



## ***Management's Discussion and Analysis***

September 30, 2022

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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

## Table of Contents

<b>Business Overview.....</b>	<b>2</b>
<b>About Redishred.....</b>	<b>2</b>
<b>Basis for Presentation .....</b>	<b>3</b>
<b>Forward Looking Statements .....</b>	<b>3</b>
<b>Non-IFRS Financial Measures .....</b>	<b>4</b>
<b>Key Performance Indicators ("KPIs").....</b>	<b>5</b>
<b>Business locations.....</b>	<b>6</b>
<b>Financial and Operational Highlights .....</b>	<b>8</b>
<b>Summary of Q3 Results and Operations.....</b>	<b>9</b>
<b>2022 Strategic Targets .....</b>	<b>12</b>
<b>Outlook .....</b>	<b>13</b>
<b>Total System Sales.....</b>	<b>13</b>
<b>Franchising &amp; Licensing.....</b>	<b>16</b>
<b>Growth Fund .....</b>	<b>17</b>
<b>Corporate Location Results – For the three months ended September 30 .....</b>	<b>17</b>
<b>Corporate Location Results - For the nine months ended September 30 .....</b>	<b>19</b>
<b>General and Administrative Expenses .....</b>	<b>20</b>
<b>Other Income and Expenses .....</b>	<b>21</b>
<b>Reconciliation of EBITDA to Net Income .....</b>	<b>24</b>
<b>Selected Quarterly Results.....</b>	<b>24</b>
<b>Financial Condition, Capital Resources and Liquidity .....</b>	<b>25</b>
<b>Off-Balance Sheet Financing Arrangements .....</b>	<b>28</b>
<b>Transactions with Related Parties .....</b>	<b>28</b>
<b>Risks and Uncertainties.....</b>	<b>29</b>
<b>Use of Estimates and Judgements .....</b>	<b>29</b>
<b>Investor Relations Activities .....</b>	<b>29</b>
<b>Share Data.....</b>	<b>29</b>
<b>Subsequent Events .....</b>	<b>29</b>
<b>Additional Info .....</b>	<b>30</b>

**REDISHRED CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2022**

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

## **Business Overview**

Redishred Capital Corp. ("Redishred" or the "Company") 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 at September 30, 2022, the Company operates 14 corporate locations directly, three of which also operate our Proscan branded imaging and scanning operations and one of which also operates an electronic waste services business under the Secure e-Cycle brand. On November 1, 2022, the Company acquired the Proshred Philadelphia franchise from its franchisee, resulting in the Company operating 15 corporate locations directly as of this date. Please refer to the 'Subsequent Events' section of this MD&A for further details on this acquisition. In the first nine months of 2022, the Proshred system achieved USD\$53.7 million in System Sales (USD \$22.6 million from franchised/licensed locations and USD \$31.1 million from the corporately owned locations).

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

1. Expand the location footprint in the U.S. by way of franchising and accretive acquisitions.
2. Maximize same location revenue (in particular, recurring scheduled services) and earnings for franchisees and corporate locations.
3. Drive depth of service and earnings in existing locations by acquiring smaller "tuck-in" acquisitions that are accretive.

## **About Redishred**

Redishred's **purpose**, **vision** and **values** are the foundation on which the Company operates.

### **Purpose**

The Company provides secure information destruction services and is both ISO 9001 and NAID AAA certified.



### **Vision**

The Company's vision is to provide easy, durable and environmentally sustainable solutions for our customers, recognizing the responsibility and impact we have on the communities we serve and the environment.

In the third quarter of 2022, we saved ~ 220,000 trees through our paper recycling services.

We also continually optimize the routes we use in providing shredding services to our clients and maintain our shredding vehicles in optimal condition to reduce our carbon footprint. As we look into the future, we will look to operate newer and more fuel-efficient vehicles and we are also exploring the use of shredding vehicles that run on alternative energy sources.



## **REDISHRED CAPITAL CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

---

### **Values**

Operating with integrity, being open and transparent in our communications, creating awareness, holding ourselves accountable, respecting others, and growing, financially and as a business organization, represent our core values.

These core values extend beyond just providing and delivering our core services to customers. We are also involved in our communities and create awareness of issues that impact many. For example, we partner with the American Institute for Cancer Research, annually hosting Nationwide Shred Cancer Events. To date, we have raised over \$205,000 to support cancer research, including through our shred events.

### **Goals**

Through our purpose, vision and values, our goals are to make it easy for our clients to use our services, stay relevant, and empower people. We invest in technology to stay at the forefront of the latest developments in our industry and empower our people to provide the best services to customers. Without our people, this delivery of services to our customers is not possible. The Company has a diverse workforce, both at the customer-facing through to the most senior management positions as we believe the best service is delivered by a diverse and enabled team.

### **Basis for Presentation**

The following management's discussion and analysis has been prepared by management and focuses on key statistics from the Company's consolidated interim 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 unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022 and 2021, and the Company's audited consolidated financial statements for the year ended December 31, 2021, 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, 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 November 29, 2022.

### **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. 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 COVID-19 and other pandemics and their effects on the Canadian, United States and global economies, 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 conditions in certain regions of the United States;
  - e. the level of corporate overhead;

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

- f. the availability of resources, including vehicles and people;
  - g. the level of inflation and corresponding interest rates in the United States and Canada;
  - h. the number and size of acquisitions;
  - i. the ability to realize efficiencies from acquired operations; and
  - j. the exchange rate fluctuations between the U.S. and Canadian dollars.
- (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) anticipated recycling revenues which may be impacted by commodity paper prices, which may be influenced by 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 anticipated sales and efficiencies and by the performance of the local economies;
- (v) the awarding of franchises and licences, which are 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 with its banking institution.

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 MD&A. 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. Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

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

There are measures included in this MD&A that do not have a standardized meaning under 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 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.

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

---

- **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 included on page 24.
- **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 included on page 24.
- **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 24.
- **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.
- **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.

### **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 – this performance measure to assess both the Company's and the corporate locations performance. Management is focused on growing the consolidated Company EBITDA and the corporate locations EBITDA.
3. Consolidated operating income growth – 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, after factoring in depreciation on tangible assets.

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)*

5. Corporate location operating income less net recycling revenue growth – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices and baling paper costs.
6. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by lenders, this measure considers the Company's ability to pay both interest and principal on outstanding debt and is calculated as defined in the Company's credit facility agreement with one of its lenders. Consistent with the definition thereunder, 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. This ratio is calculated as defined in the Company's credit facility agreement with one of its lenders and consistent with the definition thereunder, 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 the Company's ability to drive operating income from existing locations and also helps measure the quality of the acquisitions conducted to ensure they are accretive to driving shareholder value.

**Business locations**

The Company's U.S. franchise locations as at September 30, 2022 are as follows:

Number	Franchised Location	Markets Serviced	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.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
10.	Dallas, TX	Dallas and Fort Worth	March 2012
11.	Houston, TX	Greater Houston area	November 2012
12.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
13.	Seattle, WA	Seattle and Tacoma	October 2013
14.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
15.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
16.	St. Louis, MO	Greater St. Louis area	August 2016

\*Franchise was acquired by the Company on November 1, 2022. Refer to the 'Subsequent Events' section of this MD&A for further details.

**REDISHRED CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

The Company's U.S. corporate locations as at September 30, 2022 are as follows:

<b>Number</b>	<b>Corporate Location</b>	<b>Markets Serviced</b>	<b>Corporately Operating Since</b>
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, 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	Bergen, Essex, Morris, Passaic, Union, Middlesex, Sussex, Warren and Somerset County and Newark	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
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013 Corporately since May 1, 2021
14.	Atlanta, GA	Greater Atlanta area	January 2012 Corporately since July 30, 2021

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

## Financial and Operational Highlights

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

KPI	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	Change <sup>(a)</sup>	2022	2021	Change <sup>(a)</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 <i>% scheduled sales</i>	(1) <b>\$18,388</b> 45%	\$13,538 48%	38%	<b>\$53,746</b> 45%	\$37,037 49%	45%
<b>Consolidated Operating Performance</b>						
Revenue	<b>\$14,703</b>	\$9,784	50%	<b>\$41,817</b>	\$25,775	62%
EBITDA	<b>\$3,641</b>	\$2,857	27%	<b>\$12,247</b>	\$7,533	63%
<i>EBITDA margin</i>	25%	29%	(400) bps	29%	29%	0 bps
Operating income	<b>\$2,014</b>	\$1,709	18%	<b>\$7,896</b>	\$4,274	85%
<i>Operating income margin</i>	14%	17%	(300) bps	19%	17%	200 bps
Operating income less net interest expense	<b>\$1,618</b>	\$1,423	14%	<b>\$6,714</b>	\$3,512	91%
Operating income per weighted average share fully diluted <sup>(d)</sup>	(8) <b>\$0.111</b>	\$0.108	2%	<b>\$0.435</b>	\$0.271	60%
Government assistance not included in above <sup>(b)</sup>	–	\$23	(100)%	–	\$1,341	(100)%
<b>Corporate Location Performance</b>						
Revenue	<b>\$14,137</b>	\$9,274	52%	<b>\$40,170</b>	\$24,255	66%
EBITDA	<b>\$4,915</b>	\$3,709	33%	<b>\$15,560</b>	\$9,359	66%
<i>EBITDA margin</i>	35%	40%	(500) bps	39%	39%	0 bps
Operating income	<b>\$3,306</b>	\$2,583	28%	<b>\$11,273</b>	\$6,169	83%
<i>Operating income margin</i>	23%	28%	(500) bps	28%	25%	300 bps
Operating income less net recycling	(5) <b>\$424</b>	\$1,361	(69)%	<b>\$3,459</b>	\$3,510	(1)%

## REDISHRED CAPITAL CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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

#### Capital Management

As of September 30, and December 31, 2021	KPI	2022	2021	Change <sup>(a)</sup>
Working capital <sup>(c)</sup>		\$5,564	\$3,977	40%
Debt to total assets ratio		0.47	0.49	(4)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	1.80	1.57	14%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	2.10	2.39	(12)%

- a) Change expressed as a percentage or basis point ("bp"), as applicable.
- b) 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.
- c) Working Capital represents the excess of the Company's current assets over its current liabilities.
- d) 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. All figures presented in this MD&A, including comparative figures, for common shares, warrants, and options, and for per share amounts have been adjusted to reflect this share consolidation.

#### Summary of Q3 Results and Operations

##### Revenue Growth in Q3-2022

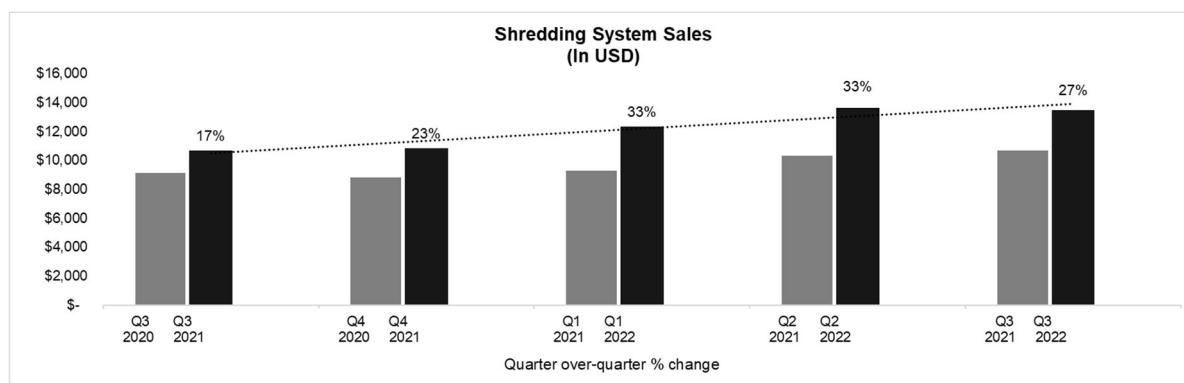
The Company achieved 50% total revenue growth and 47% total revenue growth in constant currency during Q3-2022 versus Q3-2021 primarily due to the following:

- (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.

##### Q3-2022 System Sales Continued to Grow

Shredding system sales in Q3-2022 grew versus Q3-2021, from both franchise and corporate location organic and acquisition related growth. The growth in sales was as follows:

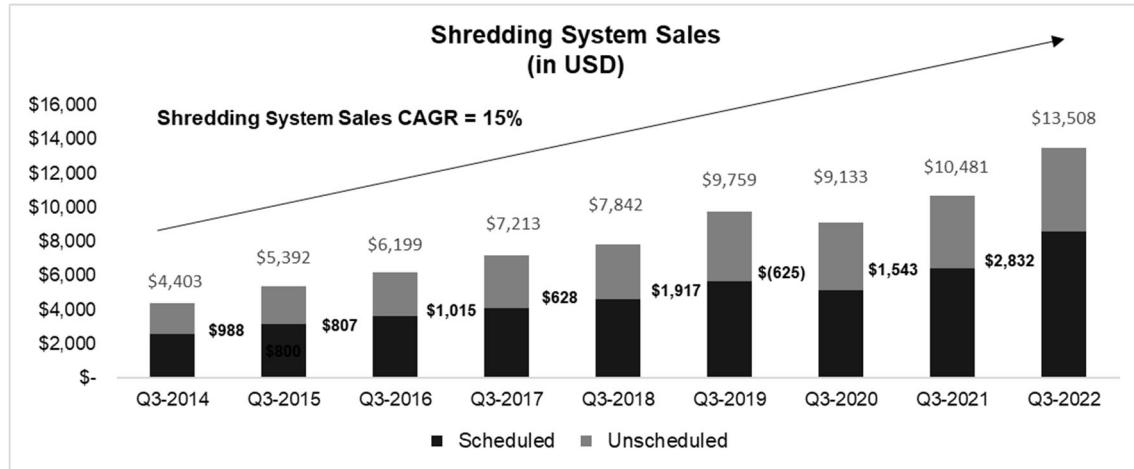
For the three months ended September 30,	2022 vs. 2021
Scheduled system sales	34%
Unscheduled system sales	16%
Shredding system sales	27%



**REDISHRED CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

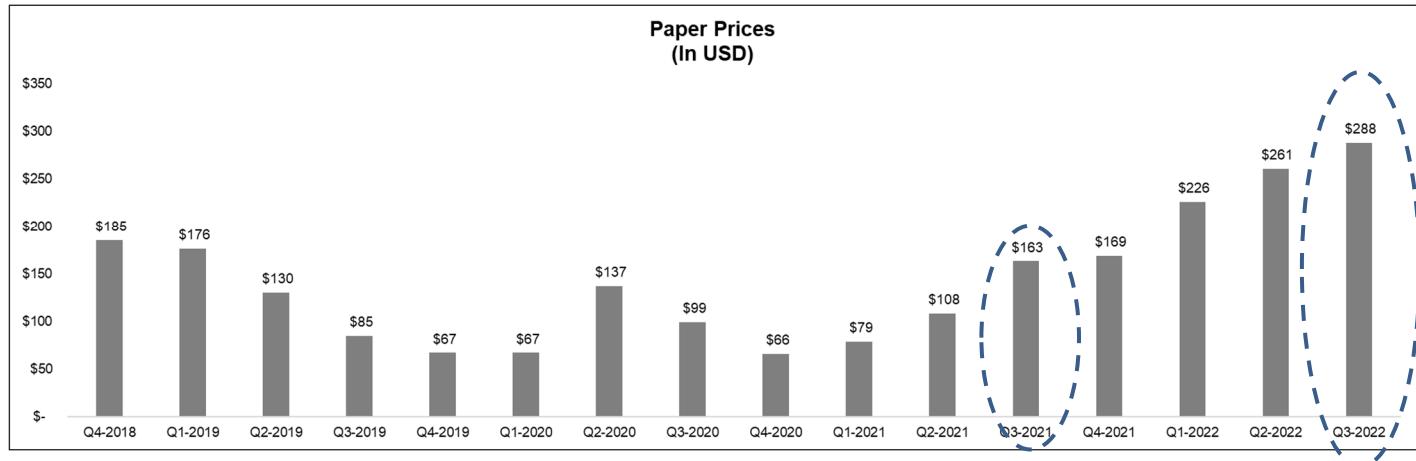
*Dollar amounts in thousands of Canadian dollars (except as noted)*



Note: The figures bolded in black font in the chart above refer to the quarter-over-quarter growth in total shredding system sales. Compound Annual Growth Rate ("CAGR") refers to the growth rate of an amount over a period of time if it had grown at the same rate every year.

Recycling system sales grew by 93% in Q3-2022 versus Q3-2021 as paper tonnage increased by 10% and the average paper price in the Proshred system increased by 77% over this period.

The average paper prices in the Proshred system in US dollars for the last sixteen quarters is as follows:



The Company has invested in generating more paper recycling revenue, now having four (4) locations that bale paper, from only two (2) locations throughout much of 2021. There is a premium the Company receives for recycling baled paper compared to traditional loose paper that is sold to intermediaries.

#### **Strong Same Corporate Location EBITDA Growth**

The Company achieved 13% growth in same corporate location EBITDA. Constant currency EBITDA growth was 9% compared to Q3-2021. The EBITDA growth was driven by the following factors:

- (1) increased paper tonnage and prices;
- (2) new scheduled shredding service clients added; and
- (3) continued demand for unscheduled shredding services.

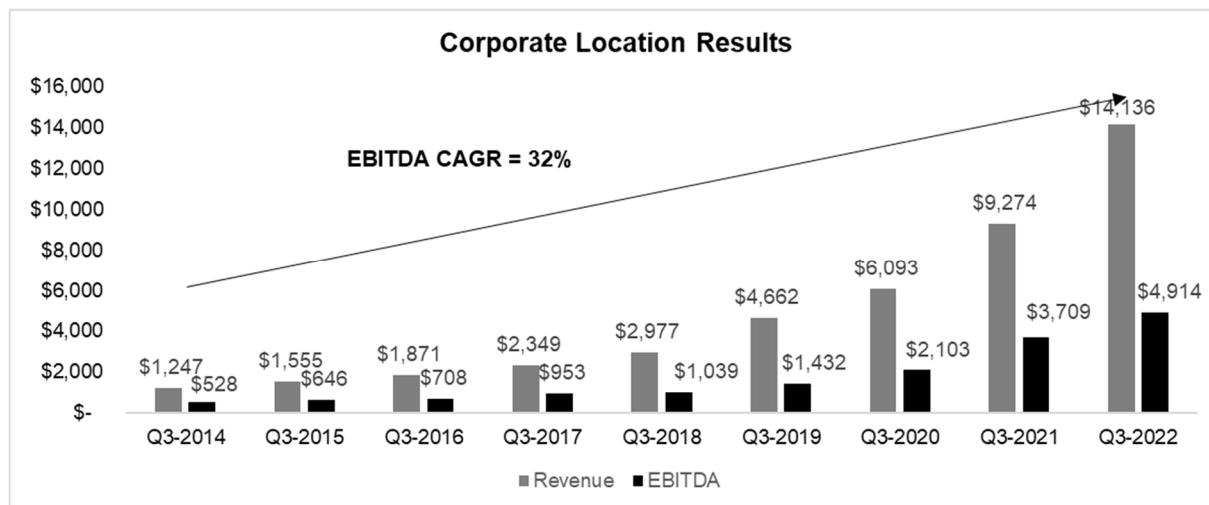
## REDISHRED CAPITAL CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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

This EBITDA growth was partially offset by higher input costs, including higher fuel prices and higher driver wages caused by driver shortages and wage inflation. The Company's servicing times for shredding vehicle maintenance and repair also increased as a result of vehicle parts shortages and new vehicle delivery delays, preventing the Company from maximizing all revenue opportunities. The Company has, in response, implemented price increases in Q3 2022, the full financial benefit of which the Company will not realize till the fourth quarter of 2022. Furthermore, the Company expects to realize further synergies from recently completed acquisitions from further route densification and optimization.



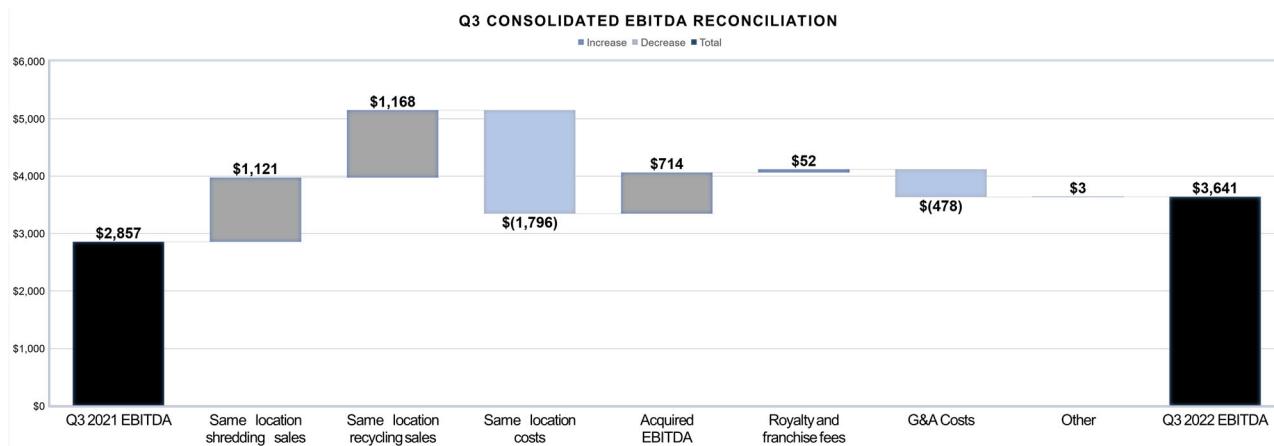
### Continued Corporate Footprint Growth from Acquisitions

The Company completed the acquisition of Tech Shredders LLC ("Tech Shredders"), a New Jersey based electronic waste recycling and hard drive shredding business on August 1, 2022, Safeguard Document Destruction Inc ("SDD"), a shredding business with operations in New Jersey and Florida, on June 1, 2022, and Mobile Document Destruction ("MDD"), an Illinois-based shredding business, on March 1, 2022. The acquisitions that the Company has conducted during the last 12 months have been accretive to the Company's EBITDA and cash flows in Q3 2022.

### Strong Consolidated EBITDA Growth

The Company's consolidated EBITDA was \$3,641, or 27% higher, in Q3-2022 when compared to Q3-2021 driven by:

- (1) acquired EBITDA from the acquisitions completed over the last 12 months; and
- (2) same corporate location EBITDA growth.



**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

**2022 Strategic Targets**

**1. Growth of Same Location Shredding System Sales:**

**2022 Target** Same location shredding system sales growth of 10% to USD\$45M.

**Q3-2022 Performance to-date** **Exceeding target and on track to exceed target for 2022.** Same location shredding system sales were USD \$36M during the nine months ended September 30, 2022, growing 19% versus the same period in 2021.

**2. Growth in Same Location EBITDA and Operating Income (Corporate Locations):**

**2022 Target** Growth of 8% in same location EBITDA to \$13.4M and growth of 11% in same location operating income to \$8.8M.

**Q3-2022 Performance to-date** **Exceeding target and on track to exceed target for 2022.** Same location EBITDA and operating income for the nine months ended September 30, 2022, were \$12.9M and \$9.7M, respectively, driven by strong organic top-line revenue growth, including strong tonnage growth and favourable paper pricing movements. EBITDA and Operating Income growth was 38% and 57%, respectively, Q3-2022 year to-date versus Q3-2021 year to-date.

**3. EBITDA and Operating Income from acquired operations (Corporate Locations):**

**2022 Target** EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.

**Q3-2022 Performance to-date** **Exceeding target and on track to exceed target for 2022.** The EBITDA and operating income margins from acquired operations were 34% and 21%, respectively, driven by customer growth, higher paper pricing and tonnage, and route enhancements and optimizations.

**4. Expand by way of Accretive Acquisitions:**

**2022 Target** Add USD\$4M to USD\$5M in revenue by way of accretive acquisitions.

**Q3-2022 Performance to-date** **On target and on track to meet target for 2022.** The Company completed the acquisitions of Tech Shredders, MDD and SDD during the nine months ended September 30, 2022. In prior year 2021, these acquisitions generated revenue of USD\$2.5M. As detailed in the 'Subsequent Events' section of this MD&A, the Company acquired the Proshred Philadelphia franchise from its franchisee on November 1, 2022. In prior year 2021, Proshred Philadelphia generated revenue of approximately USD\$2.8M

**5. Improve Operating Leverage<sup>(1)</sup>:**

**2022 Target** G&A costs at 12% of total revenue.

**Q3-2022 Performance to-date** **Exceeding Target and on track to exceed target for 2022.** G&A costs as a percentage of total revenue were 11% for the nine months ended September 30, 2022.

(1) G&A costs as a percentage of revenue target does not include Growth Fund revenue and costs.

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)***Outlook****Demand for Shredding Services Remains Strong**

The Company continues to see marketing leads for both scheduled and unscheduled services increase. The Company's experienced sales force looks to close these leads at increasing conversion rates, contributing to top-line growth.

The Company is also continuing to see interest in its scanning services, as an increased number of businesses look to digitize their physical paper documents securely and conveniently. The Company will continue to leverage marketing efforts to tap into this market.

**Recycling Revenue**

The following outlines the Q4-2022 average paper price estimated based on October 2022 paper pricing:

	<b>Q3-2022</b>	<b>Q4-2022 Estimate</b>	<b>% Change</b>
Average price (in USD)	\$288	\$280	(3)%

**Future Growth Opportunities through Accretive Acquisitions**

Development by way of acquisitions remains a key component of Redishred's long-term growth strategy. The Company is in discussions with acquisition targets and actively seeks 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. The Company plans to finance its acquisitions through a combination of cash on hand, contingent consideration payable in cash, debt financings, and equity financings, if required.

**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 (i.e., metals and plastics), (3) the secure resale of certain electronics collected from customers and (4) providing digital imaging, scanning and related workflow management services to their customers. The shredding and recycling sales are the key driver of royalty and service fee revenue. Total system sales are broken into five categories, scheduled sales, unscheduled sales, recycling sales, electronic waste sales and scanning sales. Acquisitions completed in 2022 and American Shredding, which was acquired on December 1, 2021, are not included in the calculation of same location system sales for the three and nine months ended September 30, 2022.

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

	For the three months ended September 30,			For the nine months ended September 30,		
	<b>2022</b>	<b>2021</b>	<b>%Change</b>	<b>2022</b>	<b>2021</b>	<b>%Change</b>
Total U.S. operation locations at period end	30	30	0%	30	30	0%
Total system sales (USD)	\$18,388	\$13,538	38%	\$53,746	\$37,037	45%
Total same location system sales (USD)	\$16,530	\$13,538	22%	\$49,175	\$37,037	33%

## REDISHRED CAPITAL CORP.

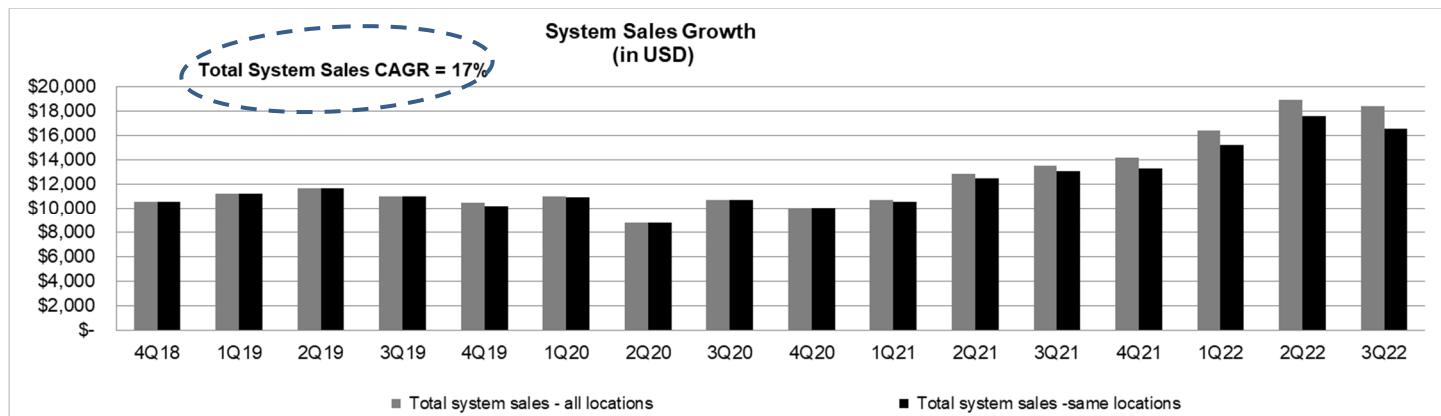
### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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

American Shredding contributed USD \$1.3 million and USD \$3.8 million in total system sales for the three months and nine months ended September 30, 2022, respectively, with SDD contributing USD \$0.8 million since its acquisition on June 1, 2022.

The following chart illustrates system sales growth in USD by quarter since the fourth quarter of 2018.



### System sales mix

The system sales mix in USD for the three and nine months ended September 30, 2022 and 2021 is as follows:

#### System sales in USD

For the three months ended September 30,

	2022	2021	%Change
	\$	\$	
Scheduled	<b>8,597</b>	6,435	34%
Unscheduled	<b>4,911</b>	4,241	16%
Recycling	<b>4,208</b>	2,176	93%
Scanning	<b>403</b>	469	(14)%
Electronic waste	<b>269</b>	216	24%
<i>Total System Sales</i>	<b>18,388</b>	13,538	36%

#### System sales in USD

For the nine months ended September 30,

	2022	2021	%Change
	\$	\$	
Scheduled	<b>24,415</b>	18,053	35%
Unscheduled	<b>15,212</b>	12,374	23%
Recycling	<b>11,768</b>	4,930	139%
Scanning	<b>1,551</b>	1,078	44%
Electronic waste	<b>800</b>	603	33%
<i>Total System Sales</i>	<b>53,746</b>	37,037	45%

### Scheduled system sales

Scheduled system sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. In Q3-2022, scheduled sales grew 34% over Q3-2021 and reached a record high of USD\$8.6 million.

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)****Unscheduled system sales:***

Unscheduled system sales are defined as the revenue generated from customers who have one-time 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. In Q3-2022, unscheduled system sales grew 16% over Q3-2021, driven by a growing customer base and large one-time customer requirements.

***Recycling sales:***

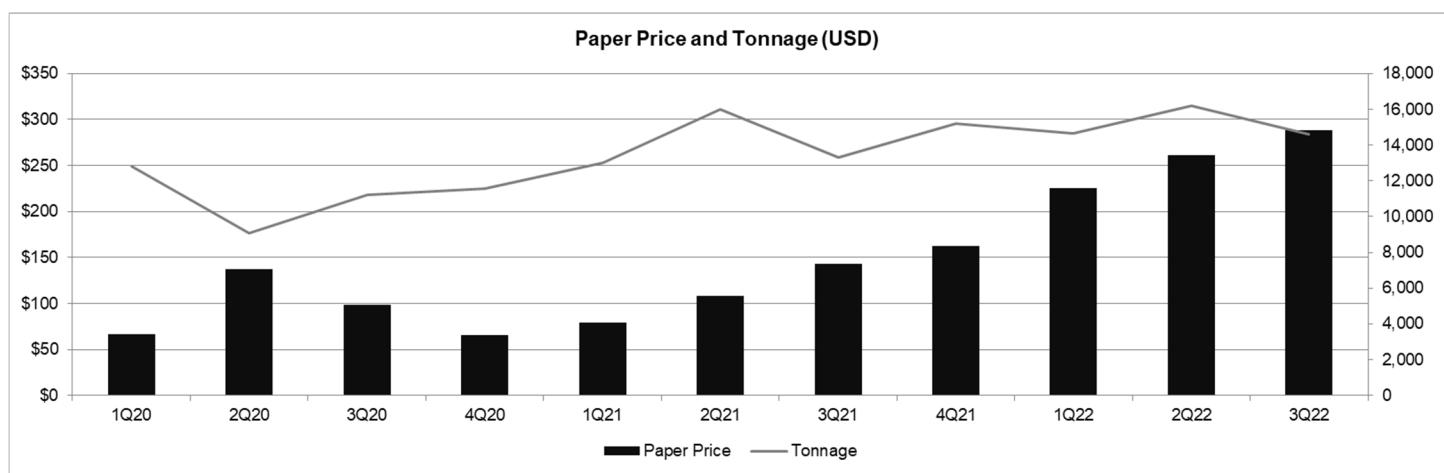
Recycling sales are defined as the revenue generated from shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper, and the volume of paper recycled, which is measured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

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Recycling system sales (USD)	\$4,208	\$2,176	93%	\$11,768	\$4,930	139%
Tonnage processed (units)	14,609	13,328	10%	45,483	42,327	7%
Average paper price per ton	\$288	\$163	76%	\$258	\$116	122%

The Proshred system shred and recycled 14,609 tons of paper during Q3-2022 (13,328 – during Q3-2021), which equates to approximately 220,000 trees being saved (205,000 – during Q3-2021).<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](http://Conservatree.org).

The following chart illustrates tonnage processed and average paper price per ton, in USD, by quarter since the first quarter of 2020:



**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)***Electronic waste sales:**

Electronic waste sales are defined as the revenue generated from disposal of client's electronic waste and/or products and by way of secure resale of certain electronics collected from clients. The Company currently provides electronic waste services primarily in its Kansas City market, servicing the Midwestern United States. In Q3-2022, electronic waste sales grew 24% over Q3-2021, as customers resumed recycling their electronic waste, which in some instances, was halted during the COVID-19 pandemic.

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Electronic waste sales (USD)	\$269	\$216	24%	\$800	\$603	33%

**Scanning sales:**

Scanning sales are defined as the revenue generated from customers who have documents requiring scanning and indexing to digitize and store electronically. The Company currently provides scanning services in its Massachusetts, Charlotte, and Richmond markets. In Q3-2022, scanning sales decreased by 14% over Q3-2021, primarily due to the timing of new scanning projects.

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Scanning sales (USD)	\$403	\$469	(14)%	\$1,551	\$1,078	44%

**Franchising & Licensing**

Royalties and service fees are charged for the use of the trademarks and Proshred 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 US dollars, which are translated into Canadian dollars at the average exchange rate for the period.

During Q3-2022, royalty and services fees decreased by 7% over Q3-2021. With the acquisition of the Richmond franchise in Q2-2021 and Atlanta franchise in Q3-2021, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from these locations. Royalty, license, and service fees for same franchise locations increased by 13% for the three months ended September 30, 2022, compared to the same period in 2021.

**Royalties, license, and service fee**

For the three months ended September 30,	Total Franchise Locations			Same Franchise Locations		
	2022	2021	% Change	2022	2021	% Change
Total number of franchisees operating at period end	16	17	(6)%	16	16	0%
In USD: Royalty, license and service fees	\$390	\$418	(7)%	\$390	\$346	13%

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

<b>For the nine months ended September 30,</b>	<b>Total Franchise Locations</b>			<b>Same Franchise Locations</b>		
	<b>2022</b>	<b>2021</b>	<b>% Change</b>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
Total number of franchisees operating at period end	<b>16</b>	18	(11)%	<b>16</b>	16	0%
<b>In USD:</b> Royalty, license and service fees	<b>\$1,154</b>	\$1,248	(8)%	<b>\$1,154</b>	\$987	17%

### Growth Fund

The Company manages a Growth 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 public recognition and the 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 by 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 \$150 as at September 30, 2022. The Growth Fund may incur losses going forward as the Growth Fund will continue to invest in marketing and sales channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. During the three months and nine months ended September 30, 2022, the Growth Fund had a net loss of \$83 (three months ended September 30, 2021 - \$80 net loss) and \$258 (nine months ended September 30, 2021 - \$111 net loss), respectively.

### Corporate Location Results – For the three months ended September 30

As at September 30, 2022, the Company operated fourteen corporate locations. Refer to the "Business Locations" section of this MD&A for a list of the Company's locations. Same corporate location results include all locations except for results for the month of July 2022 for the Atlanta location that was acquired on July 30, 2021, and the results of American Shredding, which was acquired on December 1, 2021, and the results of all acquisitions completed in 2022.

Total corporate location revenue and EBITDA grew by 52% and 33%, respectively, in Q3-2022 versus Q3-2021 due to the acquisitions completed over the past twelve months, organic growth from same locations, and higher paper prices. Total EBITDA margin declined over this period to 35% in Q3-2022, driven by higher operational costs, including for people, fuel and truck repairs.

During Q3-2022, same corporate location shredding revenue and EBITDA grew 15% and 13%, respectively, over Q3-2021.

<b>For the three months ended September 30, 2022</b>	<b>Quarter-over-quarter growth</b>	<b>Constant currency quarter-over-quarter growth</b>
<b>Same Corporate Locations:</b>		
Total Sales	25%	20%
EBITDA	13%	9%
Operating Income	18%	13%
<b>Total Corporate Locations:</b>		
Total Sales	52%	47%
EBITDA	33%	27%
Operating Income	28%	23%

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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



For the three months ended September 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	% Change	2022	2021	% Change	2022	2021
	\$	\$		\$	\$		\$	\$
<b>Revenue:</b>								
Shredding sales	10,127	7,112	42%	8,206	7,112	15%	1,921	-
Electronic waste sales	351	272	29%	351	272	29%	-	-
Scanning sales	536	589	(9%)	536	589	(9%)	-	-
Recycling sales	3,123	1,301	140%	2,469	1,301	90%	654	-
Total sales	14,137	9,274	52%	11,562	9,274	25%	2,575	-
Operating costs <sup>(1)</sup>	9,222	5,565	66%	7,362	5,565	32%	1,860	-
EBITDA	4,915	3,709	33%	4,200	3,709	13%	715	-
<i>% of revenue</i>	35%	40%	(500) bps	36%	40%	(400) bps	28%	-
Depreciation – tangible assets	1,609	1,126	43%	1,154	1,126	2%	455	-
Operating income	3,306	2,583	28%	3,046	2,583	18%	260	-
<i>% of revenue</i>	23%	28%	(500) bps	26%	28%	(200) bps	10%	-
Operating income less net recycling	424	1,361	(69%)	674	1,361	(50%)	(250)	-
<i>% of revenue</i>	4%	17%	(1,300) bps	7%	17%	(1,000) bps	(12)%	-
EBITDA – in USD	3,757	2,950	27%	3,216	2,950	9%	541	-
<i>% of revenue</i>	35%	40%	(500) bps	36%	40%	(400) bps	28%	-

Note 1: During Q3-2022, acquisition/vendor-related consulting fees of \$211 (Q3-2021 - \$101) are included in the total and non-same corporate location operating costs.

Total corporate location operating income, excluding the impact of net recycling revenue, declined to \$422. This is a result of higher input costs, including higher fuel prices and higher driver wages caused by driver shortages and wage inflation. The Company's servicing times for shredding vehicle maintenance and repair also increased as a result of vehicle parts shortages and new vehicle delivery delays, preventing the Company from maximizing all revenue opportunities. Despite the input cost increases, the truck and truck part shortages, and shredding vehicle repair and maintenance time increases,

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)*

the Company continued to grow organically. The Company has also, in response, implemented price increases across its corporate locations in Q3 2022, with no significant impact on customer churn to-date.

The Company's non-same corporate location EBITDA and operating income margins are lower than equivalent measures for the Company's same corporate locations, as the Company expects to realize further synergies from recently completed acquisitions, and in particular SDD and American, from further route densification and optimization.

**Corporate Location Results - For the nine months ended September 30**

Same corporate location results include all locations except for Richmond results for the months of January 2022 through to and including April 2022, as the Richmond location was acquired on May 1, 2021, and excludes the Atlanta location for the months of January 2022 through to and including July 2022, as that was acquired on July 30, 2021, and excludes the results of American Shredding, which was acquired on December 1, 2021, and results of all acquisitions completed in 2022.

Total corporate location revenues and EBITDA each grew by 66%, during the nine months ended September 30, 2022, as compared to the same period in 2021. The growth was due to the acquisitions conducted over the last 12 months and organic growth from same corporate locations. Total EBITDA margin remained consistent at 39% for the nine months ended September 30, 2022 as compared to the same period in 2021.

For the nine months ended September 30, 2022	Period-over-period growth	Constant currency period-over-period growth
<b>Same Corporate Locations:</b>		
Total Sales	34%	31%
EBITDA	38%	35%
Operating Income	57%	53%
<b>Total Corporate Locations:</b>		
Total Sales	66%	62%
EBITDA	66%	62%
Operating Income	83%	78%



**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

For the nine months ended September 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	% Change	2022	2021	% Change	2022	2021
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	<b>28,654</b>	19,295	48%	<b>22,858</b>	19,295	18%	<b>5,796</b>	-
Electronic waste sales	<b>1,026</b>	754	36%	<b>1,026</b>	754	36%	-	-
Scanning sales	<b>2,000</b>	1,348	48%	<b>2,000</b>	1,348	48%	-	-
Recycling sales	<b>8,490</b>	2,857	197%	<b>6,638</b>	2,857	132%	<b>1,852</b>	-
Total sales	<b>40,170</b>	24,255	66%	<b>32,522</b>	24,255	34%	<b>7,648</b>	-
Operating costs <sup>(1)</sup>	<b>24,610</b>	14,896	65%	<b>19,583</b>	14,896	31%	<b>5,027</b>	-
EBITDA	<b>15,560</b>	9,359	66%	<b>12,939</b>	9,359	38%	<b>2,621</b>	-
% of revenue	39%	39%	0 bps	40%	39%	100 bps	34%	-
Depreciation – tangible assets	<b>4,287</b>	3,190	34%	<b>3,272</b>	3,190	3%	<b>1,015</b>	-
Operating income	<b>11,273</b>	6,169	83%	<b>9,667</b>	6,169	57%	<b>1,606</b>	-
% of revenue	28%	25%	300 bps	30%	25%	500 bps	21%	-
Operating income less net recycling	<b>3,459</b>	3,509	(2)%	<b>3,347</b>	3,509	(5)%	<b>112</b>	-
% of revenue	11%	16%	(5) bps	13%	16%	(3) bps	2%	-
EBITDA – in USD	<b>12,129</b>	7,481	62%	<b>10,090</b>	7,481	35%	<b>2,039</b>	-
% of revenue	39%	39%	0 bps	40%	39%	100 bps	34%	-

Note 1: During the nine months ended September 30, 2022, acquisition/vendor-related consulting fees of \$366 (nine months ended September 30, 2021- \$164) are included in the total and non-same operating costs.

### General and Administrative Expenses

General and administrative ("G&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.

G&A expenses for the three and nine months ended September 30, 2022, increased by 38% and 48%, respectively, compared to the same periods in 2021. In the comparative periods, the Company had reduced G&A expenditures to mitigate against the negative impacts that COVID-19 had on the Company's revenues. The Company has since increased its human resources, increasing headcount in the areas of technology, operational finance and marketing to support the acquired and organic revenue growth. Professional fees incurred during the three months and nine months ended September 30, 2022, include accounting fees for quarterly reviews as well as tax services that were not incurred in 2021. Other expenses incurred during the three and nine months ended September 30, 2022 include travel costs for business development which increased over the prior comparative periods as travel restrictions eased.

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

G&A expenses of the Company are broken down as follows:

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$	\$	\$	\$	\$
Salaries and benefits	<b>766</b>	598	28%	<b>2,134</b>	1,590	34%
Stock based compensation	<b>85</b>	15	466%	<b>218</b>	73	199%
Acquisition costs <sup>(1)</sup>	<b>53</b>	33	61%	<b>184</b>	92	100%
Professional fees	<b>225</b>	241	(7)%	<b>673</b>	439	53%
Technology	<b>200</b>	130	53%	<b>422</b>	352	20%
Other expenses	<b>370</b>	212	75%	<b>904</b>	523	73%
Total selling, general and administrative expenses <sup>(2)</sup>	<b>1,700</b>	1,229	38%	<b>4,534</b>	3,069	48%
<i>As a percentage of total revenue</i>	<b>12%</b>	13%	(100) bps	<b>11%</b>	12%	(100) bps
Total selling, general and administrative expenses including CEWS	<b>1,700</b>	1,229	38%	<b>4,534</b>	3,025	50%

(1) Acquisition costs incurred during the three months ended September 30, 2022 relate to the SDD and Tech Shredders acquisitions, and the Proshred Philadelphia acquisition completed on November 1, 2022 (see 'Subsequent Events' section of this MD&A for further details). Acquisition costs incurred during the nine months ended September 30, 2022 relate to the aforementioned acquisitions and MDD.

(2) Does not include Growth Fund expenses.

## Other Income and Expenses

### Amortization – Corporate locations

Amortization of intangible assets primarily relates to intangible assets purchased by way of acquisitions. The increase in amortization is primarily due to acquisitions completed in the past twelve months.

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$	\$	\$	\$	\$
Amortization – intangible assets	<b>837</b>	679	23%	<b>2,414</b>	1,944	24%

### Contingent Consideration

The Company has earn-out payments owing for acquisitions completed that are contingent on certain earn-out targets being met. During the three and nine months ended September 30, 2022, the Company recorded a remeasurement gain of \$154 and \$117, respectively, on contingent consideration (three and nine months ended September 30, 2021 - remeasurement loss of \$253).

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)*

As at September 30, 2022, the Company has the following related to contingent consideration:

<b>Range of origination</b>	<b>Range of payouts</b>	<b>Current portion</b>	<b>Long-term portion</b>	<b>Range of maturity</b>
December 31, 2020 to August 1, 2022	USD\$0 to USD\$6,514	CAD\$2,836 USD\$2,070	CAD\$1,607 USD\$1,172	October 1, 2022 to December 1, 2025

**Foreign exchange**

The Company has revenues and costs that are denominated in US dollars; this dependency on the USD typically causes foreign exchange gains when the Canadian dollar depreciates versus the USD. The Q3 year-to-date average exchange rate is up 2% versus the comparative period in 2021.

**Exchange rates utilized**

1 USD:CAD	2022			2021				2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Average rate	1.28	1.27	1.27	1.25	1.25	1.25	1.27	1.34	1.35
Close rate	1.37	1.29	1.25	1.27	1.27	1.24	1.25	1.27	1.36

	For the three months ended September 30,			For the nine months ended September 30,			
	2022		2021	% Change	2022		
	\$	\$		\$	\$	\$	
Foreign exchange gain (loss)	3,263	1,025	218%	4,046	(114)	3649%	

**Interest income and expense**

Interest income is derived primarily from cash savings accounts held by the Company.

Interest expense for the three and nine months ended September 30, 2022 relates to the following:

- (1) the Company's fixed rate term loans which currently bear interest at 2.99% to 6.52% per annum;
- (2) truck loan agreements, which bear interest at 3.92% to 6.55% per annum;
- (3) interest on the Company's lease liabilities; and
- (4) non-cash interest accretion on the Company's contingent consideration owing.

Interest expense increased during the three and nine months ended September 30, 2022, as compared to the same period in 2021, due to the following:

- (1) term loan borrowings to partially fund acquisitions;
- (2) interest on office leases assumed as part of the acquisitions completed in the past twelve months;
- (3) non-cash interest accretion on contingent consideration owing; and
- (4) the purchase of new trucks in the past twelve months which were all financed.

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)*

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$		\$	\$	
Interest income	11	3	267%	11	11	-%
Interest expense <sup>(a)</sup>	407	289	41%	1,193	773	54%

(a) Includes non-cash interest accretion on contingent consideration owing for the three and nine months ended September 30, 2022 of \$88 and \$265, respectively (three and nine months ended September 30, 2021- \$37).

**Income Taxes**

The Company has incurred Canadian non-capital losses that can be carried forward to reduce taxes payable in Canada. The losses expire at various times commencing December 31, 2035. The Company has incurred U.S. non-capital losses that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times commencing December 31, 2022.

Income before income taxes for the three and nine months ended September 30, 2022 was \$4,229 and \$8,514, respectively (three and nine months ended September 30, 2021- \$1,539 and \$2,542, respectively). Income tax expense for the three and nine months ended September 30, 2022 was \$342 and \$1,541, respectively (for the three months ended September 30, 2021, an income tax recovery of \$58 and for the nine months ended September 30, 2021, an income tax expense of \$399). The effective tax rate for the three and nine months ended September 30, 2022 and 2021 was as follows:

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
Effective Tax Rate Percentage	8%	(4%)	18%	16%

The lower effective tax rate, as compared to the statutory tax rates of Redishred and its subsidiaries, for the three and nine months ended September 30, 2022 was primarily due to the impact of foreign exchange movements on intercompany balances between Redishred and its subsidiaries. The lower effective tax rate for the three months ended September 30, 2021 was also due to the impact of foreign exchange movements on intercompany balances between Redishred and its subsidiaries, whereas the lower effective tax rate for the nine months ended September 30, 2021, was primarily due to \$1,292 in non-taxable, forgivable loan funding received by the Company under the U.S. Paycheck Protection Program.

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

**Reconciliation of EBITDA to Net Income**

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$		\$	\$	
EBITDA	<b>3,641</b>	2,857	27%	<b>12,247</b>	7,533	63%
Less: depreciation – tangible assets	(1,627)	(1,148)	42%	(4,351)	(3,259)	34%
Operating income	<b>2,014</b>	1,709	18%	<b>7,896</b>	4,274	85%
Less: interest expense	(407)	(289)	41%	(1,193)	(773)	54%
Add: interest income	<b>11</b>	3	267%	<b>11</b>	11	-
Operating income less net interest expense	<b>1,618</b>	1,423	14%	<b>6,714</b>	3,512	91%
Less: amortization – intangible assets	(837)	(679)	23%	(2,414)	(1,944)	24%
Add: gain on disposition of tangible assets	<b>31</b>	-	100%	<b>51</b>	-	100%
Add/(deduct): remeasurement of contingent consideration	<b>154</b>	(253)	161%	<b>117</b>	(253)	146%
Add: government assistance	<b>-</b>	23	(100)%	<b>-</b>	1,341	(100)%
Income before foreign exchange and income tax	<b>966</b>	514	88%	<b>4,468</b>	2,656	68%
Add/(deduct): foreign exchange gain (loss)	<b>3,263</b>	1,025	218%	<b>4,046</b>	(114)	3,649%
Add/(deduct): income tax recovery (expense)	(342)	58	(690)%	(1,541)	(399)	286%
Net income	<b>3,887</b>	1,597	143%	<b>6,973</b>	2,143	225%

**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's unscheduled shredding in Q2 and Q3 typically tends to be 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.

**REDISHRED CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

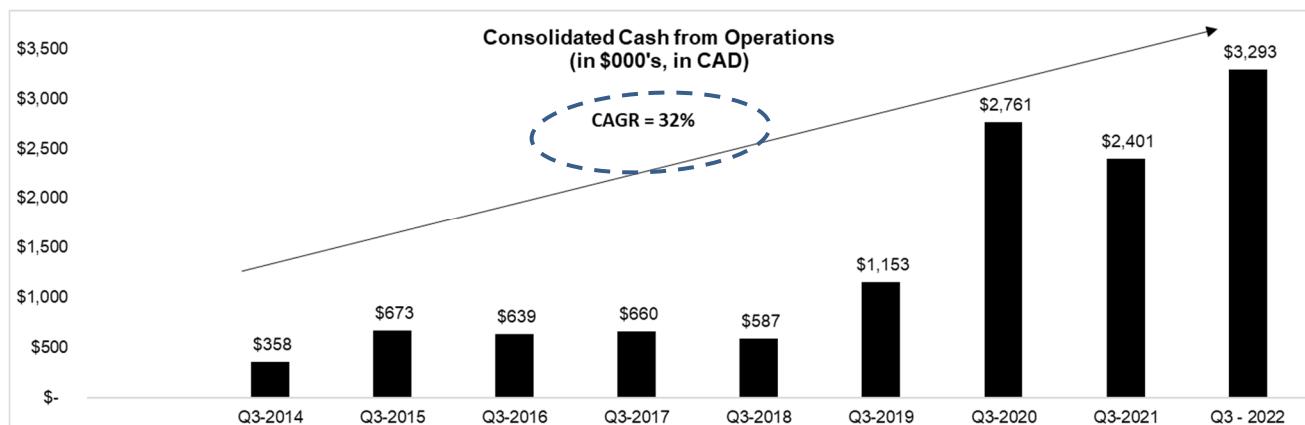
*Dollar amounts in thousands of Canadian dollars (except as noted)*

	2022			2021				2020
	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$
Total system sales (USD)	18,388	18,748	16,409	14,150	13,538	12,817	10,682	10,006
<b>Consolidated Performance</b>								
Revenue	14,703	14,597	12,517	10,424	9,784	8,677	7,313	6,144
EBITDA	3,641	4,540	4,066	1,658	2,857	2,622	2,054	1,148
Operating Income	2,014	3,150	2,732	412	1,709	1,544	1,021	212
Operating income per weighted average share fully diluted <sup>(1)</sup>	0.11	0.17	0.15	0.03	0.11	0.10	0.07	0.14
Income (loss) before taxes from continuing operations	4,229	3,497	788	(423)	1,547	62	942	(3,845)
Net income (loss)	3,887	2,813	273	(793)	1,605	(410)	957	(3,235)
Basic and diluted net income (loss) per share <sup>(1)</sup>	0.21	0.15	0.02	(0.05)	0.10	(0.03)	0.06	(0.21)
<b>Corporate Location Performance</b>								
Revenue	14,137	14,038	11,995	9,946	9,274	8,177	6,805	5,572
EBITDA	4,915	5,717	4,929	3,003	3,709	3,249	2,403	1,528
Operating Income	3,306	4,351	3,617	1,780	2,583	2,195	1,395	634

1) The per share calculations reflect the consolidation of the Company's shares that occurred on August 23, 2022.

### Financial Condition, Capital Resources and Liquidity

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



**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021 <sup>(1)</sup>	2022	2021 <sup>(1)</sup>
Net cash provided by operations	\$ 3,293	\$ 2,401	\$ 8,650	\$ 6,325
Net cash provided by/ (used in) financing activities	705	(90)	(1,527)	(965)
Net cash used in investing activities	(2,836)	(3,541)	(6,141)	(7,100)
Effect of foreign exchange rate changes	302	18	338	(47)
Change in cash	1,464	(1,212)	1,320	(1,787)
Cash, beginning of period	9,516	2,269	9,660	2,844
<b>Cash, end of period</b>	<b>10,980</b>	<b>1,057</b>	<b>10,980</b>	<b>1,057</b>

(1) Certain comparative figures have been restated to conform to current year presentation.

For the three months and nine months ended September 30, 2022, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During the three months ended September 30, 2022, the Company financed shredding truck purchases, which was partially offset by cash used in financing activities to repay term and truck loans, lease liabilities, and contingent consideration owing. For the nine months ended September 30, 2022, cash was similarly used to repay term and truck loans, lease liabilities, and contingent consideration owing, which was partially offset by financing shredding truck purchases. Cash used in investing activities during the three and nine months ended September 30, 2022, was primarily to pay for acquisitions completed and to purchase tangible and intangible assets, partially offset by proceeds received from the disposal of shredding vehicles.

<b>As at September 30 and December 31,</b>	<b>2022</b>	<b>2021</b>	<b>% Change</b>
Working capital	<b>\$5,564</b>	\$3,977	40%
Total assets	<b>\$91,700</b>	\$79,334	16%
Total non-current liabilities	<b>\$29,360</b>	\$27,650	6%
Total liabilities	<b>\$43,409</b>	\$38,974	11%
Debt to total assets ratio	<b>0.47</b>	0.49	(4)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>1.80</b>	1.57	14%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>2.10</b>	2.39	(12)%

The increase in working capital as at September 30, 2022, was driven primarily by the growth of the business.

The increase in total assets as at September 30, 2022 was driven by higher working capital, purchased shredding trucks, and intangibles acquired as part of business acquisitions completed.

The increase in total non-current and total liabilities as at September 30, 2022 was due to the financing of shredding trucks purchased in 2022, and extension of existing office leases and moving to a new leased facility in New Jersey.

**Bank facilities**

The Company has the following secured senior credit facilities:

- (1) An operating line of credit of \$1 million (unused);
- (2) A non-revolving re-advanceable term loan in the amount of \$26 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

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.

**REDISHRED CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

The Company has borrowed the following amounts under the non-revolving re-advanceable term loan facility as at September 30, 2022 and December 31, 2021:

<b>Month of Advance</b>	<b>Initial Amount</b>	<b>Interest per annum</b>	<b>Amortization period</b>	<b>September 30, 2022 balance</b>	<b>December 31, 2021 balance</b>
	\$			\$	\$
May, 2019	6,003	3.50%	60 months	3,691	4,248
November, 2019	6,664	3.50%	84 months	4,550	5,157
March, 2020	2,688	2.99%	84 months	1,983	2,226
December, 2020	2,290	3.33%	84 months	1,780	1,990
August, 2021	854	3.69%	84 months	736	809
December, 2021 <sup>(a)</sup>	6,290	6.52%	84 months	6,290	6,290
<b>Total</b>				<b>19,030</b>	<b>20,720</b>

(a) During the first nine months of this term loan, monthly payments of interest only were due and payable.

As at September 30, 2022, the Company has \$1.0 million available on its operating line of credit and \$7.0 million available on its non-revolving term loan.

As at September 30, 2022, the Company was also in compliance with its financial covenants.

#### *Truck loans*

In June 2021, the Company established a USD\$1.8 million line of credit for the purchase of shredding vehicles with a lender in the United States. The interest rate was based on prevailing market rates at the time the line was used.

In July 2022, the Company established a new USD \$4.0 million line of credit for the purchase of shredding vehicles, which replaces the existing line of credit that the Company had with the aforementioned lender. The interest rate on this facility is based on prevailing market rates at the time the line is used. As of September 30, 2022, the Company has USD\$2.5 million available on the line of credit.

#### *Related party line of credit*

The Company had a related party line of credit facility with a significant shareholder for a maximum amount of \$2.0 million. The line of credit facility matured on July 16, 2022 and was not renewed.

#### *Lease liabilities*

The Company enters into leases in order to secure office and warehouse space. The Company has also entered into 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 ("ROU") asset and a lease liability.

<b>Lease Liability</b>	<b>Number of ROU assets leased</b>	<b>Range of remaining term</b>	<b>Range of interest rates</b>	<b>Lease balance as of September 30, 2022</b>
Office and warehouse building	17	November 2022 to March 2028	4.75% to 6.00%	\$ 5,093
Shredding vehicles	6	October 2022 to June 2026	5.95% to 6.00%	339
<b>Total</b>				<b>5,432</b>

**REDISHRED CAPITAL CORP.****MANAGEMENT'S DISCUSSION AND ANALYSIS****September 30, 2022***Dollar amounts in thousands of Canadian dollars (except as noted)*

The table below summarizes the remaining principal payments on the Company's financial liabilities:

	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>
Accounts payable and accrued liabilities	\$ 3,343	\$ 142	\$ 116	\$ -
Long-term debt	1,627	4,364	19,841	1,584
Contingent consideration	349	2,487	1,607	-
Lease liabilities	517	1,044	3,750	121

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

#### *Shareholders' equity*

Shareholders' equity as at September 30, 2022 and December 31, 2021, was \$48,291 and \$40,360, respectively.

#### *Commitments*

In April, 2022, the Company entered into a eight-year lease agreement for a new office space with an expected commencement date of February 1, 2023. As the lease has not commenced, a right-of-use asset and lease liability for this lease has not been recognized as at September 30, 2022. Annual rent for this new office space upon lease commencement is \$133 for the first two years, \$140 for years three to six, and \$148 for years seven to eight.

#### *Public Offering and Use of Proceeds*

The Company's use of proceeds from the December 2021 Public Offering of Common Shares completed under the Shelf Prospectus, has not changed from the disclosure set forth in the "Use of Proceeds" section of the document through to the date of this MD&A.

### **Off-Balance Sheet Financing Arrangements**

The Company has no off-balance sheet financing arrangements.

### **Transactions with Related Parties**

The Company defines its key management personnel as being the Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President of Operations and the Board of Directors. Remuneration paid to key management personnel during the three and nine months ended September 30, 2022 and 2021 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Wages and Benefits	\$ 271	\$ 261	\$ 849	\$ 845
Share-based compensation	61	9	164	44
<b>Total compensation of key management</b>	<b>332</b>	<b>270</b>	<b>1,013</b>	<b>889</b>

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of \$3 due from this franchise as at September 30, 2022 (December 31, 2021 - \$4). During the three and nine months ended September 30, 2022, the Company earned royalties, franchise and service fees of \$43 and \$135, respectively (three and nine months ended September 30, 2021 \$41 and \$121, respectively) from this franchise.

## **REDISHRED CAPITAL CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

---

### **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties and are affected by a number of factors outside of our control. For more information about our risks and uncertainties, please refer to our MD&A for the year ended December 31, 2021. The risks and uncertainties remain substantially unchanged from those previously disclosed.

### ***COVID-19 Impact on Operations***

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 economies due to the temporary closure of businesses. These closures have had a direct impact on many of our 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.

Since the onset of the global pandemic, the Company has implemented measures to protect the health and well-being of its workforce and customers. The Company has continued to maintain operations in all markets since the beginning of the pandemic to date.

#### *Impact of the Omicron Variant of the COVID-19 virus*

In December 2021 and into January 2022, the highly contagious Omicron variant of the COVID-19 virus spread rapidly throughout the Proshred system, causing route disruptions as a significant proportion of our Client Service Professionals ("CSP" or "Drivers") contracted Omicron. This impacted the Company's ability to service a significant number of customer calls during this time period and also resulted in the Company incurring additional CSP costs, primarily overtime, in its efforts to service as many clients as possible.

### **Use of Estimates and Judgements**

The preparation of financial statements 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. The interim financial statements have been prepared using critical accounting estimates and assumptions consistent with those applied in the Company's audited financial statements for the year ended December 31, 2021.

### **Investor Relations Activities**

The Company does not have any investor relations arrangements.

### **Share Data**

The Company is authorized to issue an unlimited number of Common Shares, without nominal or par value, and an unlimited number of preferred shares, without nominal or par value. As of the date of this MD&A, 18,243,872 Common Shares, and 566,599 stock options are issued and outstanding.

### **Subsequent Events**

On November 1, 2022, the Company acquired the assets of the Proshred Philadelphia business from its franchisee. Proshred Philadelphia offers paper and hard drive shredding, product destruction, and paper recycling services. Purchase consideration paid included USD\$7.1 million paid on closing of this acquisition, and contingent consideration payable after one-year based on revenue, with a maximum earn-out of USD\$892, and a paper earn-out payable over three-years based on the average price of paper, with a maximum earn-out of USD\$750.

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2022**

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

---

The Company borrowed \$5.4 million under its non-revolving re-advanceable term loan facility to partially fund this acquisition. This loan bears interest at a fixed rate of 7.47%, with a term of twenty-four (24) months, and an amortization period of eighty-four (84) months.

**Additional Info**

The Company trades on the TSX Venture Exchange under the symbol "KUT". Additional information relating to the Company, including all of the Company's public filings and Annual Information Form, is available on the SEDAR website ([sedar.com](http://sedar.com)) and on the Company's own website at [proshred.com/redishred/](http://proshred.com/redishred/). This MD&A is dated as of November 29, 2022, and reflects all material events up to this date.