

**PRESS RELEASE**  
**REDISHRED CAPITAL CORP. TSXV: KUT**  
Mississauga, Ontario  
August 24, 2023

**REDISHRED CAPITAL CORP. (“REDISHRED”, OR THE “COMPANY”) ANNOUNCES STRONG Q2 2023 RESULTS**

**Quarterly Earnings Call:**

8:30am EST, August 25, 2023, Participant call in number is 1-800-319-4610

**Quarterly Highlights:**

*Consolidated Highlights:*

- The Company generated revenue of \$16.8 million *CAD*, growing \$2.2 million *CAD*, or 15% versus Q2 2022.
- Shredding sales for Q2 2023 were \$12.5 million *CAD*, growing 28% versus Q2 2022.
- Consolidated EBITDA for Q2 2023 was \$4.5 million *CAD*, decreasing 1% versus Q2 2022.
- Consolidated EBITDA excluding the impact of net recycling revenue was \$2.2 million *CAD* for Q2 2023, growing 28% versus Q2 2022.

*Corporate Locations Highlights:*

- Corporate location revenue for Q2 2023 grew 15% versus Q2 2022 to \$16.2 million *CAD* (10% constant currency growth – US Dollars is the constant currency).
- Corporate location EBITDA grew 8% versus Q2 2022 to \$6.2 million *CAD* (3% constant currency growth).
- Same corporate location EBITDA was \$5.4 million *CAD*, decreasing 5% versus Q2 2022 (10% constant currency decrease), driven by lower net recycling revenue due to lower commodity paper prices.

*Capital Management:*

- The Company generated \$2.7 million *CAD* in cash from operations during Q2 2023.
- As at June 30, 2023, the Company has \$5.4 million *CAD* in cash, \$1 million *CAD* available on its operating line of credit, and \$4.8 million *CAD* available on its non-revolving re-advanceable term loan.

## **Management's Comments on Q2-2023**

Jeffrey Hasham, the Company's Chief Executive Officer, noted "We are pleased with our results in the second quarter of 2023. We continue to see strong demand for our services, including our core recurring shredding service offering, which has helped drive our organic revenue growth. From a paper market perspective, paper prices have started to decline, impacting our recycling revenue. We had anticipated this, and as a result, are well positioned to deal with any softness in the paper market. Looking at our Proscan business, we have started seeing an uptick in revenue when compared to the beginning of 2023 and our pipeline of scanning projects remains strong.

We have continued to focus on route efficiencies, and this was very evident by the strong EBITDA less net recycling revenue growth of 28%. We are seeing some signs of easing from a cost front, particularly in driver wage inflation and fuel pricing. From a pricing perspective, beginning in May 2023, we started implementing price increases across our corporate locations, with all price increases now fully implemented. We also expect to realize further synergies from recently completed acquisitions related to route densification and optimization that should help enhance future margins.

For the quarter, I am pleased to report that Q2 2023 Corporate location EBITDA was \$6.2 million Canadian, an increase of 8% from Q2 2022. This, coupled with our franchise business, has driven consolidated EBITDA to \$4.5 million Canadian for Q2 2023. These results reflect the hard work and commitment of our employees, franchisees, management and board members, and I would like to personally thank each of them for their efforts and contributions."

For the three months ended June 30,	2023	2022	Change <sup>(1)</sup>
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**System Sales Performance – in USD, in \$000's**

Total locations in the United States	<b>30</b>	30	-%
Total system sales	<b>\$19,238</b>	\$18,748	3%
<i>% of scheduled sales</i>	<b>47%</b>	43%	

**Consolidated Operating Growth – in CAD, in \$000's**

Revenue	<b>\$16,751</b>	\$14,597	15%
EBITDA	<b>\$4,488</b>	\$4,540	(1)%
<i>EBITDA margin</i>	<b>27%</b>	31%	(400) bps
EBITDA less net recycling	<b>\$2,188</b>	\$1,708	28%
<i>EBITDA less net recycling margin</i>	<b>15%</b>	15%	- bps
Operating income	<b>\$2,501</b>	\$3,150	(21)%
<i>Operating income margin</i>	<b>15%</b>	22%	(700) bps
Free cash flow	<b>\$(100)</b>	\$2,099	(105)%
Operating income per weighted average share fully diluted	<b>\$0.14</b>	\$0.17	(21)%
EBITDA per weighted average share fully diluted	<b>\$0.25</b>	\$0.25	-%
EBITDA less net recycling per weighted average share fully diluted	<b>\$0.12</b>	\$0.09	28%
Free cash flow per weighted average share fully diluted	<b>\$(0.01)</b>	\$0.12	(108)%

**Corporate Location Performance – in CAD, in \$000's**

Revenue	<b>\$16,184</b>	\$14,037	15%
EBITDA	<b>\$6,200</b>	\$5,717	8%
<i>EBITDA margin</i>	<b>38%</b>	41%	(300) bps
Operating income	<b>\$4,259</b>	\$4,351	(2)%
<i>Operating income margin</i>	<b>26%</b>	31%	(500) bps
Operating income less net recycling	<b>\$1,958</b>	\$1,519	29%

**Capital Management – in CAD:**

*(In \$000's)*

As at June 30, and December 31,	2023	2022	Change <sup>(1)</sup>
Working capital <sup>(2)</sup>	<b>\$831</b>	\$8	10,288%
Debt to total assets ratio	<b>0.50</b>	0.52	(4)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	<b>1.29</b>	1.82	(29)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	<b>2.05</b>	2.11	(3)%

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

(2) Working Capital represents the excess of the Company's current assets over its current liabilities.

## Revenue Growth in Q2-2023

The Company achieved 15% total revenue growth and 8% total revenue growth in constant currency during Q2 2023 versus Q2 2022 primarily due to acquisitions conducted during the last 12 months, organic sales growth from new customers and price increases.

## Corporate Locations

Total corporate location revenue and EBITDA grew by 15% and 8%, respectively, in Q2 2023 versus Q2 2022 due to the acquisitions completed over the past twelve months, organic growth from same locations, and price increases.

Same corporate location revenue grew 2% and EBITDA decreased 5%, in Q2 2023 versus Q2 2022, driven by lower recycling revenue due to lower commodity paper prices.

For the three months ended June 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2023	2022	% Change	2023	2022	% Change	2023	2022
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	12,530	9,773	28%	11,123	9,773	14%	1,407	-
Secure E-cycle	332	378	(12)%	332	378	(12)%	-	-
Electronic waste sales	713	816	(13)%	713	816	(13)%	-	-
Recycling sales	2,608	3,070	(15)%	2,207	3,070	(28)%	401	-
Total sales	16,184	14,037	15%	14,376	14,037	2%	1,808	-
Operating costs <sup>(1)</sup>	9,984	8,320	20%	8,956	8,320	8%	1,028	-
EBITDA	6,200	5,717	8%	5,420	5,717	(5)%	780	-
% of revenue	38%	41%	(300) bps	38%	41%	(300) bps	43%	-
Depreciation – tangible assets	1,941	1,366	42%	1,687	1,366	24%	254	-
Operating income	4,259	4,351	(2)%	3,733	4,351	(14)%	526	-
% of revenue	26%	31%	(500) bps	26%	31%	(500) bps	29%	-
Operating income less net recycling	1,958	1,519	29%	1,816	1,519	20%	142	-
% of revenue	14%	14%	- bps	15%	14%	100 bps	10%	-
EBITDA – in USD	4,617	4,480	3%	4,037	4,480	(10)%	580	-
% of revenue	37%	41%	(400) bps	38%	41%	(300) bps	25%	-

Note 1: During Q2-2023, acquisition/vendor-related consulting fees of \$37 (Q2-2022 - \$81) are included in the total and non-same corporate location operating costs.

## 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 on our website, [www.proshred.com](http://www.proshred.com). Our annual national Shred Cancer event was held in June of 2023 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\$212,000 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.
- **Same Location** are indicators of performance of 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 EBITDA less Net Recycling** is defined as the consolidated EBITDA excluding the impact of corporate location recycling sales, net of paper baling costs. A reconciliation between net income and consolidated EBITDA less net recycling 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 Free Cash Flow** is defined as cash provided by operating activities net of capital expenditures. The calculation of Consolidated Free Cash Flow that begins with cash provided by operating activities is provided below.
- **Capital Expenditures** is defined as the purchase of tangible and intangible assets, net of proceeds received from their disposal.
- **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.

### Reconciliation of EBITDA and Operating Income to Net Income

	For the three months ended		
	June 30,		
	2023	2022	% Change
	\$	\$	
EBITDA	4,488	4,540	(1)%
Less: net recycling revenue	(2,300)	(2,832)	(19)%
EBITDA less net recycling	2,188	1,708	28%
Add: net recycling revenue	2,300	2,832	(19)%
Less: depreciation – tangible assets	(1,987)	(1,390)	43%
<b>Operating income</b>	<b>2,501</b>	<b>3,150</b>	<b>(21)%</b>
Less: interest expense	(610)	(403)	51%
Less: amortization – intangible assets	(1,005)	(798)	26%
Add: gain on disposition of tangible assets	–	13	(100)%
Add/(deduct): remeasurement of contingent consideration	(143)	2	(7,250)%
Add/(deduct): foreign exchange gain (loss)	(1,336)	1,533	(187)%
Income (loss) before income tax taxes	(593)	3,497	(117)%
Deduct: Income tax expense	(377)	(684)	(45)%
Net income (loss)	(970)	2,813	(134)%

### Reconciliation of Consolidated Free Cash Flow with Cash Provided by Operations

	For the three months ended		
	June 30,		
	2023	2022	% Change
	\$	\$	
Cash provided by operations	2,665	3,284	(19)%
Less: Capital expenditures	(2,765)	(1,185)	133%
<b>Free Cash Flow</b>	<b>(100)</b>	<b>2,099</b>	<b>(105)%</b>

## Financial Statements

Redishred's June 30, 2023 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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