow from operations despite the significant decline in revenues caused by COVID-19. We have and will continue to be agile as demand patterns shift and resume their growth trajectories as economies in the US gradually re-open. As we return to pre-COVID-19 levels of service revenues, we will continue to prioritize health and safety for our employees and our clients.”

Mr. Hasham further noted that “During the pandemic, the entire Redishred team has performed above and beyond expectations for the Company - they have deferred wages, they have taken fewer hours, and throughout, they have provided safe client service to our valued customers. I would like to take this moment to thank all of our employees, franchisees, management and board members for their unwavering support and contributions during these truly unprecedented times. We remain focused on doing the right things every day to drive a better tomorrow for Redishred.”

Financial Highlights:

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change ⁽²⁾	2020	2019	Change ⁽²⁾
System Sales Performance – in USD, in \$000's						
Total locations in the United States	30	30	0%	30	30	0%
Total system sales	\$8,726	\$11,664	(25)%	\$19,715	\$22,890	(14)%
<i>% of scheduled sales</i>	48%	48%		51%	47%	
Total system sales – same location	\$8,726	\$11,664	(25)%	\$19,636	\$22,890	(14)%
<i>% of scheduled sales</i>	48%	49%		51%	48%	

Consolidated Operating Performance – in CAD, in \$000's

Revenue	\$6,034	\$5,570	8%	\$12,628	\$10,773	17%
EBITDA ⁽¹⁾	\$1,565	\$1,691	(7)%	\$2,924	\$3,311	(12)%
<i>% of revenue</i>	26%	30%	(400) bps	23%	31%	(800) bps
Operating income ⁽¹⁾	\$572	\$1,034	(45)%	\$1,086	\$2,067	(47)%
<i>% of revenue</i>	9%	19%	(1000) bps	9%	19%	(1000) bps
Operating income per weighted average share fully diluted	\$0.007	\$0.015	(50)%	\$0.014	\$0.030	(50)%

Corporate Location Performance – in CAD, in \$000's

Revenue	\$5,532	\$4,833	14%	\$11,536	\$9,341	24%
EBITDA ⁽¹⁾	\$1,744	\$1,704	2%	\$3,529	\$3,427	3%
<i>% of revenue</i>	32%	35%	(300) bps	31%	37%	(600) bps
Operating income ⁽¹⁾	\$776	\$1,091	(29)%	1,740	\$2,266	(23)%
<i>% of revenue</i>	14%	23%	(900) bps	15%	24%	(900) bps

(1) EBITDA and operating income include a one-time payment of \$240,000 to its front-line workers and other staff to compensate for the reduced wages during the Shelter at Home stage; this was funded by government assistance programs.

(2) Change expressed as a percentage or basis point (“bps”).

Capital Management:

As at June 30 and December 31,	2020	2019	% change
In CAD, \$000's			
Working capital	\$3,407	\$4,432	(23)%
Debt to total assets ratio	0.45	0.44	(2)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	1.64	2.39	(31)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	3.67	2.94	(25)%

Decline in System Sales Driven by COVID-19

Shredding system sales were negatively impacted by the ‘Shelter at Home’ orders put in place in response to the COVID-19 pandemic which resulted in the closure of non-essential businesses and institutions. Although the corporate and franchise locations were able to provide services to other essential businesses, they were prevented from servicing non-essential businesses. As a result, shredding system sales declined by 24% in Q2-2020 over Q2-2019.

The decline in shredding system sales impacted the volume of paper processed driving the tonnage of paper collected down by 35% in Q2-2020 over Q2-2019. This was partially offset by an increase in paper prices of 5% in Q2-2020 over Q2-2019.

During Q2-2020 the Company’s system sales results were as follows:

Total System Sales declined by 25% (Same Location declined by 25%)	
<u>By Service Type:</u>	<u>By Location Type:</u>
Scheduled sales decreased by 25% (Same Location decreased by 25%)	Franchise location total system sales decreased by 23% (Same Location decreased by 23%)
Unscheduled sales decreased by 24% (Same Location decreased by 24%)	Corporate location sales increased by 7% (Same Location decreased by 26%)
Recycling sales decreased by 29% (Same Location decreased by 29%)	

Franchise Operations

The Company’s roots are founded in franchising and at June 30, 2020, the Company supported 19 franchisees across the United States. The franchise system’s high-level sales results are as follows:

In USD, In \$000’s	<u>For the 3 months ended June 30</u>		
	2020	2019	% Change
Total same locations	19	19	0%
Total same location system sales	\$4,756	\$6,141	(23)%
Total same location scheduled service sales	\$2,438	\$3,008	(19)%
Total same location unscheduled service sales	\$1,609	\$2,079	(23)%
Total same location recycling sales	\$709	\$1,054	(33)%

Corporate Locations

As of June 30, 2020, the Company operates eleven locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey, Kansas, Chicago and Connecticut.

As a result of the acquisitions conducted over the last 12 months, total corporate location revenues in USD grew by 7% in Q2-2020 over Q2-2019, despite the negative impacts of the COVID-19 Pandemic. In April 2020, the Company qualified for the PPP in the United States. The Company received US\$1.1 million (CAD\$1.5 million) under the program, which allows for up to all of the loan to be forgiven if the proceeds are used to cover payroll, rent and other utility costs at pre-COVID-19 levels. With these funds in hand, the Company made a one-time payment (“COVID-19 payments”) to its front-line employees to compensate for the reduced hours, overtime and wages during the initial three months of the pandemic.

Total EBITDA in USD declined by 4% in Q2-2020 over Q2-2019 and included US\$130,000 in COVID-19 payments for same locations and US\$45,000 for non-same locations. Total EBITDA excluding the one-time payments in USD grew by 13% in Q2-2020 over Q2-2019.

Same corporate location revenue and EBITDA was negatively impacted by the ‘Shelter at Home’ orders placed in most US States in response to COVID-19. However, the Company reduced its costs and curtailed all discretionary expenditures. As a result, same corporate location EBITDA margin for Q2-2020 was 31%.

In CAD, in \$000's For the three months ended June 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020	2019	% Change	2020	2019	% Change	2020	2019
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	4,716	4,157	13%	3,352	4,157	(19)%	1,364	-
Recycling sales	816	677	21%	468	677	(31)%	348	-
Total sales	5,532	4,834	14%	3,820	4,834	(21)%	1,712	-
Operating costs (note 1)	3,788	3,130	21%	2,645	3,130	(17)%	1,143	-
EBITDA	1,744	1,704	2%	1,175	1,704	(28)%	569	-
<i>% of revenue</i>	32%	35%	(3)%	31%	35%	(3)%	33%	-
Depreciation – tangible assets	968	613	58%	658	613	(7)%	310	-
Operating income	776	1,091	(29)%	517	1,091	(49)%	259	-
<i>% of revenue</i>	14%	23%	(9)%	14%	23%	(8)%	15%	-
Operating income less recycling	(39)	414	(110)%	50	414	(78)%	(89)	-
<i>% of revenue</i>	(1)%	9%	(10)%	1%	9%	(8)%	(5)%	-
EBITDA excluding COVID-19 payments	1,985	1,704	16%	1,354	1,704	(21)%	631	-
<i>% of revenue</i>	36%	35%	1%	35%	35%	0%	37%	-

Note 1: During Q2-2020, acquisition/vendor-related consulting fees of CAD\$35,768 are included in the total and non-same operating costs.

Corporate Locations Trend:

In \$000's	2020		2019				2018		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue (\$)	5,532	6,003	5,734	4,662	4,833	4,507	3,608	2,978	2,924
<i>Quarter over quarter % change</i>	(8)%	5%	23%	(4)%	7%	25%	21%	2%	17%
EBITDA (\$)	1,744	1,782	1,376	1,432	1,704	1,723	1,170	1,038	1,179
<i>Quarter over quarter % change</i>	(2)%	30%	(4)%	(16)%	(1)%	47%	12%	(12)%	15%

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. Our annual national Shred Cancer event typically held in early June was postponed until the fall of 2020. These events are held to raise research funds for the American Institute for Cancer Research ("AICR"). It is our goal as a Company and Franchise System to support AICR in their endeavor to prevent cancer and possibly cure this disease. So far, **PROSHRED**[®] has raised in excess of USD\$150,000 for this cause. Please visit www.proshred.com/aicr for more information on this effort.

Financial Statements

Redishred's June 30, 2020 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 eleven 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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