

PRESS RELEASE
REDISHRED CAPITAL CORP. TSXV: KUT
Mississauga, Ontario
May 26, 2022

REDISHRED CAPITAL CORP. (“REDISHRED”, OR THE “COMPANY”) ANNOUNCES Q1 2022 RESULTS, HIGHLIGHTING IMPRESSIVE ORGANIC AND CONSOLIDATED REVENUE GROWTH OF 40% AND 71%, RESPECTIVELY, AND ORGANIC AND CONSOLIDATED EBITDA GROWTH OF 66% AND 98%, RESPECTIVELY

Quarterly Earnings Call:

8:30am EST, May 27, 2022, Participant call in number is 1-800-319-4610

Quarterly Highlights:

Consolidated Highlights:

- Consolidated EBITDA for Q1 2022 was \$4.1 million CAD, growing 98% versus Q1 2021.
- The growth in consolidated EBITDA was driven by:
 - organic growth from increased bookings for existing and new customers;
 - growth from the acquisitions of the Richmond and Atlanta franchises, and the acquisition of American Shredding;
 - continued growth and scaling of operations, allowing for route densification and cost synergies to mitigate input cost increases; and
 - increased paper tonnage and favourable recycled paper prices, driven in part by increased paper baling opportunities from the American Shredding acquisition
- The Company generated record revenue of \$12.5 million CAD, growing 71% versus Q1 2021 (71% constant currency growth – US Dollar is the constant currency).

Corporate Locations Highlights:

- Corporate location revenue for Q1 2022 was \$12.0 million CAD, growing by 76% (including constant currency), versus Q1 2021.
- Corporate location EBITDA was \$4.9 million CAD, growing by 105% (including in constant currency), versus Q1 2021.
- Same corporate location EBITDA was \$4.0 million CAD, growing by 66%(including in constant currency), versus Q1 2021.
- Same corporate location EBITDA margin improved 700 basis points to 42%.

Acquisitions

- On March 1, 2022, the Company acquired the assets of Mobile Document Destruction (“MDD”), an Illinois-based shredding business, for \$0.5 million CAD.

Capital Management:

- The Company generated \$2.1 million CAD in cash from operations during Q1 2022.
- On March 31, 2022, total debt to total assets improved 100 basis points from December 31, 2021.

- As at March 31, 2022, the Company has \$9.3 million *CAD* in cash, \$1 million *CAD* available on its operating line of credit, and \$3.4 million *CAD* available on its non-revolving term loan.

Management’s Comments on Q4-2021

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “We are off to a positive start in 2022, continuing to build the Proshred, Proscan and Secure E-Cycle brands, with each having their best quarter to date.”

Mr. Hasham continued, “Our Proshred business continues to grow, driven by the shredding requirements of both existing and new customers, as businesses re-open and look to expand. We are continuing to see high levels of interest in customers looking to digitize their documents and as a result, have seen significant growth in our Proscan business. Secure E-Cycle is a relatively new offering for us in response to customer requirements to securely dispose of electronic waste, and this business has not only recovered, but grown from its pre-COVID-19 levels.”

Mr. Hasham then added, “From the acquisition-front, we completed the acquisition of Mobile Document Destruction, an Illinois-based shredding business, in March 2022. I am also happy to report that American Shredding, which we acquired in December of 2021, has been performing to expectations. Also noteworthy is that paper prices so far in 2022 have been continuing their upward trajectory.”

Mr. Hasham closed with, “From a financial perspective, Q1 2022 Corporate location EBITDA was \$4.9 million Canadian, an increase of 105% from Q1 2021. This would not be possible without the support of the Redishred team, so I want to take this opportunity to thank them for their continued hard work and commitment to excellence.”

Financial Highlights:

For the three months ended March 31,	2022	2021	Change ⁽¹⁾
System Sales Performance – in USD, in \$000's			
Total locations in the United States	30	30	0%
Total system sales	\$16,409	\$10,682	54%
<i>% of scheduled sales</i>	46%	52%	
Consolidated Operating Growth – in CAD, in \$000's			
Revenue	\$12,517	\$7,313	71%
EBITDA	\$4,066	\$2,054	98%
<i>EBITDA margin</i>	32%	28%	400 bps
Operating income	\$2,732	\$1,021	168%
<i>Operating income margin</i>	22%	14%	800 bps
Operating income less net interest expense	\$2,349	\$773	204%
Operating income per weighted average share fully diluted	\$0.030	\$0.013	132%
Government assistance not included in the above ⁽²⁾	-	\$1,320	100%
Corporate Location Performance – in CAD, in \$000's			
Revenue	\$11,996	\$6,805	76%
EBITDA	\$4,929	\$2,403	105%
<i>EBITDA margin</i>	41%	35%	600 bps
Operating income	\$3,617	\$1,395	159%
<i>Operating income margin</i>	30%	20%	1,000 bps
Operating income less recycling	\$1,321	\$773	71%
Capital Management – in CAD: <i>(In \$000's)</i>			
As at March 31, and December 31,	2022	2021	Change ⁽¹⁾
Working capital	\$5,228	\$3,977	31%
Debt to total assets ratio	0.48	0.49	(3)%
Normalized Fixed Charge Coverage ratio – rolling 3 months	1.51	1.57	(4)%
Normalized Total Funded Debt to EBITDA ratio – rolling 3 months	2.29	2.39	(4)%

(1) Change expressed as a percentage or basis point (“bp”).

(2) During Q1-2021, the Company qualified for the second round of the United States Paycheck Protection Program (“PPP”) forgivable loans which were made available to eligible US businesses that have been affected by the COVID-19 pandemic and the Canadian Emergency Wage Subsidy (“CEWS”) in Canada.

Revenue Growth in Q1-2022

The Company achieved 71% total revenue growth and total revenue growth in constant currency during Q1-2022 versus Q1-2021 primarily due to the following:

- (1) the acquisitions conducted during the last 12 months;
- (2) the organic sales growth due to:
 - a. the recovery of the economy and the continued easing of COVID-19 restrictions;
 - b. the addition of new customer accounts; and
 - c. the growth from existing customer accounts.

The quarter-over-quarter and constant currency quarter-over-quarter growth is identical, as the average foreign exchange rate in Q1-2022 and Q1-2021 between the U.S. dollar and Canadian dollar was the same.

Q1-2022 System Sales Continued to Grow

Shredding system sales in Q1-2022 grew versus Q1-2021, from both franchise and corporate location organic and acquisition related growth.

Franchise Operations

During Q1-2022, the Company supported 16 franchisees across the United States. The franchise system's high-level sales results are as follows:

In USD, In \$000's	<i>For the three months ended</i>		
	<i>March 31,</i>		
	2022	2021	<i>% Change</i>
Total same locations	16	18	<i>(11)%</i>
Total same location system sales	\$6,876	\$4,763	<i>44%</i>
Total same location scheduled service sales	\$3,351	\$2,561	<i>31%</i>
Total same location unscheduled service sales	\$2,040	\$1,720	<i>19%</i>
Total same location recycling sales	\$1,485	\$482	<i>208%</i>

Corporate Locations

Total corporate location revenues and EBITDA grew by 76% and 105%, respectively, in Q1-2022 versus Q1-2021 due to the acquisitions conducted over the past twelve months and the organic growth from same locations. Total EBITDA margin improved by 600 basis points over this period to 41% in Q1-2022.

During Q1-2022, same corporate location shredding revenue grew 21% over Q1-2021, recovering well from the pandemic. The Company also continued to manage its same location direct and administrative costs, resulting in same corporate location EBITDA growth of 66% compared to Q1-2021.

For the three months ended March 31, 2022	Quarter-over-year growth	Constant currency Quarter-over-quarter growth
Same Corporate Locations:		
Total Revenue	40%	40%
EBITDA	66%	66%
Operating Income	115%	115%
Total Corporate Locations:		
Total Revenue	76%	76%
EBITDA	105%	105%
Operating Income	159%	159%

For the three months ended March 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	% Change	2022	2021	% Change	2022	2021
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	8,754	5,665	55%	6,864	5,665	21%	1,890	-
Electronic waste sales	297	231	29%	297	231	29%	-	-
Scanning sales	648	287	126%	648	287	126%	-	-
Recycling sales	2,297	622	269%	1,743	622	180%	554	-
Total sales	<u>11,996</u>	<u>6,805</u>	76%	<u>9,552</u>	<u>6,805</u>	40%	<u>2,444</u>	-
Operating costs ⁽¹⁾	<u>7,067</u>	<u>4,402</u>	61%	<u>5,572</u>	<u>4,402</u>	27%	<u>1,495</u>	-
EBITDA	<u>4,929</u>	<u>2,403</u>	105%	<u>3,980</u>	<u>2,403</u>	66%	<u>949</u>	-
<i>% of revenue</i>	41%	35%	600 bps	42%	35%	700 bps	39%	-
Depreciation – tangible assets	<u>1,312</u>	<u>1,008</u>	30%	<u>983</u>	<u>1,008</u>	(2)%	<u>329</u>	-
Operating income	<u>3,617</u>	<u>1,395</u>	159%	<u>2,997</u>	<u>1,395</u>	115%	<u>620</u>	-
<i>% of revenue</i>	30%	20%	1000bps	31%	20%	1100 bps	25%	-
Operating income less recycling	<u>1,320</u>	<u>773</u>	71%	<u>1,254</u>	<u>773</u>	62%	<u>66</u>	-
<i>% of revenue excluding recycling</i>	14%	13%	100 bps	16%	13%	300 bps	3%	-
EBITDA – in USD	<u>3,893</u>	<u>1,873</u>	108%	<u>3,144</u>	<u>1,873</u>	68%	<u>749</u>	-
<i>% of revenue</i>	41%	35%	600 bps	42%	35%	700 bps	39%	-

Note 1: During Q1-2022, acquisition/vendor-related consulting fees of \$58 (Q1-2021 \$26) are included in the total and non-same corporate location operating costs.

Corporate Locations Trend:

In \$000's, in CAD	2022		2021				2020	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue (\$)	11,996	9,946	9,273	8,177	6,805	5,572	6,093	5,532
<i>Quarter over quarter % change</i>	21%	7%	13%	20%	22%	(9)%	10%	(8)%
EBITDA (\$)	4,929	3,003	3,707	3,249	2,403	1,528	2,103	1,744
<i>Quarter over quarter % change</i>	64%	(19)%	14%	35%	57%	(27)%	21%	(2)%

Community and Social Commitment

Our locations under the **PROSHRED**[®] banner conduct numerous community shredding events. These events provide an opportunity for our clients, clients' employees, local businesses and local residents to ensure their personal and confidential materials are securely destroyed. In addition to helping to reduce identity theft, several of these events allow for donations to various not-for-profit organizations. **PROSHRED**[®] is also proud that 100% of the shredded material is recycled, as our continued goal is to foster the use of fewer trees in the production of all paper products. Future community shredding event locations can be found at our website, www.proshred.com. Our annual national Shred Cancer event was held in June of 2021 at various Proshred locations. 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 over USD\$150,000 for this cause. Please visit www.proshred.com/aicr for more information on this effort.

Non-IFRS Measures

There are measures included in this press release 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 of the Company.

- **Total System Sales** are sales 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 revenue.
- **Shredding System Sales** are sales generated from customers with regular recurring service referred to as scheduled sales and sales generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding system sales do not include recycling sales, electronic waste sales and scanning sales. Shredding system sales include sales 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 both the current period and the comparative period.
- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization. Consolidated EBITDA also excludes government assistance, re-measurements of contingent consideration, foreign exchange gains and losses, and gains and losses on debt modifications. A reconciliation between net income and consolidated EBITDA is provided below.
- **Consolidated Operating Income** is defined as revenues less all operating expenses, including depreciation on tangible assets. Amortization for intangible assets has not been included in this calculation. A reconciliation between net income and consolidated operating income is provided below.

- **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 is provided below
- **Corporate Location EBITDA** is defined as earnings for corporately operated locations before interest, taxes, depreciation and amortization and also excludes items identified under the definition of Consolidated EBITDA above.
- **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 and 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.
- **Constant currency** is a measure of growth before foreign currency translation impacts. It is defined as the current period results in CAD currency using the foreign exchange rate in the equivalent prior year period. This allows for period over period comparisons of business performance excluding the impact of currency fluctuations.

Reconciliation of EBITDA and Operating Income to Net Income

For the three months ended March 31,

	2022	2021	% Change
	\$	\$	
EBITDA	4,066	2,054	98%
Less: depreciation – tangible assets	(1,334)	(1,033)	29%
Operating income	2,732	1,021	168%
Less: interest expense	(383)	(252)	52%
Add: interest income	–	4	(100)%
Operating income less net interest expense	2,349	772	204%
Less: amortization – intangible assets	(779)	(642)	21%
Add: gain on disposition of tangible assets	7	–	100%
Add: remeasurement of contingent consideration	(39)	–	100%
Add: government assistance	–	1,320	(100)%
(Loss) income before foreign exchange and income tax	1,538	1,450	6%
Less: foreign exchange loss	(750)	(508)	48%
Less: income tax recovery (expense)	(515)	15	(3,533)%
Net (loss) income	273	957	(71)%

Financial Statements

Redishred's March 31, 2022 Financial Statements and Management's Discussion and Analysis will be available on www.sedar.com and www.redishred.com.

About Redishred Capital Corp.

Redishred Capital Corp. (“**Redishred**”) is the owner of the **PROSHRED**[®], **PROSCAN** and secure e-Cycle brands, trademarks and intellectual property in the United States. **Redishred** digitizes, secures, shreds and recycles confidential documents and proprietary materials for thousands of customers in the United States in all industry sectors. **Redishred** is a pioneer in the mobile document destruction and recycling industry and has the ISO 9001:2015 certification. It is **Redishred**'s vision to be the 'system of choice' in providing digital retention, secure shredding and recycling services on a global basis. Redishred Capital Corp. grants **PROSHRED** and **PROSCAN** franchise businesses in the United States and by way of license arrangement in the Middle East. Redishred Capital Corp. also operates fourteen corporate businesses directly. The Company's plan is to grow its business by way of both franchising and the acquisition and operation of information security businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling and concurrent unscheduled shredding service.

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