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**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

*Dollar amounts in thousands of Canadian dollars (except as noted)*

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## **Business Overview**

Redishred Capital Corp. was founded in 2006 with the purpose to acquire and grow a business platform in the information destruction and security industry. In 2008, Redishred acquired Professional Shredding Corporation and its primary assets which included the Proshred system and brand, including 16 franchised locations.

The Company is headquartered in Mississauga, Ontario, Canada and operates the Proshred franchise and licence business (defined as the business of granting and managing franchises in the United States and by way of a master license arrangement in the Middle East) as well as operates 12 corporate shredding locations directly as of April 15, 2021. In 2020, the Proshred system achieved USD\$40 million in System Sales (USD\$23 million through franchised/licensed locations and USD\$17 million through the corporately owned locations).

The Company's strategy to drive shareholder value focuses on three key areas:

1. Expand the location footprint in North America by way of franchising and accretive acquisitions.
2. Maximize same location revenue (scheduled sales) and earnings for franchisees and corporate locations.
3. Drive depth of service and earnings in existing locations by acquiring smaller acquisitions that are accretive (tuck-ins).

## **Basis for Presentation**

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated audited financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining all pertinent information, this MD&A should be read in conjunction with material contained in the Company's consolidated audited financial statements for the year ended December 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). The Company's presentation currency is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which they operate. Additional information on the Company, including these documents and the Company's 2020 Annual Report are available on SEDAR at [www.sedar.com](http://www.sedar.com). The discussions in this MD&A are based on information available as at April 15, 2021.

## **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In particular, certain statements, analysis and commentary in this document reflect the Company’s anticipated outlook of future events. These statements include, but are not limited to:

- (i) the Company’s ability to achieve certain levels of cash flow and earnings before interest, taxes, depreciation and amortization (“EBITDA”) as well as meet its financial obligations as they come due, which may be impacted by:
  - a. the severity and duration of the COVID-19 pandemic and its effects on the Canadian, United States and global economy, including its effects on Redishred, the markets we serve and our customers and the third parties with whom we do business,
  - b. the growth of the system sales achieved by existing and new locations,
  - c. the growth of sales achieved in corporate locations,
  - d. the economic circumstances in certain regions of the United States,
  - e. the level of corporate overhead,
  - f. number and size of acquisitions,
  - g. the ability to realize efficiencies from acquired operations,
  - h. the exchange rate fluctuations between the US and Canadian dollar,
- (ii) anticipated system sales, royalty revenue and corporate location revenue, which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft and corporate security issues;
- (iii) recycling revenues may be impacted by commodity paper prices which may vary with market conditions both in the United States and Internationally;
- (iv) the anticipated corporate results which may be impacted by the ability of the Company to achieve the anticipated sales and efficiencies; and by the performance of the local economies;
- (v) the awarding of franchises and licences, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise or licence;
- (vi) the commencement of new franchise and/or licenced locations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution;
- (vii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms, and
- (viii) the ability to continue to meet the Company’s financial covenants it has with its banking institution.

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These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking reports will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

### **Non-IFRS Financial Measures**

There are measures included in this MD&A that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- **Total System Sales** are revenues generated by franchisees, licensees and corporately operated locations. The system sales generated by franchisees and licensees drive the Company's royalties. The system sales generated by corporate locations are included in the Company's revenues.
- **Shredding System Sales** are revenues generated from customers with regular recurring service referred to as scheduled sales and revenues generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding system sales do not include recycling sales. Shredding system sales include revenues generated by franchisees, licensees and corporately operated locations.
- **Same Location** for system sales, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in 2020 and 2019.
- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead. A reconciliation between net income and consolidated EBITDA is included on page 30.
- **Consolidated Operating Income** is defined as revenues less all operating expenses, depreciation related to the tangible assets. Amortization for intangible assets has not been included in this calculation. A reconciliation between net income and consolidated operating income is included on page 30.
- **Consolidated Operating Income less Net Interest Expense** is defined as consolidated operating income including interest income and expense. A reconciliation between net income and consolidated operating income less net interest expense is included on page 30.
- **Corporate Location EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead generated by corporately operated locations.
- **Corporate Location Operating Income** is the income generated by corporately operated locations. The operating income generated is inclusive of depreciation on tangible assets, including trucks, right of use assets and secure collection containers. It does not include amortization related to intangibles assets, allocations for corporate overhead or interest expense.
- **Corporate Location Operating Income less Recycling** is the corporate location operating income excluding corporate location recycling sales.
- **Margin** is the percentage of revenue that has turned into EBITDA or Operating Income. Margin is defined as EBITDA or operating income divided by revenue.

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**Key Performance Indicators ("KPIs")**

Management measures the Company's performance based on the following KPIs:

1. System sales performance – measures sales growth of franchisees, licensees and corporate locations, which drive the Company's royalties and corporate location revenues.
2. EBITDA growth and margin – management uses this performance measure to assess both the Company's performance and the corporate locations performance. Management is focused on growing the consolidated Company EBITDA and the corporate locations EBITDA.
3. Consolidated operating income increases – this measure considers the Company's ability to increase its operating income and includes depreciation on tangible assets, including trucks and right-of-use assets.
4. Corporate location operating income growth and margin – measures the corporate locations ability to grow cash flow as it includes depreciation on tangible assets.
5. Corporate location operating income less recycling revenue growth – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices.
6. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by our lenders, this measure considers the Company's ability to pay both interest and principal on outstanding debt. The Company normalizes the ratio for non-cash stock-based compensation expense. Management is focused on increasing this ratio, as generally, the higher the fixed charge coverage ratio, the lower the credit risk.
7. Normalized Total Funded Debt to EBITDA Ratio – this measures the Company's leverage and its ability to pay all outstanding debt and assesses the Company's financial health and liquidity position. The Company normalizes the ratio for non-cash stock-based compensation expense. Management's goal is to continue to reduce this ratio which is an indicator that the Company has sufficient funds to meet its financial obligations.
8. Operating income per weighted average share, fully diluted – measures management's ability to drive operating income and cash flow from existing locations and also helps measure the quality of the acquisitions conducted to ensure they are accretive to driving shareholder value.

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**Financial and Operational Highlights**

The following table outlines the Company's key IFRS and non-IFRS measures:

	KPI	Three months ended December 31,			Twelve months ended December 31,		
		2020	2019	Change <sup>(2)</sup>	2020	2019	Change <sup>(2)</sup>
<b>System Sales Performance – in USD</b>							
Total locations in the United States		<b>30</b>	30	0%	<b>30</b>	30	0%
Total system sales <sup>(1)</sup>	(1)	<b>\$10,006</b>	\$10,477	(5)%	<b>\$40,415</b>	\$44,321	(9)%
<i>% of scheduled sales</i>		<b>53%</b>	56%		<b>51%</b>	50%	
<b>Consolidated Operating Growth</b>							
Revenue		<b>\$6,144</b>	\$6,281	(2)%	<b>\$25,437</b>	\$22,407	14%
EBITDA	(2)	<b>\$1,148</b>	\$605	90%	<b>\$5,938</b>	\$5,045	18%
<i>EBITDA margin</i>		<b>19%</b>	10%	900 bps	<b>23%</b>	23%	- bps
Operating income	(3)	<b>\$212</b>	\$(112)	289%	<b>\$2,237</b>	\$2,410	(7)%
<i>Operating income margin</i>		<b>3%</b>	(2)%	500 bps	<b>9%</b>	11%	(200) bps
Operating income per weighted average share fully diluted	(8)	<b>\$0.027</b>	\$(0.002)	234%	<b>\$0.028</b>	\$0.032	(12)%
Government assistance not included in above <sup>(3)</sup>		<b>\$153</b>	-	100%	<b>\$1,909</b>	-	100%
<b>Corporate Location Performance</b>							
Revenue		<b>\$5,572</b>	\$5,734	(3)%	<b>\$23,202</b>	\$19,737	18%
EBITDA		<b>\$1,528</b>	\$1,376	11%	<b>\$7,159</b>	\$6,235	15%
<i>EBITDA margin</i>		<b>27%</b>	24%	300 bps	<b>31%</b>	32%	(100) bps
Operating income	(4)	<b>\$634</b>	\$620	2%	<b>\$3,572</b>	\$3,687	(3)%
<i>Operating income margin</i>		<b>11%</b>	11%	- bps	<b>15%</b>	19%	(400) bps
Operating income less recycling	(5)	<b>\$203</b>	\$84	141%	<b>\$1,097</b>	\$1,150	(5)%
<b>Capital Management</b>							
As of December 31,	KPI	2020	2019	Change <sup>(2)</sup>			
Working capital <sup>(4)</sup>		<b>\$(2,548)</b>	\$4,432	(157)%			
Debt to total assets ratio		<b>0.48</b>	0.44	(9)%			
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	<b>1.19</b>	2.39	(50)%			
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	<b>2.95</b>	2.94	0%			

(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. The entire PPP loan was forgiven. The Company also qualified for the Canadian Emergency Wage Subsidy ("CEWS") in Canada.

(4) Refer to page 32 for further details on the working capital.

## **Summary of Results and Operations**

### ***Revenue Growth in 2020 from Acquisitions Despite Challenges with COVID-19***

The Company achieved 14% total revenue growth during the year due primarily to the acquisitions conducted during the last 18 months. Total system sales in 2020 were negatively impacted by COVID-19 and the decline in paper prices resulted in a 9% decline in total system sales versus 2019.

### ***Q4-2020 System Sales Impacted by Seasonality***

Shredding system sales declined by 4% in Q4-2020 versus Q3-2020 as the fourth quarter has fewer business days than other quarters due to US holidays. When compared with Q4-2019, shredding system sales declined by 5% due to the impacts of the COVID-19 pandemic. Refer to page 9 for further details on the impact of COVID-19 on the Company.

Scheduled system sales declined by 9% in Q4-2020 versus Q4-2019 as the COVID-19 pandemic compelled many larger non-essential clients to provide work from home options to their employees, resulting in reduced service frequencies or a suspension of services.

Unscheduled system sales grew by 0.5% in Q4-2020 over Q4-2019 despite the continued negative impacts of the pandemic. The Company increased both sales and marketing spend in the fourth quarter of 2020 with a view to driving increased unscheduled sales given available capacity.

Recycling system sales grew by 1% in Q4-2020 versus Q4-2019 as the average paper price in the Proshred system for Q4-2020 was on par with the price obtained in Q4-2019.

### ***Corporate Footprint Growth from Acquisitions***

The Company completed the acquisition of the Proshred and Proscan Massachusetts business from its franchisee on December 31, 2020. With the acquisition of the Proshred Connecticut business on March 1, 2020, the Company completed a total of \$16 million in acquisitions in 2020. The acquired locations earned a total of USD\$5.4 million in revenue for the year 2019 and currently operate 16 trucks in total. The acquisitions have completed the North East's Corporate footprint allowing for fleet and management synergies with adjacent corporate locations.

### ***Same Corporate Location EBITDA***

Same corporate location EBITDA for 2020 was negatively impacted by the "Shelter at Home" orders issued in Q2-2020 resulting in the Company's non-essential clients suspending service. This led to a decline in shredding revenue resulting in lower paper volume which was coupled with a decline in paper prices. The Company mitigated against the revenue decline by reducing costs which led to an EBITDA margin of 31% in 2020 versus 32% in 2019.

Same corporate location EBITDA continued to be impacted by COVID-19 in Q4-2020 as larger non-essential clients continued to provide work from home options to their employees. Despite this, same corporate location EBITDA margin improved by 100 basis points to 25%. The Company managed its routes and related sales, marketing and support costs which led to reduced operating costs to mitigate the impact of reduced sales.

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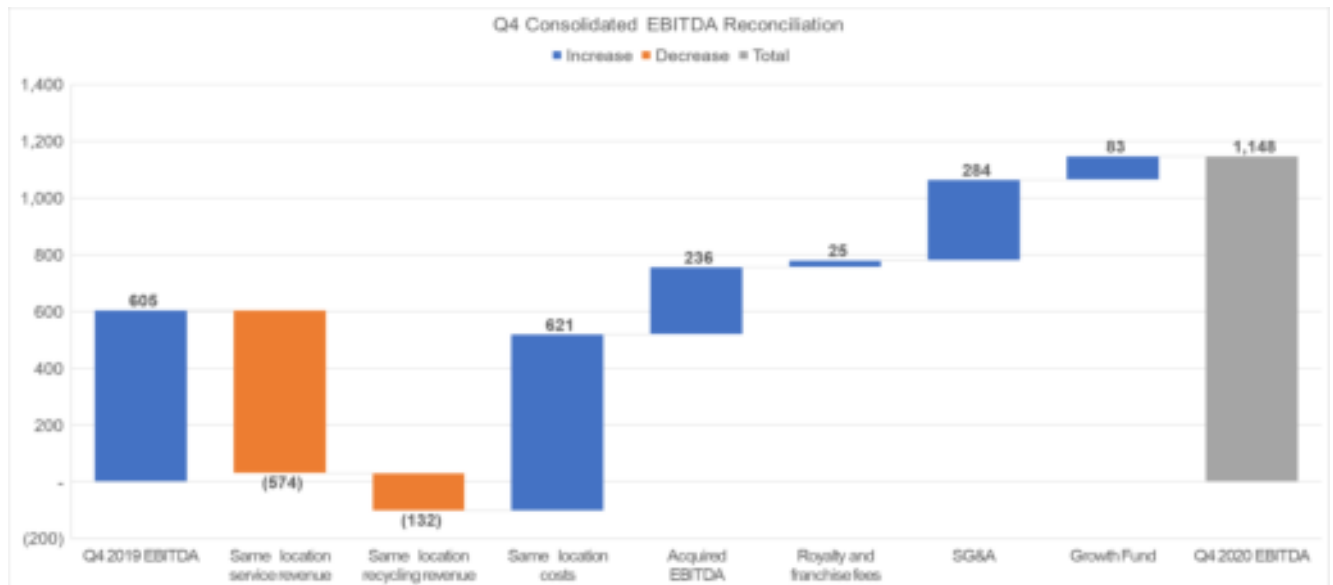
**Growth in Consolidated EBITDA Despite Challenges with COVID-19**

*Q4-2020 Results*

The Company achieved 90% growth in consolidated EBITDA in Q4-2020 as compared to Q4-2019 as a result of:

- (1) Acquired EBITDA from the acquisition of the Connecticut business on March 1, 2020; and
- (2) The cost reduction initiatives taken to mitigate the negative impacts of COVID-19 on sales.

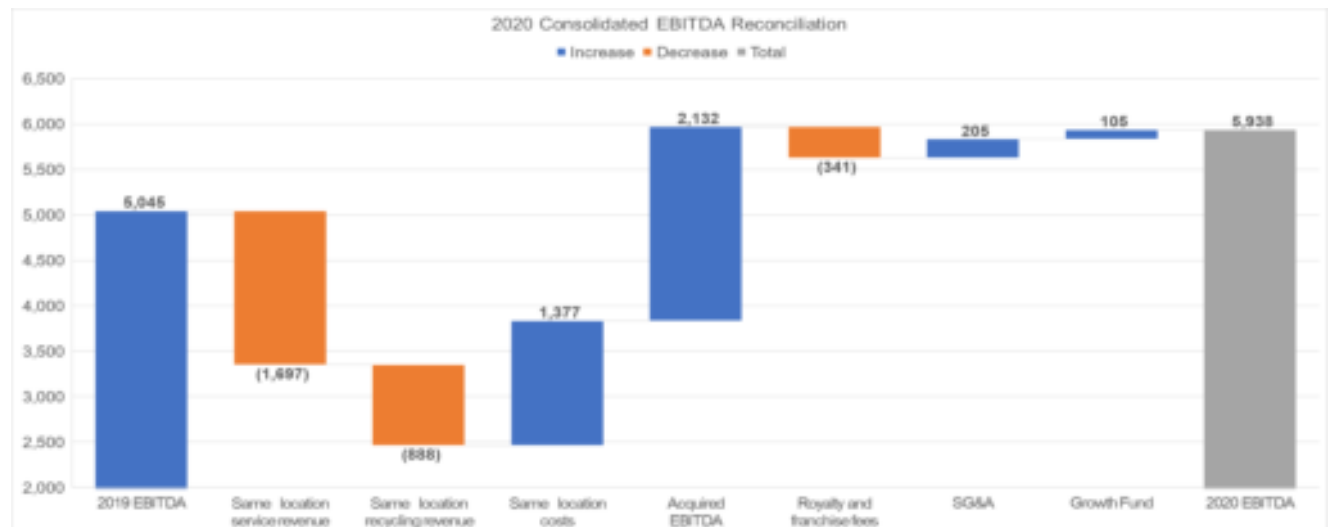
In addition to the double-digit growth in consolidated EBITDA, the Company qualified for and received \$360,000 from the government assistance programs in Canada during Q4-2020 which has been recorded as Other Income.



*2020 Results*

The Company achieved 18% growth in consolidated EBITDA in 2020 as compared to 2019 as a result of:

- (1) The acquisitions conducted in the last 18 months; and
- (2) The cost reduction initiatives taken to mitigate against the negative impacts of COVID-19 on sales.





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**COVID-19 Impact**

On March 11, 2020, the COVID-19 virus was declared a global pandemic by the World Health Organization. The pandemic has had a significant impact on the Canadian and United States economy due to the temporary closure of non-essential businesses. These closures have had a direct impact on many of our non-essential service customers. The impact and duration of the pandemic continues to be uncertain and it is not possible to forecast with certainty the duration and full scope of the economic impact and other consequential changes the pandemic may have on the business. The Company is optimistic given the recovery of the revenue base and the Company's execution of its route efficiency programs and some cost reduction activities. The Company continued to maintain operations in all markets during fiscal 2020. The Company's COVID-19 pandemic response include efforts to protect the health and well-being of its workforce and customers.

**Shredding Revenue**

During 2020, same location shredding revenue from corporate locations declined by 11% when compared to 2019. The Company was deemed an essential service and was able to continue to service its essential service clients during the "Shelter at Home" orders in the second quarter of 2020. The Company was not permitted to provide services to its non-essential clients during this time.

During the fourth quarter of 2020, demand for shredding services remained consistent with the third quarter of 2020 and stabilized in certain markets. The Company's shredding revenue declined by 10%, 13% and 3% in October, November and December of 2020, respectively, over the prior comparative periods. The impact to the Company's corporate location shredding revenues in 2020 is as follows:



**Recycling Revenue**

At the outset of the pandemic, a shortage in the supply of household and other paper products resulted in higher demand for the paper product that the Company creates during the shredding process. This led to a 104% increase in the average paper price in the Proshred system in Q2-2020 over Q1-2020. As shelter at home restrictions eased during the third and fourth quarters of 2020, the demand for paper products fell, and our paper commodity saw a corresponding decrease in price.

As a result, the average paper price in the Proshred system decreased 33% in Q4-2020 versus Q3-2020 and was on par with the Q4-2019 average paper price. As businesses continued to re-open during Q4-2020, the Company saw an increase in total tonnage processed of 3% in Q4-2020 versus Q3-2020. When compared to Q4-2019, the Company saw a 7% decline.

The following outlines the average paper prices in the Proshred system for the last six quarters:

	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Average price	\$85	\$67	\$67	\$137	\$99	\$66
Quarter over quarter % change		(21)%	-%	104%	(28)%	(33)%

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**Royalty Collection**

Due to the economic uncertainty surrounding the pandemic, the Company deferred royalty payments for the months of April and May of 2020. As restrictions continued to ease during the fourth quarter of 2020, the Proshred franchisees saw a decrease of 1% in total sales over the fourth quarter of 2019. Once franchisee sales return to a minimum of 90% of pre-COVID sales levels, the March and April deferred royalty payments are repaid over a 12-month period. As of December 31, 2020, 82% of franchisees have returned to this level and started repayments.

**Corporate Location Revenue Collection**

During Q2 and Q3 2020, the Company dedicated increased resources to the collection of outstanding receivables as well as further restricting credit terms to unscheduled clients. During the twelve months ended December 31, 2020, the Company had less than 0.36% of corporate location revenue uncollected and management does not expect a material increase in payment defaults in 2021.

**Selling, General and Administration Costs**

During Q4-2020, the Company continued to scrutinize and minimize all cost categories which led to a \$284,000 reduction in SG&A costs. This resulted in a positive impact on the fourth quarter margins with consolidated EBITDA and operating income margins growing 900 basis points and 500 basis points, respectively, over the fourth quarter of 2019.

In response to the impacts of the pandemic on the Company's revenues, the Company minimized all cost categories which led to a \$205,000 reduction in selling, general and administration ("SG&A") costs and a \$1.3 million reduction in same corporate location costs during 2020 versus 2019. This allowed the Company to achieve consolidated EBITDA margin of 23%, consistent with 2019, despite the reduced revenues.

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**Strategic Targets**

<b>Growth of Same Location Shredding System Sales:</b>	
<b>2020 Target</b>	Growth of 8% to 10%, attaining USD\$41M to USD\$42M.
<b>2020 Performance</b>	Same location shredding system sales achieved 88% of the goal in a challenging market.
<b>2021 Target</b>	Same location shredding system sales growth of 5% to USD\$38M, subject to COVID-19 related restrictions being lifted by Q2-2021. See note 2 below.
<b>Longer-term target</b>	Growth averaging over 8% per year.
<b>Growth in Same Location EBITDA and Operating Income:</b>	
<b>2020 Target</b>	Same location EBITDA and operating income growth of 2% to 5%, attaining a minimum of \$6.4M in same location EBITDA and \$3.8M in same location operating income.
<b>2020 Performance<sup>(1)</sup></b>	Same location EBITDA and operating income declined by 4% and 9% respectively, including government assistance. Same location EBITDA and operating income declined by 28% and 61%, respectively as a result of COVID-19, not including government assistance.
<b>2021 Target</b>	Growth of 10% in same location EBITDA to \$7.9M and growth of 22% in same location operating income to \$4.4M, subject to COVID-19 related restrictions being lifted by Q2-2021. See note 2 below.
<b>Longer-term target</b>	Same location EBITDA and Operating Income growth average over 2% per year.
<b>EBITDA and Operating Income from acquired operations:</b>	
<b>2020 Target</b>	Attain EBITDA margin of at least 32% and operating income margin of 25% prior to transition and acquisition costs.
<b>2020 Performance<sup>(1)</sup></b>	The Company exceeded its EBITDA margin target, attaining 43% when including government assistance and 36% when excluding government assistance. Operating income margin exceeded target attaining 27% when including government assistance and was below target at 20% when excluding the subsidies.
<b>2021 Target</b>	Attain EBITDA margin of at least 30% and operating income margin of at least 20% prior to transition and acquisition costs.
<b>Longer-term target</b>	Maintain EBITDA and operating income margins of at least 30% and 20% respectively.
<p>(1) During the year, the Company qualified for and received \$1.6M in government assistance related to the corporate locations. The government assistance was included in Other Income however used to off-set costs included in EBITDA and operating income.</p> <p>(2) 2021 corporate location targets are subject to the US economy re-opening including non-essential businesses returning to offices as well as the improvement in the number of COVID-19 cases and the distribution of the COVID-19 vaccines.</p>	

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**Strategic Targets (continued)**

<b>Franchise Development:</b>	
<b>2020 Target</b>	Open one new market in the United States by way of franchising.
<b>2020 Performance</b>	The Company did not award any new franchise locations during 2020. Redishred is pursuing franchise opportunities in available markets.
<b>2021 Target</b>	Open one new market in the United States by way of franchising.
<b>Longer-term target</b>	Continue to add one new market per annum.
<b>Expand by way of Accretive Acquisitions:</b>	
<b>2020 Target</b>	Add USD\$3M to USD\$4M in revenue by way of accretive acquisitions.
<b>2020 Performance</b>	The Company exceeded its target, adding USD\$5.4M (2019) in revenue by way of acquisitions.
<b>2021 Target</b>	Add USD\$3M to USD\$4M in revenue by way of accretive acquisitions.
<b>Longer-term target</b>	Increase the Corporately owned portfolio from 12 to 18 locations by 2022. Expand the Proshred footprint by at least one location per year.
<b>Improve Operating Leverage:</b>	
<b>2021 Target</b>	Selling, general and administrative ("SG&A") costs at 13% of total revenue.
<b>Longer-term target</b>	Maintain SG&A costs at under 13% of total revenue.

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## **Outlook**

### **Shredding Service Revenue**

We anticipate that many of our larger non-essential clients will continue to provide work from home options to their employees during the first half of 2021, and this will continue to negatively impact scheduled revenue. The Company has successfully implemented various sales and marketing programs aimed at home-based employees and the residential market to minimize the impact of the temporary reduction to scheduled shredding service revenue.

### **Recycling Revenue**

The following outlines the Q1-2021 average paper price estimated based on January to March 2021 paper pricing:

	Q4-2020	Q1-2021
Average price	\$66	\$91
Quarter over quarter % change		38%

### **Future Growth Opportunities through Accretive Acquisitions**

Development by way of acquisitions remains an important component of Redishred's long-term growth strategy. The Company is in discussions with its acquisition targets and is actively looking for acquisition opportunities in the United States.

### **Liquidity**

The Company will continue to be proactive with its lending partners and will continue to manage its financial covenants.

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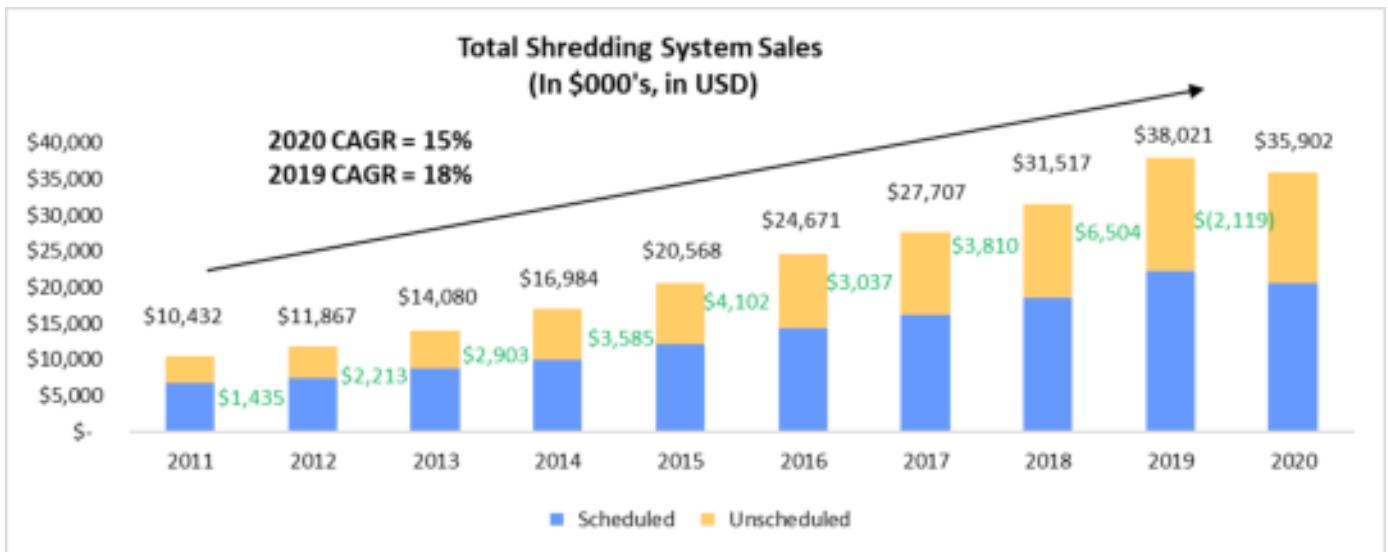
The Company's North American locations are as follows:

Number	Franchised Location	Markets Served	Operating Since
1.	Tampa Bay, FL	Tampa Bay, Clearwater, St. Petersburg, Sarasota, Lakeland and Orlando	March 2004
2.	Denver, CO	Greater Denver area	August 2004
3.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006
4.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
5.	Baltimore, MD	Baltimore and Washington, DC	November 2007
6.	Orange County, CA	Orange County	September 2009
7.	San Diego, CA	San Diego	October 2010
8.	Indianapolis, IN	Greater Indianapolis area	June 2011
9.	Atlanta, GA	Greater Atlanta area	January 2012
10.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
11.	Dallas, TX	Dallas and Fort Worth	March 2012
12.	Houston, TX	Greater Houston area	November 2012
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013
14.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
15.	Seattle, WA	Seattle and Tacoma	October 2013
16.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
17.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
18.	St. Louis, MO	Greater St. Louis area	August 2016

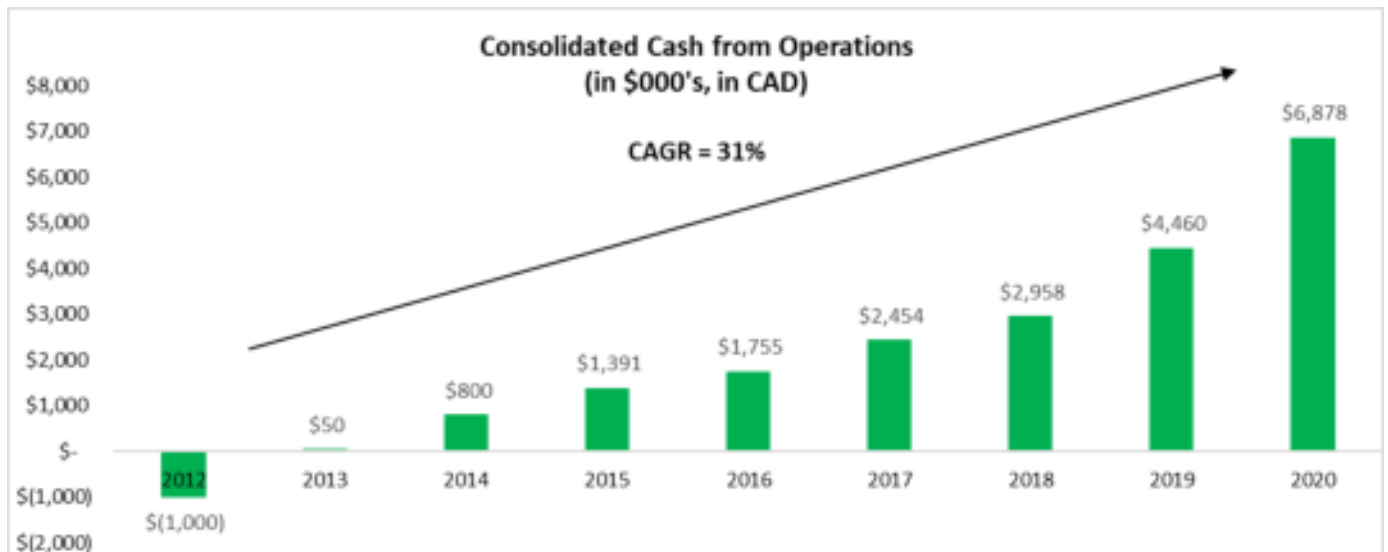
Number	Corporate Location	Markets Served	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004 Corporately since May 2010
		Buffalo and Rochester	October 2017
		Watertown	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003 Corporately since July 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Bergen County, NJ, Staten Island and Long Island	January 2008 Corporately since January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003 Corporately since January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008 Corporately since January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006 Corporately since July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008 Corporately since April 2017
8.	North New Jersey, NJ	All counties north of Middlesex county	June 2005 (as Safe Shredding) Corporately since October 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006 Corporately since February 2019
10.	Chicago, IL	Greater Chicagoland area	April 2007 Corporately since October 2019
11.	New Haven, CT	State of Connecticut and Rhode Island	April 2007, Corporately since March 2020
12.	Springfield, MA	Western Massachusetts including western Boston suburbs	June 2003 Corporately since December 31, 2020

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Note (1): The figures in green above refer to the year over year growth in total shredding system sales.



Note (3): Compound Annual Growth Rate ("CAGR") refers to the growth rate of revenue, EBITDA or cash if it had grown the same rate every year. CAGR is the average annual growth rate over a period of time. The 2020 CAGR includes the results up to and including December 31, 2020. The 2019 CAGR includes the results up to and including December 31, 2019.

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**Total System Sales**

Franchisees and corporate locations generate revenue by (1) providing shredding services and disposal of electronic waste services to their customers, (2) selling recycled paper and other recyclable by-products (ie. metals and plastics) and (3) the resale of certain electronics collected from customers. These sales are the key driver of royalty and service fee revenue. Total system sales are broken into three categories, scheduled sales, unscheduled sales and recycling sales. Total system sales declined in 2020 as compared to 2019 due to the COVID-19 pandemic.

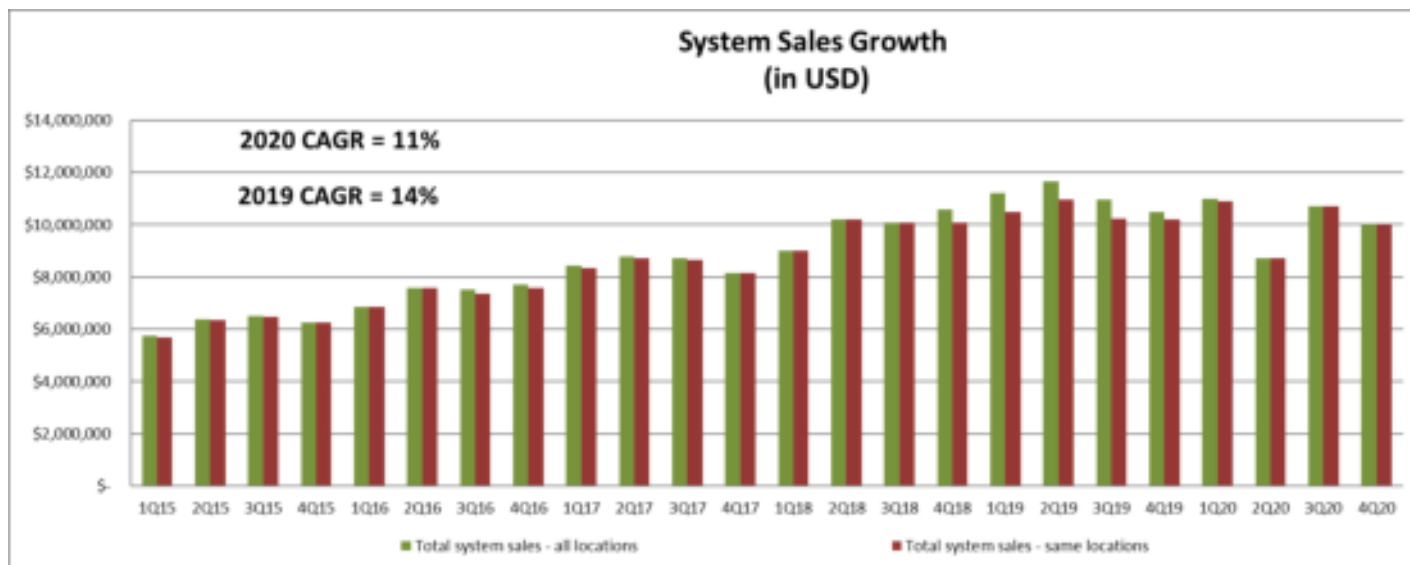
System sales are denominated and reported in USD during the reported periods as follows:

	For the three months ended December 31			For the twelve months ended December 31		
	2020	2019	% Change	2020	2019	% Change
Total North American operating locations at period end	30	30	0%	30	30	0%
Total system sales (USD)	\$ 10,006	\$ 10,477	(5)%	\$ 40,415	\$ 44,321	(9)%

Total same location system sales were not materially different from total system sales.

*System Sales Trend:*

The following chart illustrates system sales growth in USD by quarter since the first quarter of 2015.



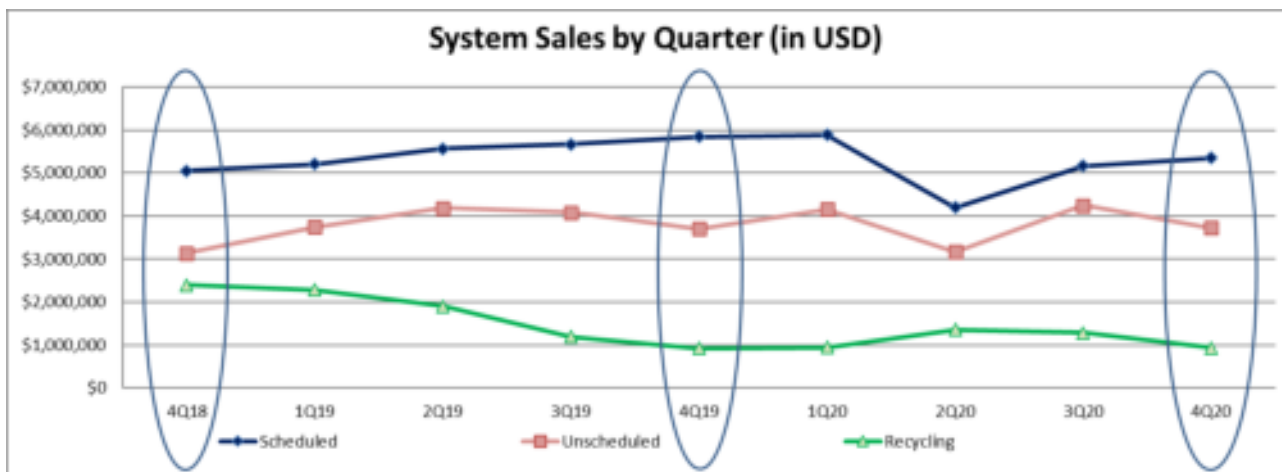
(1) The 2020 CAGR includes fiscal 2020. The 2019 CAGR includes the results up to and including December 31, 2019.



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System sales are broken into three categories, scheduled sales, unscheduled sales and recycling sales.



Scheduled system sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Scheduled sales were negatively impacted by the COVID-19 pandemic which led to a 9% decline in scheduled system sales in Q4-2020 as compared to Q4-2019.

Recurring scheduled system sales accounted for 53% of total service system sales in Q4-2020 (56% - Q4-2019).

	For the three months ended December 31			For the twelve months ended December 31		
	2020	2019	% Change	2020	2019	% Change
Total and same location scheduled system sales (USD)	\$ 5,352	\$ 5,850	(9)%	\$ 20,604	\$ 22,304	(8)%



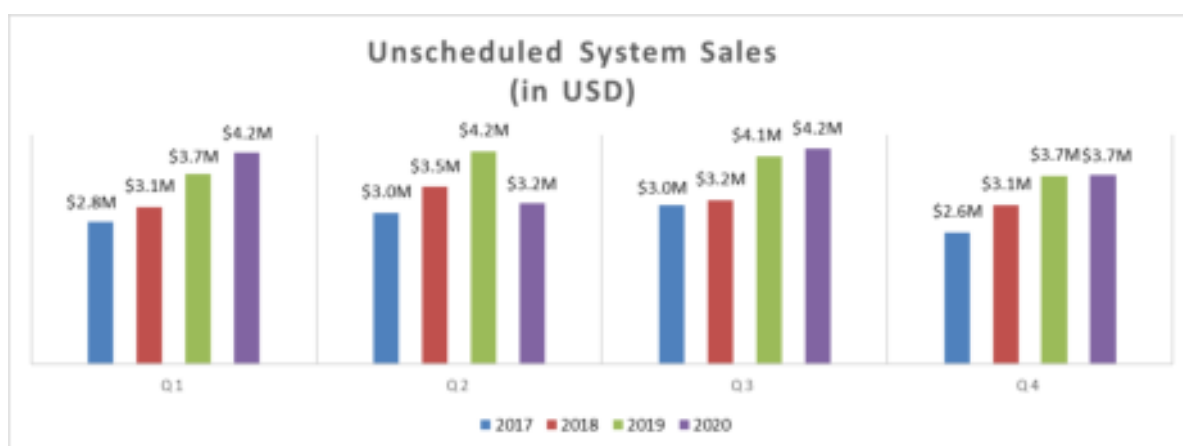
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Unscheduled system sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. Same location unscheduled sales were flat in Q4-2020 as compared to Q4-2019 despite the negative impacts of the COVID-19 pandemic.

	For the three months ended December 31			For the twelve months ended December 31		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Unscheduled system sales (USD)	<b>3,723</b>	3,705	0.5%	<b>15,298</b>	15,718	(3)%
Same location unscheduled system sales (USD)	<b>3,723</b>	3,705	0.5%	<b>15,218</b>	15,718	(3)%



Recycling sales:

Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper and the volume of paper recycled which is measured in tons.

	For the three months ended December 31			For the twelve months ended December 31		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Total and same location recycling system sales (USD)	<b>\$ 932</b>	\$ 922	1%	<b>\$ 4,513</b>	\$ 6,299	(28)%
Tonnage processed (units)	<b>11,600</b>	12,000	(3)%	<b>44,700</b>	52,200	(14)%
Average paper price per ton	<b>\$ 66</b>	\$ 67	(1)%	<b>\$ 92</b>	\$ 115	(20)%

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Paper Pricing Trends:

During Q4-2020, the average paper price in the Proshred system decreased by 33% in comparison to Q3-2020 to \$66 per ton. The average paper price in the Proshred system in Q4-2020 was 1% lower than in Q4-2019.

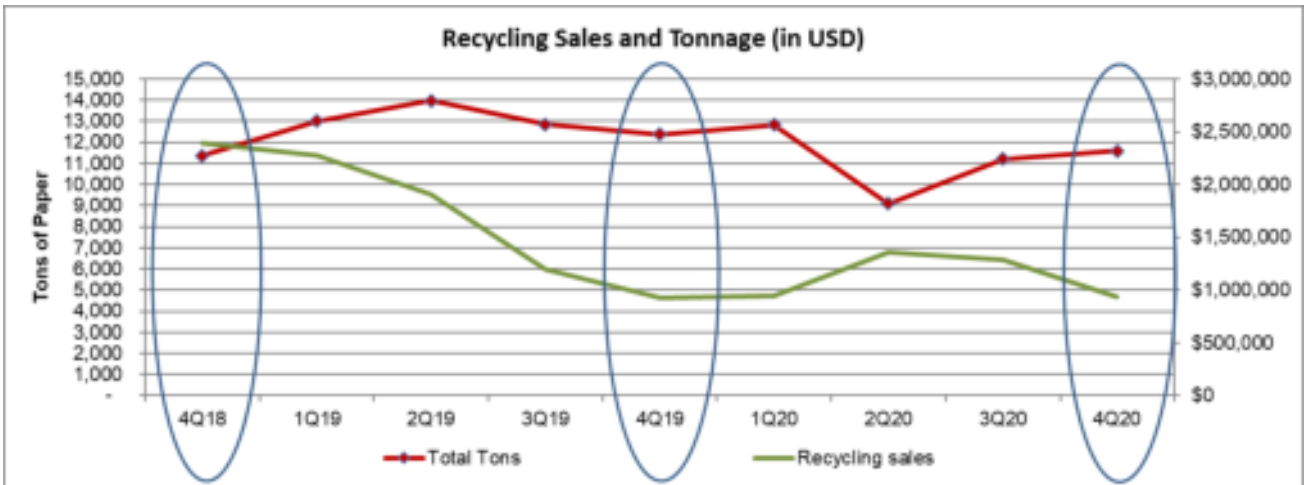


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Historical Volume of Paper:

During Q4-2020, the system shred and recycled 3% less paper than in Q4-2019 as the Proshred system tonnage was negatively impacted by COVID-19. The Proshred system shred and recycled 11,600 tons of paper during Q4-2020 (12,000 – during Q4-2019), which equates to 174,000 trees being saved (186,000 – during Q4-2019).<sup>(1)</sup>



(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

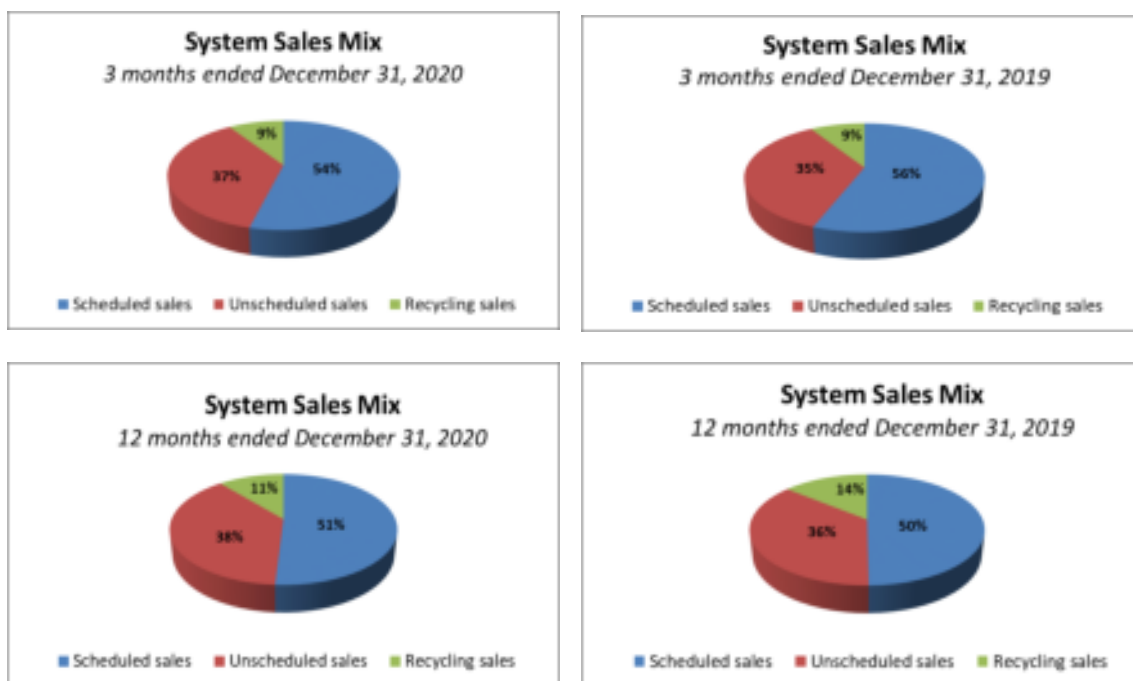


(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

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System sales breakdown:



**Franchising & Licensing**

Royalties and service fees are charged for the use of the trademarks and system. Franchise and license fee revenue is recognized as revenue over the term of the related franchise or license agreement on a straight-line basis. The Company earns all franchising and licensing related revenues in USD, which are translated at the average exchange rate for the period.

During Q4-2020, royalty and services fees declined by 7% over Q4-2019. With the acquisition of the Connecticut franchise in Q1-2020, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from this location. Royalty and service fees for same franchise locations remained flat during Q4-2020 over Q4-2019.

*Royalties, license, and service fees*

	Total Franchise Locations			Same Franchise Locations		
	2020	2019	% Change	2020	2019	% Change
For the three months ended December 31,						
Total number of franchisees operating at period end	19	20	(5)%	19	19	0%
Royalty, license and service fees	\$ 463	\$ 499	(7)%	\$ 463	\$ 462	0%

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**Franchising & Licensing (continued)**

Royalty and service fees for same franchise locations declined by 4% during 2020 as compared to 2019 due to the decline in system sales as a result of the COVID-19 Pandemic.

	<b>Total Franchise Locations</b>			<b>Same Franchise Locations</b>		
	<b>2020</b>	2019	% Change	<b>2020</b>	2019	% Change
For the twelve months ended December 31,						
Total number of franchisees operating at period end	<b>19</b>	20	(5)%	<b>19</b>	19	0%
Royalty, license and service fees	<b>\$ 1,865</b>	\$ 2,231	(16)%	<b>\$ 1,865</b>	\$ 1,942	(4)%

*Franchise fees*

For the three months ended December 31, 2020, franchise fees increased by 296% over the prior comparative period as a result of an adjusting entry recorded to franchise fees in Q4-2019 as management revised its estimate with respect to franchise fees and renewal options. As a result, an increased amount of franchise fees was deferred to future years, reducing the franchise fee income recognized in 2019. For the twelve months ended December 31, 2020, franchise fees increased by 16% over the prior year. For the three and twelve months ended December 31, 2020, franchise fees were \$42,226 and \$176,478, respectively.

**Growth Fund**

The Company manages a Growth Fund (formerly referred to the "Ad Fund") established to collect and administer funds contributed for use in regional and national sales and marketing programs, initiatives designed to increase sales and enhance general public recognition and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regards to these contributions. Growth Fund contributions are required to be made from both Franchised and Company owned and operated locations and are based on the annual level of revenue from each location.

The Company has a Growth Fund cash balance of \$139,370 as at December 31, 2020. The fund may incur a continued loss going forward as the Growth Fund will continue to invest in marketing channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. During the three and twelve months ended December 31, 2020, the Growth Fund net loss was \$2,446 and \$10,697, respectively.

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**Corporate Location Results – For the three months ended December 31**

As of December 31, 2020, the Company operated eleven locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey, Kansas, Chicago and Connecticut. On December 31, 2020, the Company acquired the Proshred and Proscan Massachusetts franchise which will be included in the corporate location results beginning January 1, 2021. Same corporate location results include all locations apart from the Connecticut location which was acquired on March 1, 2021.

Total corporate location revenues declined by 3% in Q4-2020 versus Q4-2019 because of the negative impacts related to the COVID-19 pandemic. The Company mitigated against the decline in revenues by reducing its total costs resulting in EBITDA growth of 11% in Q4-2020 versus Q4-2019. EBITDA margin improved by 300 basis points over this period, resulting in an EBITDA margin of 27%. The corporate locations continued to optimize routes using new routing software implemented in late 2019 coupled with continued execution of cost mitigation programs.

Several corporate locations in the North East region have seen stricter economic restrictions as a result of the pandemic as compared to other regions in the US. The majority of franchisees are in regions where the economic restrictions have been milder than those in the North East.

In Q4-2020 versus Q4-2019, same corporate location shredding revenue was negatively impacted by COVID-19 resulting in a 11% decline. In response to the decline in revenue, the Company reduced same location costs by 14% in Q4-2020 versus Q4-2019. EBITDA margin from same corporate locations in Q4-2020 was 25%, improving 100 basis points over the same comparative period.



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**Corporate Location Results – For the three months ended December 31 (continued)**

For the three months ended December 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020	2019	% Change	2020	2019	% Change	2020	2019
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	<b>5,141</b>	5,198	(1)%	<b>4,624</b>	5,198	(11)%	<b>517</b>	-
Recycling sales	<b>431</b>	536	(20)%	<b>404</b>	536	(25)%	<b>27</b>	-
Total sales	<b>5,572</b>	5,734	(3)%	<b>5,028</b>	5,734	(12)%	<b>544</b>	-
Operating costs (note 1)	<b>4,044</b>	4,358	7%	<b>3,754</b>	4,358	14%	<b>290</b>	-
EBITDA	<b>1,528</b>	1,376	11%	<b>1,274</b>	1,376	(7)%	<b>254</b>	-
<i>% of revenue</i>	<b>27%</b>	24%	300 bps	<b>25%</b>	24%	100 bps	<b>47%</b>	-
Depreciation – tangible assets	<b>894</b>	756	(18)%	<b>831</b>	756	(10)%	<b>63</b>	-
Operating income	<b>634</b>	620	2%	<b>443</b>	620	(28)%	<b>191</b>	-
<i>% of revenue</i>	<b>11%</b>	11%	- bps	<b>9%</b>	11%	(200) bps	<b>35%</b>	-
Operating income less recycling	<b>203</b>	84	141%	<b>39</b>	84	(53)%	<b>164</b>	-
<i>% of revenue</i>	<b>4%</b>	2%	200 bps	<b>1%</b>	2%	(100) bps	<b>32%</b>	-
EBITDA – in USD	<b>1,178</b>	1,047	13%	<b>976</b>	1,047	(7)%	<b>123</b>	-
<i>% of revenue</i>	<b>28%</b>	24%	400 bps	<b>25%</b>	24%	100 bps	<b>30%</b>	-

Note 1: During Q4-2020, acquisition/vendor-related consulting fees of \$23,677 are included in the total and non-same operating costs.



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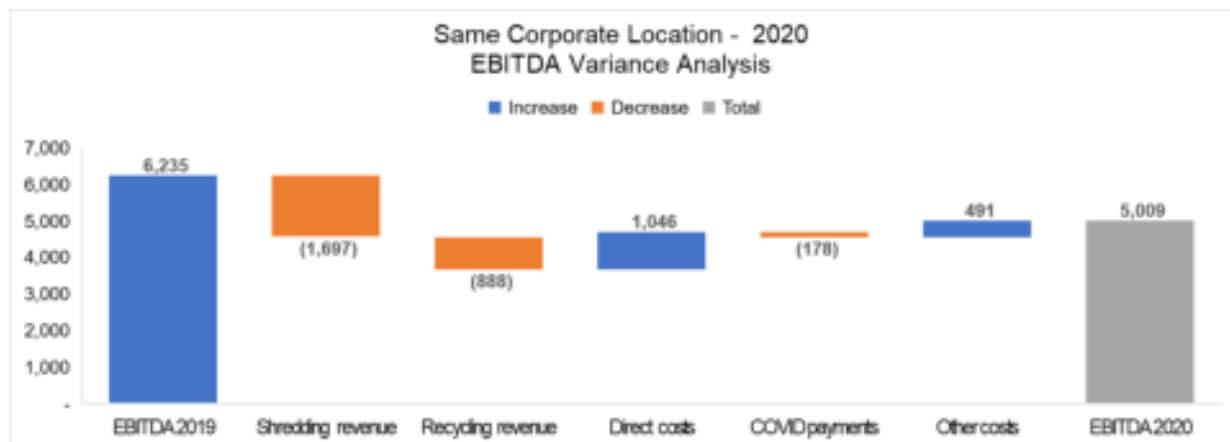
**Corporate Location Results - For the twelve months ended December 31**

In 2020, total corporate location revenues and EBITDA grew by 18% and 15%, respectively, versus 2019 because of the accretive acquisitions completed over the last 18 months. Total corporate location EBITDA and operating income does not include government assistance of \$1.6 million received and used to cover wages and other expenses during the year.

Same corporate location shredding revenue was negatively impacted by COVID-19 resulting in a 10% decline in 2020 versus 2019. Recycling revenue from same corporate locations declined by 35% in 2020 versus 2019 due to:

- (1) the decline in paper prices of \$22 per ton on average in the Proshred system; and
- (2) the decline in tonnage of 14% in the Proshred system because of the decline in shredding revenue.

The Company reduced costs and curtailed majority of all discretionary expenditures resulting in a decline in same corporate location costs of 10% in 2020 versus 2019. EBITDA margin from same corporate locations declined by 300 basis points to 29%. Same corporate location EBITDA declined 20% in 2020 over the same comparative period.



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**Corporate Location Results - For the twelve months ended December 31 (continued)**

For the twelve months ended December 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020 \$	2019 \$	% Change	2020 \$	2019 \$	% Change	2020 \$	2019 \$
Revenue:								
Shredding sales	<b>20,726</b>	17,200	21%	<b>15,503</b>	17,200	(10)%	<b>5,223</b>	-
Recycling sales	<b>2,476</b>	2,537	(2)%	<b>1,649</b>	2,537	(35)%	<b>827</b>	-
Total sales	<b>23,202</b>	19,737	18%	<b>17,152</b>	19,737	(13)%	<b>6,050</b>	-
Operating costs (note 1)	<b>16,043</b>	13,502	(19)%	<b>12,143</b>	13,502	10%	<b>3,900</b>	-
EBITDA	<b>7,159</b>	6,235	15%	<b>5,009</b>	6,235	(20)%	<b>2,150</b>	-
<i>% of revenue</i>	<b>31%</b>	32%	(100) bps	<b>29%</b>	32%	(300) bps	<b>36%</b>	-
Depreciation – tangible assets	<b>3,587</b>	2,548	(41)%	<b>2,651</b>	2,548	(4)%	<b>936</b>	-
Operating income	<b>3,572</b>	3,687	(3)%	<b>2,358</b>	3,687	(36)%	<b>1,214</b>	-
<i>% of revenue</i>	<b>15%</b>	19%	(400) bps	<b>14%</b>	19%	(500) bps	<b>20%</b>	-
Operating income less recycling	<b>1,096</b>	1,150	(5)%	<b>709</b>	1,150	(38)%	<b>387</b>	-
<i>% of revenue</i>	<b>5%</b>	7%	(200) bps	<b>5%</b>	7%	(200) bps	<b>7%</b>	-
EBITDA including government assistance	<b>8,728</b>	6,235	40%	<b>6,142</b>	6,235	(1)%	<b>2,586</b>	-
<i>% of revenue</i>	<b>38%</b>	32%	600 bps	<b>36%</b>	32%	400 bps	<b>43%</b>	-
EBITDA – in USD	<b>5,337</b>	4,699	14%	<b>3,734</b>	4,699	(21)%	<b>1,603</b>	-
<i>% of revenue</i>	<b>31%</b>	32%	(100) bps	<b>29%</b>	32%	(300) bps	<b>36%</b>	-

Note 1: During the twelve months ended December 31, 2020, acquisition/vendor-related consulting fees of \$146,412 are included in the total and non-same operating costs.

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**Selling, general and administrative expenses**

Selling, general and administrative ("SG&A") expenses include costs to support all Proshred locations with operations, training and initial support for pending locations, and the costs to develop new markets by way of franchising and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, management salaries and benefits and acquisition costs related to on-going acquisition activity.

SG&A expenses for the three and twelve months ended December 31, 2020 declined by 24% and 6% respectively as compared to the same period in 2019 as the Company reduced expenditures to mitigate against the negative impacts that COVID-19 had on the Company's revenues.

Corporate overhead expenses of the Company are broken down as follows:

	For the three months ended December 31			For the twelve months ended December 31		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Salaries and benefits	<b>390</b>	420	7%	<b>1,621</b>	1,613	(1)%
Stock based compensation	<b>16</b>	32	50%	<b>120</b>	164	27%
Acquisition costs <sup>(1)</sup>	<b>77</b>	24	(221)%	<b>184</b>	170	(8)%
Professional fees	<b>170</b>	229	26%	<b>388</b>	424	8%
Technology	<b>124</b>	113	(10)%	<b>442</b>	383	(15)%
Other expenses	<b>102</b>	345	70%	<b>497</b>	703	29%
Total selling, general and administrative expenses <sup>(2)</sup>	<b>879</b>	1,163	24%	<b>3,252</b>	3,457	6%
<i>As a percentage of total revenue</i>	<b>15%</b>	19%	400 bps	<b>14%</b>	15%	100 bps
Total selling, general and administrative expenses including CEWS	<b>726</b>	1,163	38%	<b>2,911</b>	3,457	16%

Note 1: Acquisition costs incurred during Q4-2020 relate to the Proshred and Proscan Massachusetts acquisition closed on December 31, 2020.

Note 2: Does not include Growth Fund expenses. Refer to page 22 for further details.

**Other Income and Expenses**

**Government Assistance**

The Company qualified for the Paycheck Protection Program loan ("PPP") in the United States which has been made available by the US Small Business Administration to eligible US businesses that have been affected by the COVID-19 pandemic. The program helps businesses keep their workforce employed during the COVID-19 crisis by providing relief in the form of a forgivable loan used for payroll costs. As of December 31, 2020, the entire PPP loan of \$1.6M has been forgiven and recorded as income. The Company also qualified for the Canadian Emergency Wage Subsidy ("CEWS") which has been made available by the Government of Canada to eligible Canadian businesses that have experienced revenue declines as of result of COVID-19. The Company received \$340,602 from the CEWS. During the year ended December 31, 2020, the Company has qualified for and received a total of \$1.9M in government assistance.

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**Impairment of Goodwill**

The Company performed its annual test for goodwill impairment and compared the recoverable amount of the corporate location cash-generating units ("CGU's") that have goodwill to their respective carrying amounts. The recoverable amount of the corporate location CGU's were more than the carrying amounts except for North New Jersey. The recoverable amount of the North New Jersey CGU was \$5,075,244 which was lower than the carrying amount of the CGU of \$5,630,164. Therefore, the Company recorded an impairment loss of \$586,235 at December 31, 2020, allocated to the North New Jersey CGU. There were no indicators of impairment of the Company's long-lived assets during the year ended December 31, 2020 or 2019.

**Gain on Debt Modification**

In response to the impacts of COVID-19, the Company obtained a deferral of its principal payments, from its financial institution, for a six-month period from April 2020 to September 2020. Interest only payments were made during the six-month period. The Company accounted for this as a debt modification and amended the non-revolving term loans such that the new amounts represent the fair value of the modified debt arrangements. This resulted in a debt discount of \$113,734 and was recorded as a gain on debt modification in the consolidated statement of comprehensive income (loss).

**Amortization – Corporate locations**

Amortization of intangible assets primarily relates to the assets purchased by way of acquisitions. The significant increase is due to the acquisitions of the Proshred Chicago and Connecticut businesses.

	For the three months ended December 31,			For the twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Amortization – intangible assets	550	295	(86)%	2,225	1,363	(63)%

**Foreign exchange**

The Company has revenues and costs that are denominated in USD's; this dependency on the USD typically causes foreign exchange gains when the Canadian dollar depreciates versus the USD. The Company has significant dollar value assets denominated in USD's which are revalued at the exchange rate at the date of the statement of financial position, which typically results in unrealized foreign exchange gains or losses.

**Exchange rates utilized**

1 USD:CAD	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average rate <sup>(1)</sup>	1.34	1.35	1.37	1.32	1.33	1.33	1.33	1.33
Close rate	1.27	1.36	1.36	1.41	1.30	1.32	1.31	1.33

(1) The average rate represents the year-to-date average rate.

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Foreign exchange loss was as follows:

	For the three months ended December 31,			For the twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Foreign exchange loss	<b>(3,106)</b>	(749)	(315)%	<b>(1,110)</b>	(1,318)	16%

**Interest income and expense**

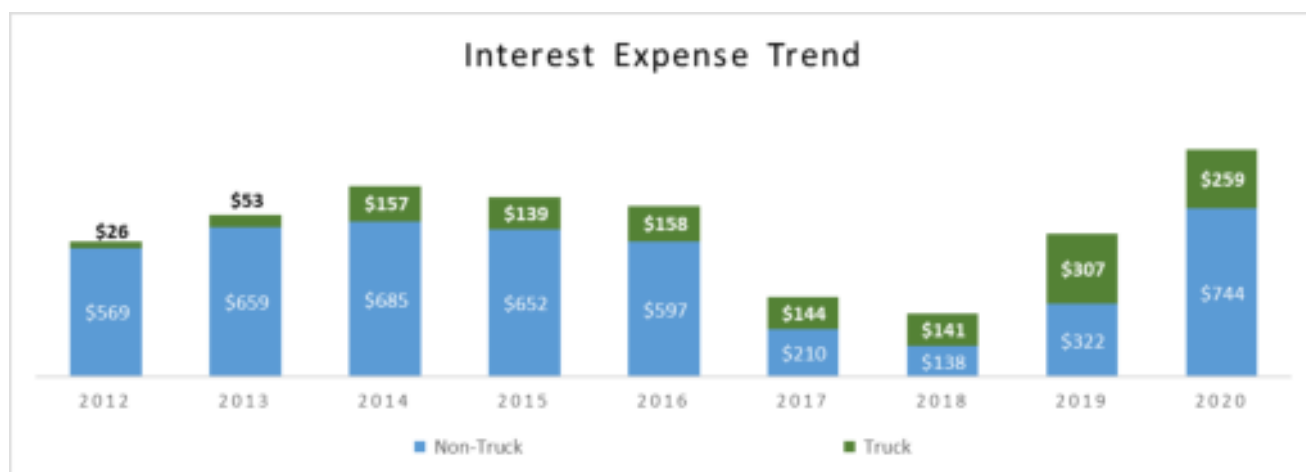
Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees.

Interest expense for the three and twelve months ended December 31, 2020 relates to the following:

- the Company's term loans, which currently bear interest at 2.99% to 3.50% per annum,
- truck loan agreements, which bear interest at 3.99% to 6.40% per annum and
- interest on the Company's lease liabilities.

Interest expense increased during the three and twelve months ended December 31, 2020, as compared to the same periods of 2019. The increase was due to the following:

- (1) the \$17.6 million advance made on the Company's term loans during 2019 and in 2020 to partially fund acquisitions;
- (2) notes payable related to the acquisitions in 2018 and 2019, and
- (3) the purchase of new trucks during 2019 and Q1-2020 which were all financed.



	For the three months ended December 31,			For the twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Interest income	<b>35</b>	19	84%	<b>89</b>	81	10%
Interest expense	<b>(310)</b>	(188)	(65)%	<b>(1,003)</b>	(629)	(59)%

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**Income Tax**

The Company has incurred Canadian non-capital losses of \$718,287 that can be carried forward to reduce taxes payable in Canada. The losses expire at various times through to December 31, 2035, commencing December 31, 2031. The Company has incurred US non-capital losses of \$14,155,637 that can be carried forward to reduce taxes payable in the US. The losses expire at various times through to December 31, 2039, commencing December 31, 2022. During 2019 and 2020, the Company recognized all temporary differences and non-capital losses and is expected to utilize those going forward.

**Reconciliation of EBITDA to Net Income**

	For the three months ended December 31,			For the twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
EBITDA	<b>1,148</b>	605	90%	<b>5,938</b>	5,045	18%
Less: depreciation – tangible assets	<b>(936)</b>	(717)	(31)%	<b>(3,701)</b>	(2,635)	(40)%
Operating income	<b>212</b>	(112)	289%	<b>2,237</b>	2,410	(7)%
Less: interest expense	<b>(310)</b>	(188)	(65)%	<b>(1,003)</b>	(629)	(59)%
Add: interest income	<b>35</b>	19	84%	<b>89</b>	81	10%
Operating income less net interest expense	<b>(62)</b>	(281)	78%	<b>1,323</b>	1,862	(29)%
Less: amortization - intangible assets	<b>(562)</b>	(510)	(10)%	<b>(2,303)</b>	(1,387)	(67)%
Less: impairment of goodwill	<b>(586)</b>	-	(100)%	<b>(586)</b>	-	(100)%
Add: gain on sale of assets	-	6	100%	-	81	(100)%
Add: gain on debt modification	<b>113</b>	-	100%	<b>113</b>	-	100%
Add: revaluation of contingent consideration	<b>205</b>	23	791%	<b>397</b>	23	1626%
Add: government assistance	<b>153</b>	-	100%	<b>1,909</b>	-	100%
Income (loss) before foreign exchange and income tax	<b>(739)</b>	(752)	(2)%	<b>853</b>	579	50%
Add: foreign exchange loss	<b>(3,106)</b>	(749)	(324)%	<b>(1,110)</b>	(1,318)	16%
Less: income tax recovery (expense)	<b>610</b>	105	486%	<b>533</b>	(40)	(1433)%
Net (loss) income	<b>(3,235)</b>	(1,396)	(132)%	<b>276</b>	(779)	136%

**Selected Annual Information**

	2020	2019	2018
	\$	\$	\$
Total Revenue	25,437	22,407	14,660
Net income (loss)	276	(779)	2,712
Operating income less net interest expense per share – diluted	0.017	0.025	0.037
Net income per share – basic and diluted	0.04	(0.01)	0.05
Total assets	58,688	53,770	27,943
Total non-current financial liabilities	20,232	15,714	4,505
Dividends	-	-	-

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**Selected Quarterly Results**

As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company also experiences seasonality for unscheduled shredding with Q2 and Q3 of every year typically being stronger than Q1 and Q4 of every year. In Q1 the Company is impacted by weather challenges that disrupt shredding services. In Q4 the Company is impacted by fewer business days due to the Thanksgiving and Christmas holidays with some impact from weather on shredding sales.

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Total system sales (USD)	10,006	10,694	8,726	10,989	10,477	10,954	11,664	11,226
<b>Consolidated Performance</b>								
Revenue	6,144	6,665	6,034	6,594	6,282	5,353	5,570	5,203
EBITDA	1,148	1,866	1,565	1,359	605	1,129	1,691	1,620
Operating Income	212	938	572	515	(112)	441	1,034	1,032
<b>Corporate Location Performance</b>								
Revenue	5,572	6,093	5,532	6,003	5,734	4,662	4,833	4,507
EBITDA	1,528	2,103	1,744	1,783	1,376	1,432	1,704	1,723
Operating Income	634	1,199	776	963	620	801	1,091	1,176
Operating income (loss) per weighted average share fully diluted	0.027	0.012	0.007	0.006	(0.002)	0.006	0.015	0.015
Income (loss) income before taxes from continuing operations	(3,845)	433	(608)	3,657	(1,485)	163	30	569
Income (loss) attributable to owners of the parent	(3,235)	455	(608)	3,663	(1,396)	153	(81)	545
Basic and diluted net income (loss) per share	(0.041)	0.006	(0.008)	0.05	(0.01)	0.00	(0.00)	0.01

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**Financial Condition, Capital Resources and Liquidity**

The Company closely monitors its cash balances and cash flows generated from operations to meet its requirements.

As of December 31,	2020	2019	% Change
Working capital	<b>\$(2,548)</b>	\$4,432	(157)%
Total assets	<b>\$58,688</b>	\$53,769	9%
Total liabilities	<b>\$28,280</b>	\$23,869	(18)%
Debt to total assets ratio	<b>0.48</b>	0.44	(11)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>1.19</b>	2.39	(50)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>2.95</b>	2.94	0%

As of December 31, 2020, the Company's total assets increased over December 31, 2019 as the Company completed the acquisitions of the Connecticut and Massachusetts businesses on March 1, 2020 and December 31, 2020 with \$16 million in assets purchased. The increase has been partially off-set by depreciation and amortization.

As of December 31, 2020, the Company's total liabilities increased over December 31, 2019 as the Company's lender advanced \$5 million related to the Connecticut and Massachusetts acquisitions and the purchases also included \$2 million in contingent consideration. The increase has been partially off-set by the monthly repayments of its loans as well as the repayment of one of the Company's term loans in the amount of \$936,480.

In response to COVID-19, the Company's financial institution waived the financial covenants required for 2020.

As of December 31, 2020, the Company's working capital was \$(2,548,000) as the current liabilities include the current portion of debt and contingent consideration related to the Massachusetts acquisition closed on December 31, 2020. The Company expects to generate cash flow from the Massachusetts acquisition in 2021. Subsequent to year-end, the Company also received US\$1.0 million from the Paycheck Protection Program in the US. Based on overall cash generation capacity, management believes the Company will be able to meet its financial obligations as they come due. The following outlines working capital excluding non-cash items and current liabilities related to Massachusetts:

	<u>2020</u>
	\$
Current assets	5,510
Less:	
Accounts payable and accrued liabilities	2,178
Income taxes payable	10
Notes payable	262
Current portion of long-term debt excluding Massachusetts	3,180
Lease liability excluding Massachusetts	929
Contingent consideration excluding Massachusetts	<u>655</u>
Working capital excluding non-cash items and debt related to Massachusetts	(1,704)
<b>Reconciliation to working capital</b>	
Working capital excluding non-cash items and Massachusetts	(1,704)
Less non-cash item:	
Deferred revenue	164
Less Massachusetts debt:	
Current portion of long-term debt	294
Lease liability	151
Contingent consideration	<u>235</u>
Working capital	<u>(2,548)</u>



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*Bank facilities*

As of December 31, 2020, the Company has the following secured senior credit facilities:

- (1) An operating line of credit of \$1 million (unused);
- (2) A non-revolving term loan in the amount of \$3 million; and
- (3) A non-revolving term loan in the amount of USD\$12.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As of December 31, 2020, the Company has borrowed the following amounts from the non-revolving term loans:

Month of Advance	Initial amount	Interest per annum	Amortization period	December 31, 2020 Balance	December 31, 2019 Balance
	\$			\$	\$
August 2017 (note 1)	2,006,743	4.95%	60 months	–	1,036,817
May 2019	6,003,210	3.50%	84 months	5,061,933	5,492,638
November 2019	6,664,242	3.50%	84 months	6,043,111	6,594,113
March 2020	2,688,000	2.99%	84 months	2,581,834	–
December 2020 (note 2)	2,289,600	3.33%	84 months	2,289,600	–
Total bank facilities				15,976,478	13,123,568

Note 1: During the year ended December 31, 2020, the Company repaid the outstanding balance of \$936,480 on one of its term loans.

Note 2: During the year ended December 31, 2020, the Company's lender advanced \$2.3 million related to the Springfield acquisition that was closed end of day December 31, 2020.

The credit facilities are secured by general security agreements over all present and future assets of the Company and shares of each subsidiary held by the Company.

As of December 31, 2020, the Company has \$1.0 million available on its operating line of credit. All other senior credit facilities were fully utilized as of December 31, 2020.

In response to the impacts of COVID-19, the Company obtained a deferral of its principal payments, from its financial institution, for a six-month period from April 2020 to September 2020. Interest only payments were made during the six-month period.

*Truck loans*

The Company has established a USD\$1.7 million line of credit for the purchase of shredding vehicles with a lender in the United States. The line of credit is available for renewal in increments of one year, with annual credit reviews completed. The interest rate is based on prevailing market rates at the time the line is used. As of December 31, 2020, the Company has utilized the entire line of credit (December 31, 2019 – USD\$1,298,789), which is included in the truck loans balance. The Company has no remaining balance available for use on the line of credit as of December 31, 2020 (December 31, 2019 – USD\$401,211).

The Company has financed the purchase of its shredding vehicles and as of December 31, 2020, the Company has an outstanding truck loan balance of \$4.0 million.

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*Related party line of credit*

The Company has a related party line of credit facility for a maximum amount of \$2.0 million. The line of credit facility matures on July 16, 2022 and bears interest at a fixed rate of 10% per annum. The line of credit is secured by a second in priority general security agreement over the Company's assets. As at December 31, 2020, the facility has not been drawn upon (\$nil balance – December 31, 2019).

*Lease liabilities*

The Company enters leases in order to secure office and warehouse space. The Company has also entered leases for the financing of shredding vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

<u>Lease liability</u>	<u>Number of ROU assets leased</u>	<u>Range of remaining term</u>	<u>Range of interest rates</u>	<u>Lease balance as of December 31, 2020</u>
Office and warehouse building	12	October 2020 to August 2025	6%	\$ 3,309,585
Shredding vehicles	7	August 2021 to October 2022	5.95% to 6.50%	541,957
<b>Total</b>				<b>3,851,538</b>

Based on overall cash generation capacity and financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due over the next twelve months.

**Off-Balance Sheet Financing Arrangements**

The Company has no off-balance sheet financing arrangements.

**Transactions with Related Parties**

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of \$17,933 due from this franchise at December 31, 2020 (December 31, 2019 - \$nil). During the twelve months ended December 31, 2020, the Company earned royalties, franchise and service fees of \$172,984 (December 31, 2019 - \$171,522) from this franchise.

**Risks and Uncertainties**

The Company's financial performance is likely to be subject to the following risks:

*Competition*

The Company competes with numerous independent shredding operators in the document destruction business, some of which compete directly with the Company and some of which may have greater resources. Direct competitors to the Company include Iron Mountain Incorporated, Shred-It America, Inc. (now owned by Stericycle Inc.), and small, independent mobile shredding businesses.

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*Interest Rate Risk*

The Company is subject to interest rate risk, as it pays interest at prevailing and fluctuating market rates. The Company has a variable interest rate loan and line of credit which may increase or decrease at any time and as a result may impact the Company's operating results. The Company's truck financing arrangements and term loans have fixed interest rates.

*Credit Risk*

The Company is exposed to credit risk from the possibility that franchisees and/or customers may experience financial difficulty and be unable to fulfill their commitments and obligations to the Company. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee or customer. Credit assessments are conducted with respect to all new franchisees. No customer accounts for more than 10% of the Company's corporate store revenues. The Company's bad debt expense was 0.33% of revenues in 2020.

*Pandemic Risk and Economic Downturn*

The COVID-19 virus was declared a global pandemic by the World Health Organization on March 11, 2020. The pandemic has had a significant impact on the Canadian and United States economy due to disruptions to business operations, financial markets, regional economies and the world economy. In addition, the continued spread of the virus has resulted in uncertainty and considerable general concern. The severity and duration of the virus or its variants, the availability and distribution of the COVID-19 vaccines and the extent and duration of economic recoveries are unknown at this time. This may adversely affect the Company's and its franchisee's ability to service its customers and may increase the Company's credit risk. There can be no assurance that a disruption in the US and Canadian economies and worldwide economy would not negatively affect the financial performance of the Company in a material manner.

The Company is following all COVID-19 guidelines set by local public health authorities and governments. The Company continues to monitor business operations and may need to take further actions to respond to government and local public health authorities which may materially impact its business operations and financial results. The state of COVID-19 continues to change rapidly and the duration continues to be uncertain and, as a result, it is not possible to reliably estimate the consequential effects on the business.

*Financing*

The Company may require additional capital to grow its operations. Additionally, the Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company will be required to seek additional financing.

*Acquisition Strategy*

The Company's business strategy involves expansion through acquisitions and business development projects. These activities require the Company to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying document destruction businesses that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. Failure to complete acquisitions or developments will slow the Company's growth. The Company could also face significant competition for acquisitions and development opportunities. The Company may also require additional financing to conduct acquisitions. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire businesses.

These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company, may increase acquisition costs and may reduce demand for document destruction services in certain areas where the Company's business is located and, as a result, may adversely affect the Company's operating results.

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*Paper Price Volatility Risk*

The Company earns recycling revenue based on commodity paper prices which may vary with market conditions both in the United States and Internationally. The Company mitigates the risk of volatile paper prices by diversifying its revenue streams. For the year ended December 31, 2020, 10% of the Company's revenue was derived from recycling revenue.

*Corporate Locations*

The Company's acquired businesses may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with the businesses.

In addition, any business expansions the Company undertakes is subject to a number of risks, including, but not limited to, having sufficient ability to raise capital to fund future expansion, and having sufficient human resources to convert, integrate and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed.

In deciding whether to acquire or expand a particular business, the Company will make certain assumptions regarding the expected future performance of that business. If the Company's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

*Currency Fluctuations*

The Company's principal executive office is in Canada, all the directors and officers of the Company are Canadian and many significant expenses of the Company are in and will be for the foreseeable future in Canadian dollars, while revenues will be measured in USD's. Accordingly, the financial results of the Company will be impacted by fluctuations in currency rates.

*Expansion to New Markets*

It is the plan of management to continue expanding the Proshred Franchise Business in the United States including areas where customers are unfamiliar with the Proshred brand. The Company will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all.

Many of the United States markets into which management intends to expand will have competitive conditions, consumer tastes and discretionary spending patterns that differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing Franchises. Sales and profits at Franchises opened in new markets may take longer to reach expected levels or may never do so.

*Litigation*

The Company may become subject to disputes with employees, franchisees, customers, commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Company and the other parties. Whether or not any dispute proceeds to litigation, the Company may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Company's business. Any such resolution could involve the payment of damages or expenses by the Company, which may be significant. In addition, any such resolution could involve the Company's agreement to certain settlement terms that restrict the operation of its business.

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*Tax Reform*

The Company may become subject to changing tax laws in multiple jurisdictions in Canada and the United States. The Company could be materially affected if there are changes in current tax regulations.

*Cyber Security Risk*

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Company's information technology resources and personal information. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The occurrence of a cyber incident may result in an interruption in operations, damage to the Company's reputation and/or relationships with its vendors and customers and disclosure of confidential customer or vendor information. The Company has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

**Use of Estimates and Judgements**

The preparation of the financial report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Subjects that involve critical assumptions and estimates and that have a significant influence on the amounts recognized in the consolidated financial report are further described as follows:

*i) Functional currency*

The determination of Redishred and its subsidiaries' functional currency requires judgment. In determining the functional currency, management looks to various factors which include the economic environment in which the entity operates as well as other primary and secondary factors.

*ii) Impairment*

The Company reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The determination of the value in use and fair value of a CGU to which goodwill is allocated to involves the use of estimates by management. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment or reversal of impairment.

*iii) Deferred income taxes*

The Company, including its subsidiaries, operate and earn income in multiple countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining income tax assets and liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the deferred tax assets and liabilities in the period in which such determinations are made. At each date of statement of financial position, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets.

This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets and liabilities could be materially affected if changes in current tax regulations are enacted.

iv) *Useful lives of tangible and intangible assets*

Management estimates the useful lives of tangible and definite life intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of these assets for any period are affected by these estimated useful lives. On an annual basis, the Company assesses the useful lives of its tangible and intangible assets with definite lives and the useful lives updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's tangible and definite life intangible assets in the future.

v) *Leases*

Judgements are necessary in determining whether a contract contains an identified asset. The Company needs to determine whether the identified asset is physically distinct or represents substantially all of the capacity of the asset and provides the right to substantially all of the economic benefits from the use of the asset. There is also judgment required in determining whether or not the Company has the right to control the use of the identified asset. If the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used then the Company has the right to control the assets use.

The Company uses judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract, which should reflect the interest that the Company would have to pay to borrow at a similar term and security.

Judgement is also required when assessing whether it is reasonably certain that a lease extension option will be exercised. The Company typically exercises extension options on its leases however periodic reassessments are made as to whether the Company is reasonably certain to exercise the options.

vi) *Business combinations*

When the Company conducts an acquisition, judgements are necessary in determining whether the acquisition meets the definition of a business under *IFRS 3 – Business Combinations*. At the date of acquisition, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their respective fair values. Any intangible assets identified are valued using appropriate valuation techniques based on a forecast of the total expected future net cash flows. These valuations are based on assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

In addition, the Company uses judgement in determining the contingent consideration liabilities recorded as part of the acquisitions conducted. The contingent consideration liabilities are based on the projected financial results of the acquired businesses that are likely to be met over the period of time to maturity, requiring payment of all contingent consideration liabilities.

## **Investor Relations Activities**

The Company does not have any investor relations arrangements.

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**Share Data**

The following are the balances of issued common shares of the Company:

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance December 31, 2020	78,843,438	34,964,748	1,823,400	600,008	80,666,838	35,564,756
Balance December 31, 2019	78,500,605	34,943,264	1,823,400	600,008	80,324,005	35,543,272

The following table summarizes the movements in the Company's stock options during the twelve months ended December 31, 2020 and 2019:

	2020		2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding – opening	2,050,150	0.52	1,785,500	0.47
Granted	252,000	0.68	347,150	0.76
Exercised	(342,833)	0.22	(72,500)	0.37
Expired	<u>(5,000)</u>	0.10	<u>(10,000)</u>	0.13
Outstanding – closing	<u>1,954,317</u>	0.60	<u>2,050,150</u>	0.52

For the twelve months ended December 31, 2020, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$119,721 (for the twelve months ended December 31, 2019 – \$164,082).

The Company issued 2,002,150 warrants on January 23, 2017 as part of the private placement. Each warrant is exercisable into one Common Share at a price of \$0.36 per Common Share for a period of five years and expire on January 23, 2022. The warrants have been classified as equity instruments. The fair values of the warrants were determined using the Black-Scholes option pricing model. There were no warrants exercised during the twelve months ended December 31, 2020 (28,750 – twelve months ended December 31, 2019). There are 1,823,400 warrants outstanding as of December 31, 2020.

**Subsequent Events**

In February and March 2021, the Company qualified for the second draw on the Paycheck Protection Program loan in the United States. The Company received USD\$1.0 million under the program of which up to the full amount of the loan may be forgiven if the proceeds are used to cover payroll, rent and other operating costs. Any portion of the loan that is not forgiven will be repayable over a two-year term at an interest rate of 1.00% per annum with payments deferred for the first 16 months.

Dated: April 15, 2021

