



REDISHREDTM
CAPITAL CORP.

**ANNUAL
REPORT
2017**

About Redishred Capital Corp.

Profile

Redishred Capital Corp. (“Redishred” or “the Company”) is a growth-oriented company that owns the **PROSHRED®** Platform (“**PROSHRED®**”) and operates in the information destruction industry. Redishred through **PROSHRED®**, provides information destruction services in over 40 markets in the United States with System Sales of just under \$35 million USD.

Growth Strategy

Redishred’s strategy is to:

- Maximize organic same location revenue (in particular scheduled/recurring revenue) and earnings,
- Expand the location footprint in North America by way of franchising and acquisitions, and
- Drive depth of service and cash flows in existing locations by way of tuck-in acquisitions.

Vision | Purpose | Goals



31.5%

Corporate Location
Return on Invested Capital

\$0.05

Normalized Operating
Income per Share
(Fully Diluted)

25.4%

Annual Increase in Normalized
Operating Income

15.0%

System Sales Growth
(Same Locations)

48.0%

Scheduled
(Recurring System Sales)

72.9%

Operating Income Growth Since 2014

\$34.1M

System Sales (USD)

40+ Markets

Serviced in the United States



Financial and Operational Highlights

(Value in 000's, except per unit amounts and where noted)

	2017	2016	% Change
Operations in Canadian Dollars			
Franchise system revenue	\$2,022	\$2,118	-5%
Corporate location revenue	\$9,315	\$7,482	24%
Corporate location EBITDA	\$3,594	\$2,608	38%
Consolidated Normalized Operating Income ("OI" ⁽¹⁾)	\$2,213	\$1,923	16%
Consolidated Net Income	\$817	\$174	370%
Normalized Operating Income/Share (diluted)	\$0.05	\$0.06	-17%

Financial Position

Total assets	\$11,506	\$10,001	15%
Total liabilities	\$4,815	\$9,483	-49%
Total equity	\$6,690	\$519	1,189%
Shares outstanding (At Dec 31)	47,503	28,885	64%
Working capital ⁽²⁾	\$1,411	\$116	1,120%
Debt to total assets ratio	0.42	0.94	-56%
Fixed Charge Coverage ratio	2.30	1.18	95%
Total funded Debt to EBITDA ratio	1.28	3.39	-62%

System Information

System sales (USD)	\$34,070	\$29,673	15%
% scheduled (recurring)	48%	48%	
System sales - same location (USD)	\$33,869	\$29,498	15%
% scheduled (recurring)	48%	48%	

(1) 2017: Excludes one-time costs related to the issuance of options as part of the equity financing conducted in the first quarter of 2017. 2016: Excludes one-time costs that relate to non-capitalized financing costs as a result of the financing process that commenced in the fourth quarter, accounting and consulting costs related to the corporate structure and stock based compensation expense for the issuance of options to technical advisors.

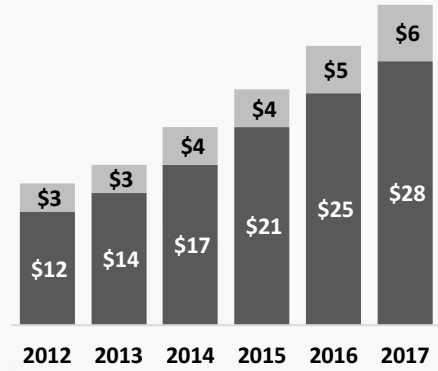
(2) The 2016 working capital has been reduced by \$4.5M for this calculation as the Line of Credit that was due to expire on November 27, 2017 was extended by 2 years shortly after year end. Under IFRS the Line of Credit was fully classified as current.

Charts related to Financial and Operational Highlights

System Sales (USD)

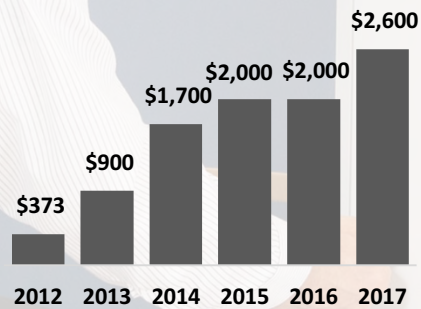
In Millions

■ Service ■ Recycling

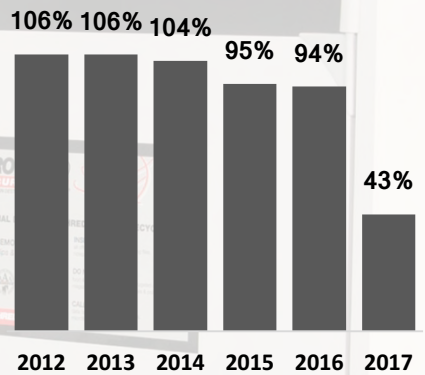


Corporate Location Operating Income

(CAD - In 000's)

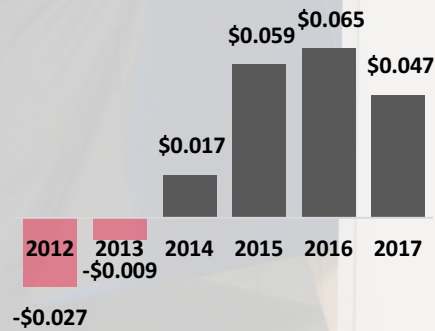


Debt as a % of Total Assets

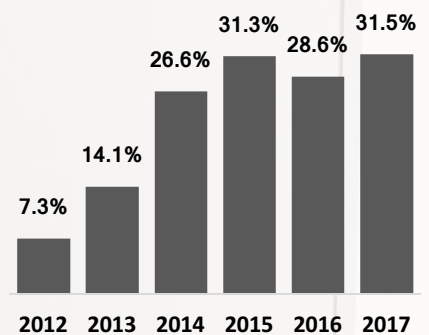


Consolidated Operating Income per Share (diluted)

Excluding one-time costs



Return on Invested Capital - Corporate Locations



Letter from CEO

Dear Shareholders:

I am pleased to report that 2017 was a successful year for Redishred. We set three key goals for our operation and we delivered on them; we grew our same location service system sales (not including paper revenue) by 12% to \$27.5 million USD, when we include paper revenue we were just shy of \$35 million in system sales. We attained \$2.9 million CAD in Normalized EBITDA from existing operations and \$3.2 million in Normalized EBITDA when we include newly acquired locations in Northern Virginia and Buffalo, New York. Finally, we achieved our Normalized Operating Income target from existing locations, growing 9% over 2016 to \$2.1 million in 2017. Our corporate locations provided a return on invested capital of 31.5% in 2017, resulting in increased capital market attention, including research coverage from three investment brokerage firms and increased liquidity for our shareholders. Redishred's share price from December 30, 2016 to December 29, 2017 increased by 18.3%.

The **PROSHRED**[®] system continued to perform, with system sales increasing by 15% in 2017 over 2016. Scheduled recurring system sales continued its steady climb, reaching \$16.2M USD, representing 48% of our total system sales. These results reflect the dedication and hard work of our franchisees and the employees who support them to provide our clients with easy and exceptional client service using our on-site information destruction services.



Redishred's balance sheet improved materially in 2017. We raised \$5 million of equity in January, \$4 million in new cash, and \$1 million by way of converting debt to equity. In July, we secured a new loan facility with a tier one bank and used the proceeds to pay off our existing line of credit facility with a related party, further reducing debt service and interest costs. In the fall of 2017, Redishred was provided with a \$1 million dollar USD truck financing line of credit with a tier one bank in the United States. With these transactions, we reduced debt as a percentage of total assets to 43%, which is a reduction of 53% from December 31, 2016. As at December 31, 2017, Redishred has \$5M in existing banking facilities and cash on hand to react quickly to acquisition opportunities.

Redishred invested just under \$1.5 million in acquisitions in 2017. These acquisitions included the purchase of **PROSHRED**[®] Northern Virginia in March 2017, and the purchase of a small book of business in Buffalo, New York in September 2017. Both these acquisitions have been cash flow positive since they were acquired, including transition costs. I am very pleased with the results of the acquisitions conducted in 2017, and we are looking forward to conducting further acquisitions in 2018 and beyond.

As we enter 2018, we continue to be optimistic and poised for growth as we focus on driving footprint growth by way of franchising and select acquisitions. We also continue to focus on recurring revenue growth by way of investment into sales and marketing resources, and operational efficiency by way of the deployment of enabling technology. In 2016, we invested in centralizing accounting, administrative and sales functions in Toronto to allow us to scale. In 2017, the impacts were seen in the solid growth in sales and earnings. Also in 2017, we have taken the initial steps of investing in and developing an integrated technology platform, with the goals of reducing the time it takes for sales calls to be transacted; ensuring data from the initial point of contact is replicated in our Client Relationship Management system, and to ensure we create automated yet individualized communication with our clients. The investment made here will allow for enhanced and easy client interactions with **PROSHRED**[®] on the phone, email and other communication channels, as well as create a more efficient work flow for our franchisees and employees. It is our view that easier communication and easier workflow will allow us to spend more time educating our clients on the value of using **PROSHRED**[®]'s scheduled and recurring destruction services. This platform is being delivered by Redishred to our franchisees as part of their standard operating program.

We believe that 2018 will be a strong year for Redishred, we expect stronger system sales (particularly scheduled recurring sales), better earnings from our existing operations, and continued acquisition activity.

Thank you for your interest in Redishred. I would like to personally invite you to attend our Annual Meeting of Shareholders on May 29, 2018 at 1:00PM Atlantic Time at the Courtyard Marriott Hotel, Halifax. I am looking forward to providing updates on our 2018 progress at that time.

Yours truly



Jeffrey Hasham

Performance Compared to 2017 Targets

Growth of Same Location Service System Sales⁽¹⁾:

2017 Target	Growth of 12% to \$27.5M USD.
	Redishred achieved its target.
2017 Performance	Redishred's same location service system sales grew by 12% in 2017 over 2016, achieving \$27.5M USD.

Consolidated EBITDA from existing operations⁽²⁾:

2017 Target	Earn EBITDA of \$2.8M from existing locations, growing by 18% over 2016.
	Redishred exceeded its target when normalizing EBITDA.
2017 Performance	Redishred attained \$2.9M in normalized EBITDA (excluding one-time costs related to options issued) in 2017, growing 16% over 2016.

Consolidated Operating Income from existing operations⁽²⁾:

2017 Target	At least \$2.0M.
	Redishred exceeded its target when normalizing operating income.
2017 Performance	The Company attained \$2.1M in normalized operating income after adjusting for one-time costs related to options issued. Normalized operating income grew 9% over 2016.

Expand by way of Accretive Acquisitions:

2017 Target	Conduct between \$3M and \$4M of acquisitions.
	Redishred did not achieve its target.
2017 Performance	On March 31, 2017, the Company purchased the Proshred Northern Virginia franchise for CAD\$1.4M. On September 30, 2017, the Company purchased a small Buffalo, NY business, which is operated out of the Syracuse, NY office.

Franchise Development:

2017 Target	Award between two and four new franchised locations per annum.
	Redishred did not achieve its target.
2017 Performance	During 2017, the Company did not award any new franchise locations. Redishred is actively pursuing franchise opportunities.

(1) Service related sales excludes recycling sales.

(2) Existing operations include the existing corporate operations, the franchise system and the existing infrastructure to support the existing locations. It does not include the North Virginia acquisition which was purchased on March 31, 2017.

2018 & Long-Term Targets

Growth of Same Location Service System Sales⁽¹⁾:

2018 Target Growth of 10% to \$30.25M USD.

Longer-term target Growth between 8% and 10% per annum.

Consolidated EBITDA from existing operations⁽²⁾:

2018 Target Attain EBITDA of \$3.3M from existing locations, growing by 14% over 2017 normalized EBITDA.

Longer-term target Attain EBITDA growth of 5% to 10% from existing locations.

Consolidated Operating Income from existing operations⁽²⁾:

2018 Target Attain operating income of \$2.3M from existing operations, growing by 10% over 2017 normalized operating income.

Longer-term target Grow existing Operating Income by 8% to 10% per annum.

Franchise Development:

2018 Target Open two to four new markets in the United States by way of franchising.

Longer-term target Continue to add at least two new markets per annum.

Expand by way of Accretive Acquisitions:

2018 Target Conduct between \$3M and \$4M of acquisitions.

Longer-term target Increase the Corporately operated portfolio from 7 to 12 locations by 2020.

(1) Service related sales excludes recycling sales.

(2) Existing operations includes the existing corporate operations, the franchise system and the existing infrastructure to support the existing locations.

Raising Funds for the American Institute for Cancer Research

A Letter from Jeffrey Hasham, CEO

In business, we believe that preventing an information breach is simply good business, in fact, the result of a breach of information can be permanently damaging or even deadly to a business. This is why we are in this business, we can help our clients prevent information breaches and prevent the severe consequences when one occurs.

In life, there are many things we can do to prevent cancer. 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 \$96 million for innovative research on the prevention of cancer. Cancer can be prevented.

As a Company and a Franchise System, we have raised almost \$150,000 USD for AICR since 2014. This year marks the 5th anniversary of our annual, national Shred Cancer event that is held in early June. 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 early June at your nearest **PROSHRED**[®] location to not only Shred your private information, but more importantly help join us in our endeavor to **SHRED CANCER**.

Yours Truly,



Jeffrey Hasham



Redishred and its brand **PROSHRED**[®] 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. We are often asked, how it works and so the following outlines our process.

Step 1: Place your confidential documents in our **PROSHRED**[®] executive console.



Step 2: Our Customer Service Professional (CSP) will arrive at client site at a regularly scheduled date/time.



Step 3: The CSP will empty documents into a **PROSHRED**[®] security bin.



Step 4: The CSP brings the locked bin outside to our on-site shredding truck.



Step 5: The bin is lifted by the truck's automated system.



Step 6: All documents are fully shredded at your door (cross cut). The process is entirely hands-free and automated by our state-of-the-art shredding truck.



Management Team

Jeffrey Hasham, CPA, CA
Chief Executive Officer



Mr. Hasham is the Chief Executive Officer of Redishred. He has held this position since April 2011. Mr. Hasham has worked in franchising and in particular with logistics based franchise concepts for 16 years. Mr. Hasham is also a Chartered Professional Accountant, having articulated at Ernst & Young LLP.

Kasia Pawluk, CPA, CA
Chief Financial Officer



Mrs. Pawluk is the Chief Financial Officer of Redishred, a position she has held since April 2011. Prior to being appointed to her current position, Mrs. Pawluk was the Manager of Finance for Redishred. Mrs. Pawluk is also a Chartered Professional Accountant, having articulated with the accounting firm of Deloitte LLP.

Ron Gable
Senior Vice President of Performance & Operations



Mr. Gable is the Senior Vice President of Performance and Operations. He has held this position since November 2015 and has been employed with the Company since July of 2015. Mr. Gable has spent 25 years as a business strategy and performance consultant. His clients included many multi-national corporations with multiple branches and with diverse business models, including franchising and logistics.

Jack Pulkinen, CPA, CA
Senior Vice President of Corporate Development



Mr. Pulkinen is the Senior Vice President of Corporate Development. From October 2015 to October 2016, Mr. Pulkinen was the Chief Financial Officer of Redishred. Mr. Pulkinen has spent 30 years working with leading Public Companies and Private Equity backed Companies in senior and NEO roles. Mr. Pulkinen is also a Chartered Professional Accountant, having articulated with Clarkson Gordon (now Ernst & Young LLP).

Information

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