

**PRESS RELEASE**  
**REDISHRED CAPITAL CORP. TSXV: KUT**  
Mississauga, Ontario  
April 21, 2023

**REDISHRED CAPITAL CORP. (“REDISHRED”, OR THE “COMPANY”) ANNOUNCES Q4 AND FISCAL 2022 RESULTS. CONSOLIDATED EBITDA GREW 67% AND SAME CORPORATE LOCATION EBITDA GREW 39% COMPARED TO 2021.**

**Quarterly Earnings Call:**

8:30am EST, April 24, 2023, Participant call in number is 1-800-319-4610

**Annual Highlights:**

*Consolidated Highlights:*

- Consolidated EBITDA for 2022 was \$15.3 million CAD, growing 67% versus 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; and
  - higher recycling revenue, driven primarily by continued strong recycled paper prices.
- The Company generated record revenue of \$57.2 million CAD, growing 58% versus 2021 (52% constant currency growth – US Dollars is the constant currency).

*Corporate Locations Highlights:*

- Corporate location revenue for 2022 grew 61% versus 2021 to \$55.0 million CAD (55% constant currency growth).
- Corporate location EBITDA grew 64% versus 2021 to \$20.3 million CAD (58% constant currency growth).
- Same corporate location EBITDA was \$17.2 million CAD, growing 39% versus 2021 (34% constant currency growth).
- Same corporate location EBITDA margin improved 200 basis points to 38% in 2022.

*Acquisitions*

- On November 1, 2022, the Company acquired the assets of the Proshred Philadelphia business from its franchisee, for purchase consideration of \$7.1 million USD paid on closing, and contingent consideration payable after one-year based on revenue, with a maximum earn-out of \$0.9 million USD, and a paper earn-out payable over three-years based on the average price of paper, with a maximum earn-out of \$0.8 million USD.

*Capital Management:*

- The Company generated \$11.6 million CAD in cash from operations during 2022.
- As of December 31, 2022, the Company has \$6.7 million CAD in cash, \$1 million CAD available on its operating line of credit, and \$2.5 million CAD available on its non-revolving re-advanceable term loan term loan.

## **Fourth Quarter Highlights:**

### *Consolidated Highlights:*

- Consolidated EBITDA for Q4-2022 was \$3.1 million CAD, growing 85% versus Q4-2021.
- Corporate location revenue for Q4-2022 grew 49% versus Q4-2021 to \$14.9 million CAD (39% constant currency growth).
- Corporate location EBITDA grew 56% versus Q4-2021 to \$4.7 million CAD (44% constant currency growth).
- Same corporate location EBITDA was \$4.3 million CAD, growing 43% versus Q4-2021 (32% constant currency growth).

## **Management's Comments on Q4-2022**

Jeffrey Hasham, the Company's Chief Executive Officer, noted "We are pleased with our Q4 2022 and full-year 2022 results. We continue to see strong demand for our services, including our core shredding service offering, driving impressive organic growth. We completed the acquisition of our Proshred Philadelphia franchise in Q4 2022 and this acquisition, coupled with the other acquisitions that we have completed in the past twelve months, has allowed us to further scale and grow our business.

Revenue growth for Proscan for full-year 2022 was impressive and the pipeline of scanning projects remains strong. Scanning services for larger customers, including for government customers, is in part dictated by timing and approval of customer budgets, which impacts when the Company performs these services. Hence, the full-year results are more reflective of the performance of the Proscan business. As in prior quarters, our e-waste business continues its growth trend. From a recycling revenue perspective, the Company continued to benefit from favorable paper prices, tonnage growth and increased baled paper volumes.

From a cost perspective, we have started to see easing, particularly in driver wage inflation and fuel pricing. In response to rising costs, the Company implemented price increases across the corporate locations in Q3 2022 and will explore further price increases in 2023. The Company also expects to realize further synergies from recently completed acquisitions, related to route densification and optimization that should help enhance future margins.

Our organic growth, commodity price growth and M&A activities have translated into strong financial results, and I am pleased to report that Q4 2022 Corporate location EBITDA was \$4.7 million Canadian, an increase of 56% from Q4 2021. This, coupled with our franchise business, has driven consolidated EBITDA to \$3.1 million Canadian for Q4 2022. I would like to take this opportunity to thank all our employees, franchisees, management and board members for their efforts and contributions. Our performance in 2022 was strong, thanks to their efforts, and puts us in a strong position to execute as we move into 2023."

## Financial Highlights:

<i>In \$000's, except per share amounts</i>	Three months ended December 31,			Year ended December 31,		
	2022	2021	Change <sup>(1)</sup>	2022	2021	Change <sup>(1)</sup>
<b>System Sales Growth – in USD</b>						
Total locations in the United States	30	30	0%	30	30	0%
Total system sales	\$18,219	\$14,155	29%	\$71,764	\$51,193	40%
<i>% of scheduled sales</i>	50%	47%		48%	48%	

## Consolidated Operating Growth – in CAD

Revenue	\$15,409	\$10,424	48%	\$57,226	\$36,199	58%
EBITDA	\$3,071	\$1,658	85%	\$15,318	\$9,191	67%
<i>EBITDA margin</i>	20%	16%	400 bps	27%	25%	200 bps
EBITDA per weighted average share fully diluted	\$0.17	\$0.10	70%	\$0.84	\$0.58	45%
Operating income	\$1,203	\$413	191%	\$9,099	\$4,687	94%
<i>Operating income margin</i>	8%	4%	400 bps	16%	13%	300bps
Operating income per weighted average share fully diluted	\$0.07	\$0.03	133%	\$0.50	\$0.29	72%
Government assistance not included in the above <sup>(2)</sup>	-	-	-	-	\$1,348	(100)%

## Corporate Location Growth – in CAD

Revenue	\$14,850	\$9,946	49%	\$55,020	\$34,201	61%
EBITDA	\$4,697	\$3,003	56%	\$20,257	\$12,362	64%
<i>EBITDA margin</i>	32%	30%	200 bps	37%	36%	100 bps
Operating income	\$2,866	\$1,780	61%	\$14,139	\$7,949	78%
<i>Operating income margin</i>	19%	18%	100 bps	26%	23%	300 bps

## Capital Management – in CAD:

(In \$000's)

As at December 31,	2022	2021	Change <sup>(1)</sup>
Working capital	\$8	\$3,977	(100)%
Debt to total assets ratio	0.52	0.49	6%
Normalized Fixed Charge Coverage ratio – rolling 12 months	1.82	1.57	16%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	2.11	2.39	(12)%

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

(2) During Q1-2021, the Company qualified for the second round of the United States Paycheck Protection Program (“PPP”) forgivable loans which were made available to eligible US businesses that had 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.

### Revenue Growth in Q4-2022

The Company achieved 48% total revenue growth and 42% total revenue growth in constant currency during Q4-2022 versus Q4-2021 primarily due to the following:

- (1) the acquisitions conducted during the last 12 months
- (2) the organic sales growth due to:
  - a. the addition of new client accounts
  - b. the recovery of the economy and the easing of COVID-19 restrictions; and
- (3) Higher recycling revenue from increased tonnage and higher recycled paper prices.

### Q4 2022 System Sales Continued to Grow

Shredding system sales in Q4 2022 grew versus Q4-2021, from both franchise and corporate location organic and acquisition related growth.

### Franchise Operations

During Q4 2022, the Company supported 15 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 December 31,		
	2022	2021	% Change
Total same locations	15	16	(6)%
Total same location system sales	\$6,419	\$4,996	28%
Total same location scheduled service sales	\$3,127	\$2,652	18%
Total same location unscheduled service sales	\$1,822	\$1,454	25%
Total same location recycling sales	\$1,470	\$890	65%

### Corporate Locations

Total corporate location revenue and EBITDA grew by 49% and 56%, respectively, in Q4-2022 versus Q4-2021 due to the acquisitions completed over the past twelve months, organic growth from same locations, and higher paper prices. Total EBITDA margin increased over this period to 32% in Q4-2022 compared to 30% in Q4-2021.

During Q4-2022, same corporate location shredding revenue and EBITDA grew 24% and 43%, respectively, over Q4-2021.

For the three months ended December 31, 2022	Quarter-over- quarter growth	Constant currency quarter-over-quarter growth
<b>Same Corporate Locations:</b>		
Total Sales	24%	15%
EBITDA	43%	32%
Operating Income	57%	45%
<b>Total Corporate Locations:</b>		
Total Sales	49%	39%
EBITDA	56%	44%
Operating Income	61%	47%

For the 3 months ended December 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	% Change	2022	2021	% Change	2022	2021
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	10,958	7,491	46%	9,074	7,491	21%	1,884	-
Secure e-Cycle electronic waste sales	372	251	48%	372	251	48%	-	-
Scanning sales	360	644	(44)%	360	644	(44)%	-	-
Recycling sales	3,160	1,560	103%	2,544	1,560	63%	616	-
Total sales	14,850	9,946	49%	12,350	9,946	24%	2,500	-
Operating costs <sup>(1)</sup>	10,153	6,943	46%	8,059	6,943	16%	2,094	-
EBITDA	4,697	3,003	56%	4,291	3,003	43%	406	-
% of revenue	32%	30%	200 bps	35%	30%	500 bps	16%	-
Depreciation – tangible assets	1,831	1,223	50%	1,500	1,223	23%	331	-
Operating income	2,866	1,780	61%	2,791	1,780	57%	75	-
% of revenue	19%	18%	100 bps	23%	18%	500 bps	3%	-
EBITDA – in USD	3,438	2,380	44%	3,142	2,380	32%	296	-
% of revenue	31%	30%	100 bps	34%	30%	400 bps	16%	-

Note 1: During the three months ended December 31, 2022, acquisition/vendor-related consulting fees of \$236 (three months ended December 31, 2021- \$167) are included in the total and non-same operating costs.

### Corporate Locations Trend:

In \$000's, in CAD	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (\$)	14,850	14,137	14,038	11,995	9,946	9,273	8,177	6,805
Quarter over quarter % change	5%	1%	17%	21%	7%	13%	20%	22%
EBITDA (\$)	4,697	4,915	5,717	4,928	3,003	3,707	3,249	2,403
Quarter over quarter % change	(4)%	(14)%	16%	64%	(19)%	14%	35%	57%

## Community and Social Commitment

Our locations under the **PROSHRED**<sup>®</sup> 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**<sup>®</sup> is also proud that 100% of the shredded material is recycled, as our continued goal is to foster the use of fewer trees in the production of all paper products. Future community shredding event locations can be found at our website, [www.proshred.com](http://www.proshred.com). Our annual national Shred Cancer event was held in 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**<sup>®</sup> has raised over USD\$205,000 for this cause. Please visit [www.proshred.com/aicr](http://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, Secure e-Cycle electronic waste sales and scanning sales. Shredding system sales include sales generated by franchisees, licensees and corporately operated locations.
- **Same Location** for system sales, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in both the current period and the comparative period.
- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization. Consolidated EBITDA also excludes government assistance, re-measurements of contingent consideration, foreign exchange gains and losses, and gains and losses on disposal of tangible assets. 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.

- **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			For the year ended		
	December 31,			December 31,		
	2022	2021	% Change	2022	2021	% Change
	\$	\$		\$	\$	
EBITDA	3,071	1,658	85%	15,318	9,191	67%
Less: depreciation – tangible assets	(1,868)	(1,245)	50%	(6,219)	(4,504)	38%
Operating income	1,203	413	191%	9,099	4,687	94%
Less: interest expense	(711)	(463)	54%	(1,904)	(1,236)	54%
Add: interest income	36	2	1694%	47	13	262%
Operating income (loss) less net interest expense	528	(48)	1197%	7,242	3,464	109%
Less: amortization – intangible assets	(959)	(764)	26%	(3,373)	(2,708)	25%
Add: other income	95	56	70%	95	56	70%
Add: gain on disposition of tangible assets	107	386	(72)%	158	394	(60)%
Add/(deduct): remeasurement of contingent consideration	5	26	(81)%	122	(227)	154%
Add: government assistance	-	7	(100)%	-	1,348	(100)%
(Loss) income before foreign exchange and income taxes	(224)	(338)	35%	4,243	2,327	82%
Add/(deduct): foreign exchange gain (loss)	(664)	(85)	678%	3,382	(200)	1791%
Less: income tax expense	(211)	(370)	(43)%	(1,752)	(769)	128%
Net (loss) income	(1,099)	(793)	39%	5,874	1,358	333%

### Financial Statements

Redishred's December 31, 2022 Financial Statements and Management's Discussion and Analysis will be available on [www.sedar.com](http://www.sedar.com) and [www.redishred.com](http://www.redishred.com).

### About Redishred Capital Corp.

Redishred Capital Corp. ("**Redishred**") is the owner of the **PROSHRED**<sup>®</sup>, **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** also operates fifteen 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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