

PRESS RELEASE
REDISHRED CAPITAL CORP. TSXV: KUT
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REDISHRED CAPITAL CORP. (“REDISHRED”, OR THE “COMPANY”) ANNOUNCES IMPRESSIVE Q2 2022 RESULTS, WITH STRONG ORGANIC AND CONSOLIDATED REVENUE AND EBITDA GROWTH

Quarterly Earnings Call:

8:30am EST, August 26, 2022, Participant call in number is 1-800-319-4610

Quarterly Highlights:

Consolidated Highlights:

- Consolidated EBITDA for Q2 2022 was \$4.5 million CAD, growing 73% versus Q2 2021.
- The growth in consolidated EBITDA was driven by:
 - organic growth from increased bookings for existing and new customers;
 - growth from acquisitions completed in the past twelve months, including the in-quarter acquisition of SafeGuard Document Destruction Inc (“SDD”);
 - increased paper tonnage and continued favourable recycled paper prices, driven in part by increased paper baling opportunities from the American Shredding acquisition; and
 - continued growth and scaling of operations, allowing for route densification and cost synergies.
- The Company generated record revenue of \$14.6 million CAD in Q2-2022, growing 68% versus Q2-2021 (65% constant currency growth – US Dollar is the constant currency).

Corporate Locations Highlights:

- Corporate location revenue for Q2 2022 was \$14.0 million CAD in Q2 2022, growing by 72% (66% constant currency growth), versus Q2 2021.
- Corporate location EBITDA was \$5.7 million CAD in Q2 2022, growing by 76% (70% constant currency growth), versus Q2 2021.
- Same corporate location EBITDA was \$4.8 million CAD in Q2 2022, growing by 47% (42% constant currency growth), versus Q2 2021.
- Same corporate location EBITDA margin improved 200 basis points to 42% in Q2 2022 versus Q2 2021.

Acquisitions

- On June 1, 2022, the Company acquired the assets of SDD, a Florida and New Jersey-based shredding business, for purchased consideration of \$1.8 million CAD.

Capital Management:

- The Company generated \$3.3 million CAD in cash from operations during Q2 2022.
- As at June 30, 2022, total debt to total assets improved 300 basis points from December 31, 2021.

- As at June 30, 2022, the Company has \$9.5 million CAD in cash, \$1 million CAD available on its operating line of credit, and \$4.0 million CAD available on its non-revolving term loan.

Management’s Comments on Q2-2022

Jeffrey Hasham, the Company’s Chief Executive Officer, noted “Even in these challenging times, we produced a strong quarter across all of our service offerings, including the Proshred, Proscan, and Secure E-Cycle brand offerings. The demand for shredding requirements continues to grow, and we experienced organic growth and growth via mergers and acquisitions in the shredding line of business. We are also 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. The Secure E-Cycle line of business allows our clients to dispose of electronic waste in a secure and green manner, and this business has not only recovered, it has grown from its pre-COVID-19 levels. In addition to the strong core service and operational results, the Company also benefited from favorable paper prices. From a cost perspective, our input costs have increased, including higher fuel commodity prices, higher truck and truck parts costs, and higher driver wages due to driver shortages. Due to these rising costs, the Company raised prices beginning in July and August across our corporate locations. To date, we have not experienced any significant customer churn from the price increases.”

Mr. Hasham further noted “On the acquisition-front, we completed the acquisition of SafeGuard Document Destruction, a Florida and New Jersey-based shredding business, late in the second quarter. American Shredding, which we acquired in December of 2021, also continues to perform well and has provided us with an excellent opportunity to bale additional paper, with baled paper commanding a premium price from the market. Our organic growth, commodity growth and M&A growth has translated into strong financial results and I am pleased to report that Q2 2022 Corporate location EBITDA was \$5.7 million Canadian, an increase of 76% from Q2 2021. This, coupled with our franchise business, has driven consolidated EBITDA to \$4.5 million Canadian. These great results would not be possible without the hard work of the Redishred team and our franchisees; I want to take this opportunity to thank them for their continued hard work and commitment to excellence.”

Financial Highlights:

In \$000's	Three months ended June 30,			Six months ended June 30,		
	2022	2021	Change ⁽¹⁾	2022	2021	Change ⁽¹⁾
System Sales Growth – in USD						
Total locations in the United States	30	30	0%	30	30	0%
Total system sales	\$18,748	\$12,817	46%	\$35,157	\$23,500	50%
% of scheduled sales	43%	48%		44%	49%	

Consolidated Operating Growth – in CAD

Revenue	\$14,597	\$8,677	68%	\$27,114	\$15,991	70%
EBITDA	\$4,540	\$2,621	73%	\$8,606	\$4,676	84%
EBITDA margin	31%	30%	100 bps	32%	29%	300 bps
Operating income	\$3,150	\$1,544	104%	\$5,882	\$2,565	129%
Operating income margin	22%	18%	400 bps	22%	16%	600bps
Operating income per weighted average share fully diluted ⁽³⁾	\$0.173	\$0.098	77%	\$0.324	\$0.163	99%
Government assistance not included in the above ⁽²⁾	-	-	-	-	\$1,318	(100)%

Corporate Location Growth – in CAD

Revenue	\$14,038	\$8,177	72%	\$26,033	\$14,982	74%
EBITDA	\$5,717	\$3,249	76%	\$10,646	\$5,651	88%
EBITDA margin	41%	40%	100 bps	41%	38%	300 bps
Operating income	\$4,351	\$2,195	99%	\$7,968	\$3,587	122%
Operating income margin	31%	27%	400 bps	31%	24%	700 bps
Operating income less net recycling	\$1,518	\$1,324	15%	\$3,032	\$2,150	41%

Capital Management – in CAD:

(In \$000's)

As at June 30, and December 31,	2022	2021	Change ⁽¹⁾
Working capital	\$5,797	\$3,977	46%
Debt to total assets ratio	0.46	0.49	(5)%
Normalized Fixed Charge Coverage ratio – rolling 3 months	1.71	1.57	9%
Normalized Total Funded Debt to EBITDA ratio – rolling 3 months	1.96	2.39	(18)%

(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 was made available to eligible US businesses that have been affected by the COVID-19 pandemic. In Q4 2021, the full amount received was forgiven. The Company also qualified for the Canadian Emergency Wage Subsidy (“CEWS”) in Canada.

(3) The operating income per weighted share fully-diluted, reflects the consolidation of the Company’s shares that occurred on August 23, 2022. On August 23, 2022, the Company consolidated its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares issued and outstanding.

Revenue Growth in Q2-2022

The Company achieved 68% total revenue growth and 65% total revenue growth in constant currency during Q2-2022 versus Q2-2021 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 easing of COVID-19 restrictions; and
 - b. the addition of new client accounts.
- (3) Higher recycling revenue from increased tonnage and higher recycled paper prices.

Q2-2022 System Sales Continued to Grow

Shredding system sales in Q2-2022 grew versus Q2-2021, from both franchise and corporate location organic and acquisition related growth.

Franchise Operations

During Q2-2022, 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	For the three months ended June 30,		
	2022	2021	% Change
Total same locations	16	17	(6)%
Total same location system sales	\$7,877	\$5,701	38%
Total same location scheduled service sales	\$3,598	\$2,911	24%
Total same location unscheduled service sales	\$2,403	\$2,014	19%
Total same location recycling sales	\$1,876	\$775	142%

Corporate Locations

Total corporate location revenues and EBITDA grew by 72% and 76%, respectively, in Q2-2022 versus Q2-2021 due to the acquisitions conducted over the past twelve months and the organic growth from same locations. Total EBITDA margin improved by 100 basis points over this period to 41% in Q2-2022.

During Q2-2022, same corporate location shredding revenue grew 19% over Q2-2021. The Company also continued to manage its same location direct and administrative costs, resulting in same corporate location EBITDA growth of 47% compared to Q2-2021.

For the three months ended June 30, 2022	Quarter-over-year growth	Constant currency Quarter-over-quarter growth
Same Corporate Locations:		
Total Revenue	40%	35%
EBITDA	47%	42%
Operating Income	69%	63%
Total Corporate Locations:		
Total Revenue	72%	66%
EBITDA	76%	70%
Operating Income	98%	92%

For the three months ended June 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	% Change	2022	2021	% Change	2022	2021
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	9,773	6,518	50%	7,788	6,518	19%	1,985	-
Electronic waste sales	378	251	51%	378	251	51%	-	-
Scanning sales	816	472	73%	816	472	73%	-	-
Recycling sales	3,071	935	228%	2,426	935	159%	645	-
Total sales	14,038	8,176	72%	11,408	8,176	40%	2,630	-
Operating costs ⁽¹⁾	8,321	4,929	69%	6,649	4,929	35%	1,672	-
EBITDA	5,717	3,247	76%	4,759	3,247	47%	958	-
% of revenue	41%	40%	100 bps	42%	40%	200 bps	36%	-
Depreciation – tangible assets	1,366	1,055	29%	1,061	1,055	1%	305	-
Operating income	4,351	2,192	98%	3,698	2,192	69%	653	-
% of revenue	31%	27%	400bps	32%	27%	500 bps	25%	-
Operating income less net recycling	1,518	1,324	15%	1,377	1,324	4%	141	-
% of revenue	14%	18%	(400) bps	15%	18%	(300) bps	7%	-
EBITDA – in USD	4,480	2,633	70%	3,730	2,633	42%	750	-
% of revenue	41%	40%	100 bps	42%	40%	200 bps	36%	-

Note 1: During Q2-2022, acquisition/vendor-related consulting fees of \$81 (Q2-2021 - \$38) are included in the total and non-same corporate location operating costs.

Corporate Locations Trend:

In \$000's, in CAD	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (\$)	14,038	11,995	9,946	9,273	8,177	6,805	5,572	6,093
Quarter over quarter % change	17%	21%	7%	13%	20%	22%	(9)%	10%
EBITDA (\$)	5,717	4,929	3,003	3,707	3,249	2,403	1,528	2,103
Quarter over quarter % change	16%	64%	(19)%	14%	35%	57%	(27)%	21%

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 2022 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\$190,000 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, and foreign exchange gains and losses. 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 less net interest expense 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 net Recycling** is the corporate location operating income excluding the impact of corporate location recycling sales, net of paper baling costs. The Company has updated the definition of this non-IFRS financial measure to factor in paper baling costs, which fluctuate depending on paper baling activity.
- **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 June 30,			For the six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$		\$	\$	
EBITDA	4,540	2,621	73%	8,606	4,676	84%
Less: depreciation – tangible assets	(1,390)	(1,077)	29%	(2,724)	(2,111)	29%
Operating income	3,150	1,544	104%	5,882	2,565	129%
Less: interest expense	(403)	(231)	74%	(786)	(484)	62%
Add: interest income	–	5	(100)%	–	8	(100)%
Operating income less net interest expense	2,747	1,318	108%	5,096	2,089	144%
Less: amortization – intangible assets	(798)	(623)	28%	(1,577)	(1,265)	25%
Add: gain on disposition of tangible assets	13	–	100%	20	–	100%
Add/(deduct): remeasurement of contingent consideration	2	–	100%	(37)	–	(100)%
Add: government assistance	–	–	-%	–	1,318	(100)%
Income before foreign exchange and income tax	1,964	695	183%	3,502	2,142	64%
Add/(deduct): foreign exchange gain (loss)	1,533	(633)	(342)%	783	(1,139)	(169)%
Deduct: Income tax expense	(684)	(472)	45%	(1,199)	(457)	162%
Net income (loss)	2,813	(410)	786%	3,086	546	465%

Financial Statements

Redishred's June 30, 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 a 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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