



**REDISHRED**<sup>™</sup>  
CAPITAL CORP. 

**2022**

# ANNUAL REPORT

TSXV: **KUT**

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# About Redishred

*"We define a successful outcome by the good we do for our planet, our employees and our clients. These good deeds are interlinked, and by delivering on this we will and do provide easy client service, build a great place to work and help change our environment for the better, all while driving growth in our earnings with the view to driving strong returns to our shareholders. Doing the right thing drives a sustainable business for everyone."*

- Jeffrey Hasham  
CEO

# About Us

**REDISHRED™**

## Profile

Redishred Capital Corp. (“Redishred” or “the Company”) is a publicly traded company that owns and operates **PROSHRED®**, **PROSCAN®** and Secure e-Cycle. Collectively, our brands operate in the information management industry and provide services accross the major markets of the United States with System Sales over \$70 million USD.



### SHREDDING

On-site services  
Document shredding  
Hard drive destruction  
Product destruction



### SCANNING

Digital retention  
Digital imaging  
Document management



### RECYCLING

Electronic security  
Electronics recycling  
Refurbishment services



The Company’s mandate is to build shareholder value through a market-development and consolidation strategy, delivering highly profitable operations by means of franchising, joint venture partnerships and corporate acquisitions.

# Growth Strategy



Redishred's strategy is to:

- Grow durable and sustainable revenue and EBITDA streams for all locations
- Expand the location footprint in North America by way of acquisitions, partnerships, and franchising
- Drive service depth and cash flows in all locations by way of tuck-in acquisitions

## Our Locations Across the US

Redishred offers secure information management services in **42 metropolitan markets across 25 states of the United States** through its corporate and franchised locations. In addition, with the network of certified shredding partners, the Company provides services nationwide.





# Core Values

# Purpose

*Easily! The most secure information management services.*



Redishred is committed to providing the highest standards of security, confidentiality, and customer service. Our largest subsidiary, **PROSHRED**<sup>®</sup> holds both ISO 9001 and NAID AAA certifications, becoming the only national provider to be dual certified. All materials are destroyed in accordance with federal and state regulations.



# Vision

*Durable overtime. Sustainable for good.  
Easiest! Always.*

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



**During 2022, we saved approximately 895,000 trees through our paper recycling services.**

Saving trees is one part of the equation, we also strive to minimize our driving and idling time on the routes while providing shredding services to our clients. We rigorously maintain our shredding vehicles to minimize undue exhausts and reduce our carbon footprint.

As we look to the future, we will continue to operate newer and more fuel-efficient vehicles and we are also exploring with our shredding truck partners the use of shredding vehicles that run on alternative energy sources, including electric.





# Values

*Integrity - Communication - Awareness  
Accountability - Respect - Growth*

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

These core values extend beyond just providing and delivering our core services to clients. We are also involved in our communities and create awareness of issues that impact many. For example, we are a key partner of the American Institute for Cancer Research, annually hosting Nationwide Shred Cancer Events. To date, we have raised over \$200,000 to support cancer research through our shred events.

Together we believe we can **Shred Cancer.**



# Goals

*Make it easy. Stay relevant.  
Empower people.*



Through our purpose, vision and values, our goals are to make it easy for our clients to use our services, stay relevant in our industry, and empower our clients to be secure and green. 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 clients. Our people drive the achievement of our goals.

The Company has a diverse workforce in all positions and at all levels; we believe that the best service is provided by a diverse team that has care for our clients and character to do the right thing when no one is looking.

# Annual Highlights



**Consolidated Revenue**

**\$57.2M**

(58% increase vs 2021)

**Consolidated EBITDA<sup>1</sup> Margin**

**27%**

(200 bps increase vs 2021)

**Operating Income Less Net Interest Expense per Share - OILI/Share<sup>2</sup>**

**\$0.40**

(82% increase over 2021)

**Total Fair Value of Four Acquisitions Completed**

**\$13.8M**

(Includes *PROSHRED*<sup>®</sup> Philadelphia)

**Trees Saved by *PROSHRED*<sup>®</sup>**

**~895,000**

(Trees saved in 2022)

**Debt as a Percentage of Total Assets<sup>3</sup>**

**52%**

1. EBITDA is a non-IFRS measure and is defined as earnings before interest, taxes, depreciation and amortization. EBITDA also excludes government assistance, re-measurements of contingent consideration, foreign exchange gains and losses, and gains and losses on disposal of tangible assets.

2. OILI/share is a non-IFRS measure and is defined as Operating income (revenues less all operating expenses, including depreciation on tangible assets), inclusive of interest expense and interest income, on a per share basis.

3. Debt as a percentage of total assets is a capital management measure.



# **Letter to Shareholders**

# Letter to Shareholders

Dear Shareholders:

I am pleased to write the annual letter to our shareholders to report on Redishred's financial and operational performance and to comment on our goals and priorities for 2023.

2022 was another year of external challenges, starting with the Omicron variant of COVID-19 that impacted many of our employees, followed by the invasion of Ukraine by Russia that caused diesel fuel prices to skyrocket, the continuing supply chain issues that impacted the delivery of new trucks and truck parts, and the highest wage inflation since the early 1980s. All of this was thrown at the Redishred team in 2022. How did the Redishred team respond? They responded with courage, care and character, and were agile, flexible, and creative. Our over 250 employees found ways to route more efficiently, extend the life of our trucks, and deliver excellent client service, leading to Redishred's best year ever.

Redishred's financial and operating results for 2022 were very strong. We achieved revenues of **\$57.2M, up 58% versus 2021**. We attained **27% EBITDA margins**, a 200-basis point improvement over 2021, and **OILI/Share of 40 cents, an 82% increase versus 2021**. Redishred's management team was successful in meeting the strategic targets for 2022.

Redishred's management team remains firmly committed to maximizing value and long-term profitability by concentrating on three key areas:

**1**

Drive same and existing location revenue and EBITDA growth, focusing on the acquisition of recurring revenue clients from small and medium sized enterprises.

**2**

Conduct accretive acquisitions by purchasing franchisees when they are ready to exit and independents in existing and new markets.

**3**

Support franchisees to help them grow durable and sustainable revenue and EBITDA streams.

We have seen positive results from this focus, with all three of these focus areas contributing to our earnings growth in 2022.

## ■ Strong Growth from our Same Location Operations

Increasing earnings from our existing locations is a key component to our strategy. We have invested in 2022 on initiatives to further drive revenues and control costs that will drive continued operating leverage. Many of the initiatives that commenced in 2022 will continue into 2023, including: (1) finishing the deployment of our new workflow software that includes stronger route management tools, client engagement tools and a collection automation platform, (2) continued investment in newer trucks with a view to reducing client disruptions due to repairs, reducing repair costs, reducing fuel consumption and enhancing our green initiatives; and (3) investment in marketing and sales resources, both people and technology tools (including Salesforce CRM) with a view to acquiring new clients and enhancing route density.

## ■ Another Strong Acquisition Year

2022 was another strong year on the acquisition front, as Redishred acquired four shredding operations during the year, valued at \$13.8 million. Key acquisitions for us included:

**Chicago, IL:** We acquired the business assets of MDD, a long standing shredding independent just south of our Chicago location. This operation was a good tuck-in, with over 60% in recurring revenue.

**New Jersey and Florida:** We acquired the assets of SDD, a long standing shredding independent. The operation had clients in numerous **PROSHRED**<sup>®</sup> markets including New Jersey and Southeast Florida, where Redishred has existing corporate locations.

**New Jersey:** We acquired the assets of Tech Shredders, a hard drive destruction independent. The operation had clients in the New Jersey market, where Redishred has a large corporate location. This acquisition expanded our Hard Drive destruction capabilities in both the New Jersey and New York City markets.

**Philadelphia, PA:** We acquired the business from our long standing **PROSHRED**<sup>®</sup> franchisee in the market. Philadelphia is one of the largest metropolitan markets in the United States, and with this acquisition completed, we now have corporate operations from Boston, MA, through Connecticut, New York, North New Jersey and into Philadelphia.

All of the above acquisitions were conducted by utilizing cash on hand, earnouts and appropriate bank financing.

## ■ Franchise Support

Redishred's heritage includes a strong performing franchise system. During 2022, the **PROSHRED**<sup>®</sup> system saw **same location system sales grow by 20% versus 2021**. This strong growth was driven by continued investment by the system in marketing and sales resources, trucks and technology. The Redishred franchise support team continues to evolve and deploy new programs and tools.

## ■ Care for our Environment and the Communities we Serve

### Environment:

Redishred and its brands have a deep legacy of focusing on recycling and energy savings. The very foundation of our business is to secure our client's information and to ensure that at the end of the information's life cycle, it is securely destroyed, and the destroyed materials are recycled into other products.

Our Green initiatives include:

- 1. 99% of the paper and products destroyed are sent for recycling.** In 2022 we saved approximately **895,000 trees** by recycling the shredded paper we collect from our clients. This effort keeps **895,000 trees** in the eco-system to absorb CO2 and deliver oxygen to the planet. This also prevents **895,000 trees** from being used in the pulping process; this process has heavy energy requirements.
- 2. During 2022, Redishred purchased fourteen new trucks, these trucks have the latest emissions equipment and are much more fuel efficient than older models.** Redishred's five-year plan is to ensure that 90% of its fleet is under five years in age to ensure we are doing our part to reduce carbon emissions. Redishred is also in early-stage discussions with its key shred truck partner to be one of the first shredding service providers to test a fully electric shredding vehicle.
- 3. Electronic and Media Recycling.** Through our Responsible Recycling (R2) certified partners, Redishred recycles and promotes the reuse of electronic devices. Reusing electronics conserves our resources and decreases air/water pollution, as well as greenhouse gas emissions that are caused by manufacturing virgin materials.

### Community:

The American Institute for Cancer Research ("AICR") is the cancer charity that fosters research on the relationship of nutrition, physical activity, and weight management to cancer risk. AICR interprets the scientific literature and educates the public about the results. They have contributed **more than \$100 million** for innovative research on the prevention of cancer. Cancer can be prevented.

As a Company and a Franchise System, we have raised **over \$200,000 USD** for AICR since 2014. This year marks the 10th anniversary of our annual, national Shred Cancer events that are typically held in the Summer and Fall. It is at this moment that many of us at **PROSHRED®** take more than a moment to remember David Wright, our former franchisee in Charlotte, North Carolina. He was a wonderful father and husband, a collaborative and bright business leader and, unfortunately, did not survive his battle with brain cancer. It is in his honour that we hold this event every year.

**Please join us in the Summer and Fall at your nearest PROSHRED® location to not only Shred your private information, but more importantly help join us in our endeavor to Shred Cancer.**

## ■ Looking Forward to 2023

We are optimistic that the worst of the COVID-19 global pandemic and the collateral economic damage it caused is in the past and we are very hopeful of the opportunities in front of us.

We look to continue our operational plans which emphasize growing the number of new recurring clients we service in our existing locations. This pathway is the most effective manner to combat inflationary pressures that are a byproduct of the pandemic as the increase in clients served on any given route drives stronger route density and enhanced gross profit margins and operating income.

We also look forward to conducting accretive acquisitions, Redishred has the capability to continue the acquisition program that it commenced in earnest in 2018.

Redishred's annual general meeting of shareholders will be held on **May 25, 2023, at 1:00 PM Atlantic time at the Westin Nova Scotian, 1181 Hollis Street, Halifax, Nova Scotia**. We look forward to supporting the great city of Halifax and e-connecting with our many shareholders there. Redishred will also be holding an investor reception for our many Toronto, Ontario based shareholders and capital markets partners on **May 29, 2023, at 5:00 PM Eastern time at the Vintage Conservatory, 100 Lombard Street, Toronto, Ontario**.

Thank you for your continued interest, support, and investment in Redishred.

Yours truly,



---

Jeffrey Hasham  
Chief Executive Officer





# Financial & Operational Highlights



# Financial & Operational Highlights

Values in CAD and 000's, except per unit and percentage amounts.

As at and for the years ended	2022	2021	2020
<b>Operations (Excludes COVID 19 Government Subsidies unless otherwise stated)</b>			
Revenue	\$ 57,226	\$ 36,199	\$ 25,437
EBITDA	\$ 15,318	\$ 9,191	\$ 5,938
Operating income less net interest expense ("OILI")	\$ 7,242	\$ 3,463	\$ 1,323
Cash provided from operations <sup>1</sup>	\$ 11,587	\$ 8,403	\$ 6,976
OILI/Share (Weighted average outstanding)	\$ 0.40	\$ 0.22	\$ 0.09
<b>Financial Position</b>			
Total assets	\$ 97,811	\$ 79,334	\$ 58,688
Total liabilities	\$ 50,530	\$ 38,974	\$ 28,280
Total equity	\$ 47,281	\$ 40,360	\$ 30,408
Debt to total assets percentage	52%	49%	48%
Normalized Fixed Charge Coverage Ratio <sup>2</sup>	1.82	1.57	1.19
Normalized Total Funded Debt to EBITDA ratio <sup>3</sup>	2.11	2.39	2.95
<b>Location Information</b>			
Corporate locations	15	14	11
Franchised locations	15	16	19
US Markets serviced	42	42	40

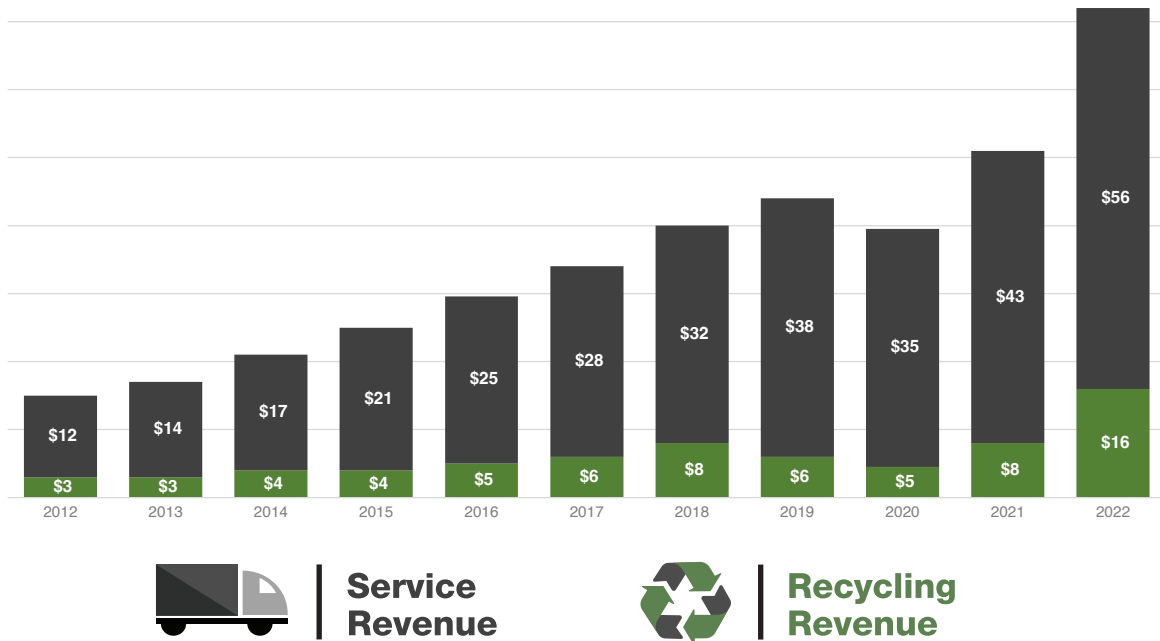
1. Includes COVID-19 related government subsidies in 2020 and 2021

2. A common measure of credit risk used by lenders, this measure considers the Redishred'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.

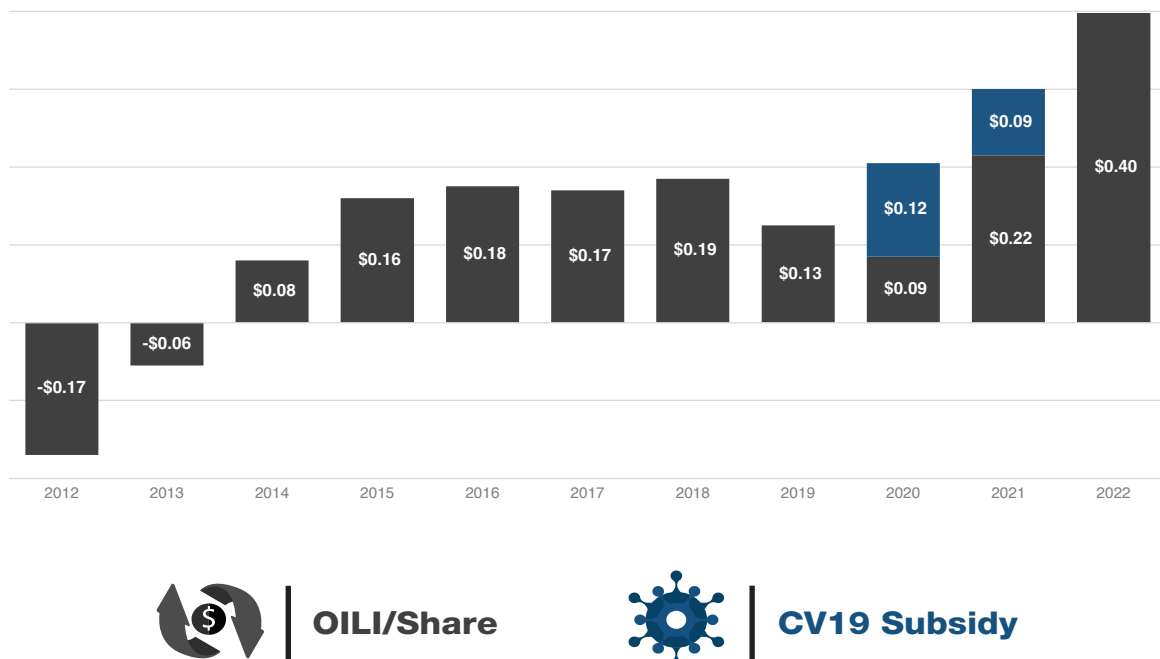
3. This measures the Company's leverage and its ability to pay all outstanding debt and assesses the Company's financial health and liquidity position. This ratio is calculated as defined in Redishred's credit facility agreement with one of its lenders.

## System Sales (USD)

In Millions

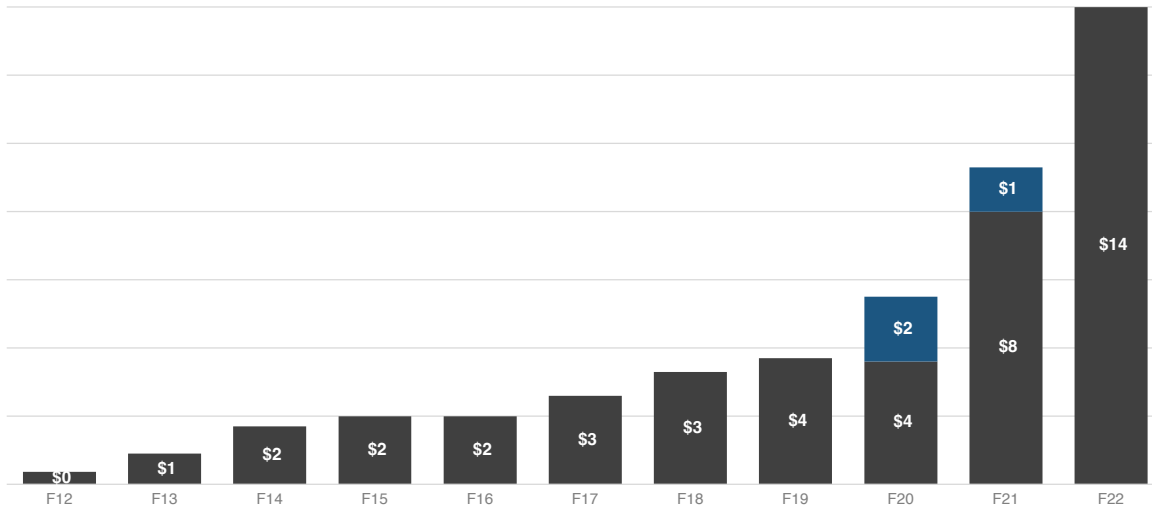


## OILI/Share Fully Diluted (CAD)



## Corporate Location Operating Income (CAD)

In Millions

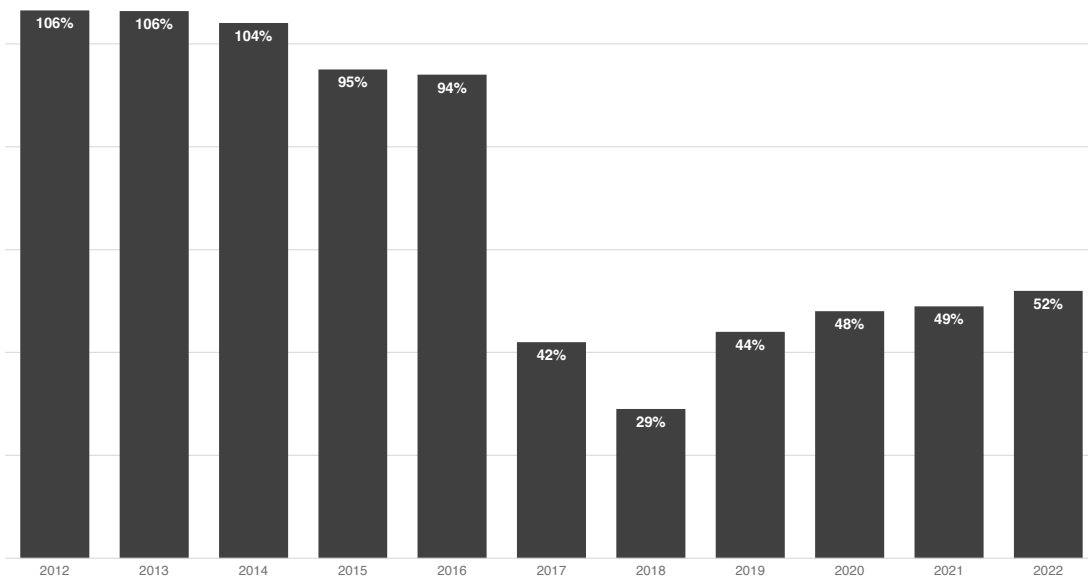


Corporate Location  
Operating Income



CV19 Subsidy

## Debt as a % of Total Asset



Debt as a % of  
Total Assets

# Strategic Targets



## ■ Growth of Same Location Shredding System Sales:

<b>2022 Target</b>	Same location shredding system sales growth of 10% to USD\$45M.
<b>2022 Performance</b>	<b>The target was exceeded.</b> Same location shredding system sales grew by 18% to USD\$49M.
<b>2023 Target</b>	Same Location shredding system growth to USD\$57M.
<b>Longer-term Target</b>	Growth averaging over 8% per year.

## ■ Growth in Same Location EBITDA and Operating Income (Corporate Locations):

<b>2022 Target</b>	Growth of 8% in same location EBITDA to \$13.4M and growth of 11% in same location operating income to \$8.8M.
<b>2022 Performance</b>	<b>The target was exceeded.</b> Same location EBITDA grew 39% to \$17.2M, and same location operating income grew 57% to \$12.4M.
<b>2023 Target</b>	Growth in same location EBITDA to \$22.1M and growth in same location operating income to \$15.6M.
<b>Longer-term Target</b>	Same location EBITDA and Operating Income growth of 10% per year. The Company will revisit this longer-term target, if the inflationary environment in the U.S. continues to persist, and the Company's CSP wages and fuel costs are impacted.

## ■ EBITDA and Operating Income from acquired Corporate Locations:

<b>2022 Target</b>	EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.
<b>2022 Performance</b>	<b>The target was exceeded.</b> The EBITDA and operating income margins from acquired operations were 36% and 22%, respectively.
<b>2023 Target</b>	EBITDA margin of at least 35% and operating income margin of at least 20% before transition and acquisition costs.
<b>Longer-term Target</b>	Maintain EBITDA and operating income margins of at least 35% and 20%, respectively.

## ■ Expand by way of Accretive Acquisitions:

<b>2022 Target</b>	Add USD\$4M to USD\$5M in revenue by way of accretive acquisitions.
<b>2022 Performance</b>	<b>The target was exceeded.</b> The Company completed the acquisition of the assets of <b>PROSHRED</b> <sup>®</sup> Philadelphia, Tech Shredders LLC (“Tech Shredders”), Mobile Document Destruction (“MDD”) and Safeguard Document Destruction (“SDD”) in 2022. In prior year 2021, these companies, in aggregate, generated revenue of USD\$5.3M.
<b>2023 Target</b>	Add USD\$4M to USD\$5M in revenue by way of accretive acquisitions.
<b>Longer-term Target</b>	Add, in aggregate, USD\$4M to USD\$5M in revenue per year by way of acquisitions of both existing franchise locations, and independent shredding and scanning businesses.

## ■ Improve Operating Leverage<sup>(1)</sup>:

<b>2022 Target</b>	G&A costs at 12% of total revenue.
<b>2022 Performance</b>	<b>This target was met.</b> G&A costs were 12% of total revenue.
<b>2023 Target</b>	G&A costs at 12% of total revenue.
<b>Longer-term Target</b>	G&A costs at 10% of total revenue.

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



# Our Secure Processes

# Destroying Information at Your Door



Redishred, through its brand **PROSHRED**<sup>®</sup>, is the innovator of the on-site destruction process. We shred at your door and then ensure that your shredded paper is recycled, contributing to the reduction of waste. The process is entirely hands-free and automated by our state-of-the-art shredding truck. We are often asked, how it works and so the following outlines our process.

1



Place your confidential documents in our locked **PROSHRED**<sup>®</sup> consoles, bins or containers.

2



Our Customer Service Professional (CSP) will arrive at client site at a scheduled date and time.

3



The CSP will empty the documents into a **PROSHRED**<sup>®</sup> security bin.

4



The CSP will bring the locked bin to our on-site mobile shredding truck.

5



The bin is lifted by the truck's automated system and you can witness the whole process in action.

6



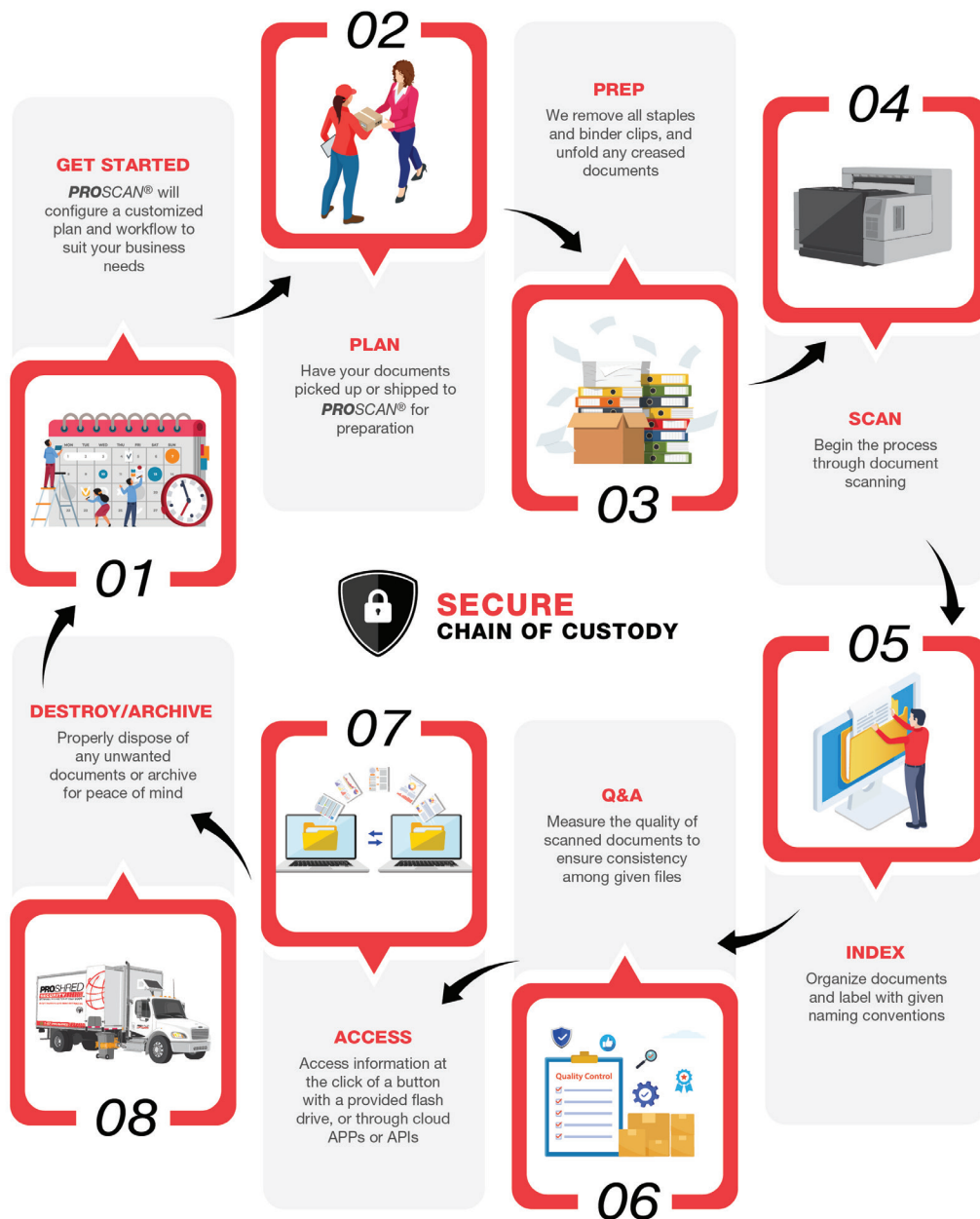
All documents are fully shredded at your door (crosscut) and you receive a certificate of destruction at the end.



# Scanning & Information Management



Through its brand **PROSCAN**<sup>®</sup>, Redishred helps organizations digitize, retrieve, and protect their physical documents, and as a result they can optimize space, time, costs, and increase productivity. We pride ourselves on conducting strict quality control at each stage in the document scanning and document management process. See below how our process work to ensure a superior final product and customer service.



# Securely Recycling Your e-Waste



Redishred, through its brand **Secure e-Cycle**, offers high-standard electronic recycling services with a decade of experience perfecting the e-waste process to ensure your data is protected while responsibly recycling your IT and electronic assets.

1



The equipment is registered in our system. Unique serial numbers and essential information associated with each asset are scanned and recorded in our proprietary database.

2



Our technicians will perform an equipment diagnosis to evaluate, update and refurbish damaged or outdated equipment. At this step, we categorize it for “recycle” or “remarket”.

3



The data contained on hard drives and electronics is eliminated via data sanitization or physical destruction. All company asset tags are removed from the equipments at this phase.

4



Assets categorized as “remarket”, will be marketed and sold. Equipment that doesn't qualify for resale are destroyed and recycled usign an EPA-compliant process.

5



Secure e-Cycle offers full transparency in about the e-waste recycling process. After the service is complete, customers will receive a “Certificate of Destruction” and “Continuity of Ownership” specifying the disposition of each device handled and the sale of all remarketed electronics.



# Our Team

*"The strength of the team is each individual member.  
The strength of each member is the team."*

**- Phil Jackson**  
Former Head Coach of the  
Chicago Bulls (1989 to 1998)



# Information

# Information

## **Redishred Capital Corp.** **Home Office & National Support Center**

### **Toronto, Ontario**

2233 Argentia Rd, Suite 202, East Tower  
Mississauga, Ontario, Canada, L5N 2X7

## **PROSHRED® Franchising Corp.** **Franchise Support Center**

### **Syracuse, New York**

6067 Corporate Drive East  
Syracuse, NY 13057

## **Redishred Acquisitions Inc. | US Offices**

### **NORTH EAST**

#### **Northern New Jersey, New Jersey** **Primary Office**

152 Eagle Rock  
Avenue Roseland, NJ 07068

#### **Albany, New York**

164 Montgomery Street  
Albany, NY 12207

#### **Buffalo, New York**

5384 Ontario Avenue  
Hamburg, NY 14075

#### **New Haven, Connecticut**

801 North Main Street Ext.  
Wallingford, CT 06492

#### **New York City, New York**

5 West Main Street Suite #104  
Elmsford, NY 10523

#### **Philadelphia, Pennsylvania**

25 Industrial Blvd  
Paoli, PA 19301

#### **Rochester, New York**

75 South Clinton Ave., Suite 510  
Rochester, NY 14604

#### **Springfield, Massachusetts**

75 Post Office Park  
Wilbraham, MA 01095

#### **Syracuse, New York**

6067 Corporate Drive East  
Syracuse, NY 13057

#### **Watertown, New York**

118 N Massey St.  
Watertown, NY 13601

### **SOUTH EAST**

#### **Atlanta, Georgia** **Primary Office**

5980 Unity Drive, Suite D  
Norcross, GA 30071

#### **Charlotte, North Carolina**

803 Pressley Rd - Suite 108  
Charlotte, NC 28217

#### **Fort Lauderdale, Florida**

5217 NW 35th Avenue  
Fort Lauderdale, FL 33309

#### **Miami, Florida**

201 South Biscayne Blvd Suite 2800  
Miami, FL 33131

#### **Norfolk, Virginia**

780 Lynnhaven Parkway, suite 400  
Virginia Beach, VA 23452

#### **Northern Virginia, Virginia**

44845 Falcon PI #104  
Sterling, VA 20166

#### **Richmond, Virginia**

4730 Wistar Rd  
Richmond, VA 23228

### **MIDWEST**

#### **Chicago, Illinois** **Primary Office**

7700 Graphics Drive  
Tinley Park, IL 60477

#### **Kansas City, Kansas**

3052 S 24th Street  
Kansas City, KC 66106

#### **Milwaukee, Wisconsin**

1425 Commerce Ave – Unit C  
Brookfield, WI 53045



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