

**PRESS RELEASE**  
**REDISHRED CAPITAL CORP. TSXV: KUT**  
Mississauga, Ontario  
November 26, 2020

**REDISHRED CAPITAL CORP. (“REDISHRED”) ANNOUNCES Q3 2020 RESULTS HIGHLIGHTING 25% REVENUE GROWTH**

**Quarterly Earnings Call:**

8:30am EST, November 27, 2020, Participant call in number is 1-800-319-4610

**Third Quarter Highlights:**

*Consolidated Highlights:*

- The Company generated revenue of \$6.7 million *CAD* during Q3-2020, growing 25% versus Q3-2019.
- Consolidated EBITDA for Q3-2020 was \$1.9 million *CAD*, growing 65% versus Q3-2019.
- Consolidated EBITDA margin for Q3-2020 was 28%, a 700 basis points improvement versus Q3-2019, not including government assistance.
- The growth in consolidated EBITDA was driven by the acquisitions conducted in Connecticut and Chicago over the last 12 months.

*Corporate Locations Highlights:*

- Corporate location revenue in Q3-2020 grew 31% versus Q3-2019 to \$6.1 million *CAD*.
- Corporate location EBITDA in Q3-2020 grew 47% versus Q3-2019 to \$2.1 million *CAD*.
- Same corporate location EBITDA was flat in Q3-2020 versus Q3-2019, despite the impacts of COVID-19. Same corporate location EBITDA margin improved by 200 basis points to 33% in Q3-2020 versus Q3-2019.
- Total corporate location EBITDA margin was 35% in Q3-2020, a 400 basis points improvement versus Q3-2019.

*Capital Management:*

- The Company strengthened its balance sheet, with \$9 million *CAD* in cash at September 30, 2020.
- The Company increased its cash balance by \$141,000 in Q3-2020 over the prior quarter.
- During the third quarter, the Company repaid \$1 million *CAD* on one of its term loans, extinguishing the Company’s most costly term loan instrument before its due date.
- The Company ended the quarter with debt to total assets of 43%, a 200 basis points improvement from June 30, 2020.

## **Management’s Comments on Q3 2020**

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “The third quarter continued the steady progression of recovery that commenced in June of 2020. As the economy re-opened in June of 2020 and into the summer of 2020, the Company was prepared to seize the opportunity, by increased marketing leading to improved unscheduled shredding revenue, including more work in the residential market. Additionally, throughout the summer, the Company brought back furloughed sales employees to assist with new scheduled clients and our clients that continue to work remotely. This enabled the entire system to grow its unscheduled system sales versus Q3-2019 by 4% and our scheduled system sales saw a 9% decrease. More critically, the frontline team continued to visit our clients each day, and they did it safely and diligently, resulting in our ability to service clients quickly, and respond to last minute orders, resulting in corporate locations achieving stronger EBITDA margins versus Q3-2019.”

Mr. Hasham further noted that “I am forever grateful for the dedications the entire team made during the last six months during the pandemic. The entire Redishred team has performed above and beyond expectations for the Company - they have deferred wages, initially worked fewer hours, and throughout, have provided safe 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 unprecedented times. We remain focused on doing the right things every day to drive a better tomorrow for Redishred.”

## Financial Highlights:

	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	Change <sup>(2)</sup>	2020	2019	Change <sup>(2)</sup>
<b>System Sales Performance – in USD, in \$000's</b>						
Total locations in the United States	<b>30</b>	30	0%	<b>30</b>	30	0%
Total system sales <sup>(1)</sup>	<b>\$10,694</b>	\$10,954	(2)%	<b>\$30,409</b>	\$33,844	(10)%
<i>% of scheduled sales</i>	<b>48%</b>	52%		<b>50%</b>	49%	

<b>Consolidated Operating Performance, in CAD, in \$000's</b>						
Revenue	<b>\$6,665</b>	\$5,353	25%	<b>\$19,293</b>	\$16,125	20%
EBITDA	<b>\$1,866</b>	\$1,129	65%	<b>\$4,790</b>	\$4,440	8%
<i>% of revenue</i>	<b>28%</b>	21%	700 bps	<b>25%</b>	28%	(300) bps
Operating income	<b>\$938</b>	\$441	112%	<b>\$2,025</b>	\$2,523	(20)%
<i>% of revenue</i>	<b>14%</b>	8%	600 bps	<b>10%</b>	16%	(600) bps
Operating income per weighted average share fully diluted	<b>\$0.012</b>	\$0.006	100%	<b>\$0.026</b>	\$0.036	(28)%
Government assistance not included in above <sup>(3)</sup>	<b>\$494</b>	-	100%	<b>\$1,757</b>	-	100%

<b>Corporate Location Performance, in CAD, in \$000's</b>						
Revenue	<b>\$6,093</b>	\$4,662	31%	<b>\$17,630</b>	\$14,002	26%
EBITDA	<b>\$2,103</b>	\$1,432	47%	<b>\$5,631</b>	\$4,859	16%
<i>% of revenue</i>	<b>35%</b>	31%	400 bps	<b>32%</b>	35%	(300) bps
Operating income	<b>\$1,199</b>	\$801	50%	<b>\$2,938</b>	\$3,067	(4)%
<i>% of revenue</i>	<b>20%</b>	17%	300 bps	<b>17%</b>	22%	(500) bps
Operating income less recycling	<b>\$503</b>	\$340	48%	<b>\$894</b>	\$1,066	(16)%

## Capital Management:

As of September 30 and December 31,	2020	2019	Change <sup>(2)</sup>
<b>In CAD, in \$000's</b>			
Working capital	<b>\$3,543</b>	\$4,432	(20)%
Debt to total assets ratio	<b>0.43</b>	0.44	2%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>1.29</b>	2.39	(46)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>3.29</b>	2.94	(12)%

(1) Same location system sales were not materially different than total system sales.

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

(3) The Company qualified for the Paycheck Protection Program loan (“PPP”) in the United States which has been made available to eligible US businesses that have been affected by the COVID-19 pandemic. Based on preliminary calculations of the loan forgiveness, the Company believes that the entire PPP loan will be forgiven.

### **System Sales Recovery**

Shredding system sales grew 28% in Q3-2020 versus Q2-2020 as COVID-19 restrictions eased across the United States and an increased number of customers returned to offices and recommenced service.

The Company also saw 4% growth in unscheduled sales in Q3-2020 versus Q3-2019, driven by pent up demand in many re-opened offices plus the targeting of residential clients. For the scheduled system sales category, many larger non-essential clients continue to provide work from home options to their employees which negatively impacted scheduled system sales, declining by 9% versus Q3-2019. Overall, total shredding system sales declined by 4% in Q3-2020 over Q3-2019.

The average paper price in the Proshred system increased 16% in Q3-2020 versus Q3-2019 which led to growth of 7% in recycling sales despite a decline in paper tonnage collected.

### **Growth in Consolidated EBITDA and Operating Income Despite the COVID-19 Pandemic**

The Company achieved 65% and 113% growth in consolidated EBITDA and operating income in Q3-2020 as compared to Q3-2019 as a result of the acquisitions conducted in the last 12 months. Selling, general and administrative expenses were positively impacted by the implementation of cost reduction initiatives completed in the second quarter of 2020 which led to a 19% reduction in Q3-2020 as compared to Q3-2019. In addition to the double-digit growth in consolidated EBITDA and operating income, the Company received \$1.76M from the PPP in the United States during Q2-2020.

### **Improved Same Corporate Location EBITDA and Operating Income Margins**

The Company achieved same corporate location EBITDA margin of 33% during the quarter, growing 200 basis points over Q3-2019. The Company also achieved same corporate location operating income margin of 19% during the quarter, growing 200 basis points over Q3-2019. Despite the negative impacts of COVID-19 on corporate location sales, the Company managed its routes and related sales, marketing and support costs that resulted in the improvement in margins.

### **Franchise Operations**

As at September 30, 2020, the Company supported 19 franchisees across the United States. The franchise system's high-level sales results are as follows:

<b>In USD, In \$000's</b>	<i>For the 3 months ended September 30</i>		
	<b>2020</b>	2019	<i>% Change</i>
Total same locations	<b>19</b>	19	0%
Total same location system sales	<b>\$5,732</b>	\$5,772	(1)%
Total same location scheduled service sales	<b>\$2,977</b>	\$3,143	(5)%
Total same location unscheduled service sales	<b>\$2,039</b>	\$2,020	1%
Total same location recycling sales	<b>\$715</b>	\$609	17%

## Corporate Locations

As of September 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 completed over the last 12 months, total corporate location revenues grew by 31% in Q3-2020 versus Q3-2019, despite the negative impacts related to the COVID-19 Pandemic. Total EBITDA grew 47% in Q3-2020 versus Q3-2019 with an improvement in EBITDA margin of 400 basis points. The corporate locations continued to optimize routes through the use of new routing software implemented in late 2019 along with agile marketing programs that allowed for the capture of more unscheduled revenue, coupled with continued execution of cost containment programs.

Same corporate location shredding revenue was negatively impacted by COVID-19 resulting in a 10% decline in Q3-2020 versus Q3-2019. However, the Company reduced costs and curtailed all discretionary expenditures resulting in same corporate location EBITDA for Q3-2020 to be \$40,000 less than the result achieved in Q3-2019. Same corporate location EBITDA margin improved by 200 basis points in Q3-2020 as compared to Q3-2019.

In CAD, in \$000's	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020	2019	% Change	2020	2019	% Change	2020	2019
For the three months ended September 30,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	5,397	4,200	29%	3,762	4,200	(10)%	1,635	-
Recycling sales	696	461	51%	438	461	(5)%	258	-
Total sales	6,093	4,661	31%	4,200	4,661	(10)%	1,893	-
Operating costs (note 1)	3,991	3,229	(24)%	2,804	3,229	13%	1,187	-
EBITDA	2,102	1,432	47%	1,396	1,432	(3)%	706	-
% of revenue	35%	31%	400 bps	33%	31%	200 bps	37%	-
Depreciation – tangible assets	904	631	(43)%	612	631	3%	292	-
Operating income	1,198	801	50%	784	801	2%	414	-
% of revenue	20%	17%	300 bps	19%	17%	200 bps	22%	-
Operating income less recycling	503	340	48%	347	340	2%	156	-
% of revenue	9%	8%	100 bps	9%	8%	100 bps	10%	-
EBITDA – in USD	1,583	1,077	47%	1,051	1,077	(2)%	532	-
% of revenue	34%	31%	300 bps	33%	31%	200 bps	37%	-

Note 1: During Q3-2020, acquisition/vendor-related consulting fees of \$34,290 are included in the total and non-same operating costs.

## Corporate Locations Trend:

In CAD, in \$000's	2020			2019			2018		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (\$)	6,093	5,532	6,003	5,734	4,661	4,833	4,507	3,608	2,978
Quarter over quarter % change	10%	(8)%	5%	23%	(4)%	7%	25%	21%	2%
EBITDA (\$)	2,102	1,744	1,782	1,376	1,432	1,704	1,723	1,170	1,038
Quarter over quarter % change	21%	(2)%	30%	(4)%	(16)%	(1)%	47%	12%	(12)%

## 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](http://www.proshred.com). Our annual national Shred Cancer event was held in 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 almost USD\$200,000 for this cause. Please visit [www.proshred.com/aicr](http://www.proshred.com/aicr) for more information on this effort.

## Financial Statements

Redishred's September 30, 2020 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®** 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.

## FOR FURTHER INFORMATION PLEASE CONTACT:

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