



REDISHREDTM
CAPITAL CORP.

**ANNUAL
REPORT
2018**

About Redishred

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 \$40 million USD.

Growth Strategy

Redishred’s strategy is to:

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

Vision | Purpose | Goals



30.0%
Corporate Location
Return on Invested Capital
\$2.3M
Consolidated Operating Income
16%
Annual Increase in
Operating Income Less Interest

16.0%
System Sales Growth
(Same Locations)
47.0%
Scheduled
(Recurring System Sales)
63.4%
Operating Income Less Interest
Compound Annual Growth Rate
Since 2013

\$40M
System Sales (USD)
40+ Markets
Served in the United States



Financial and Operational Highlights

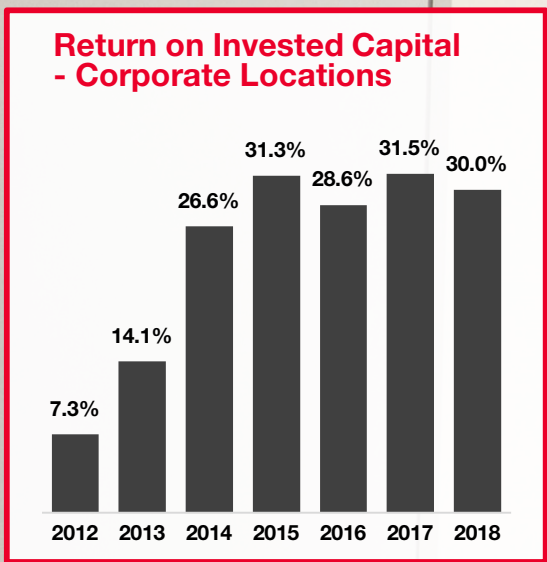
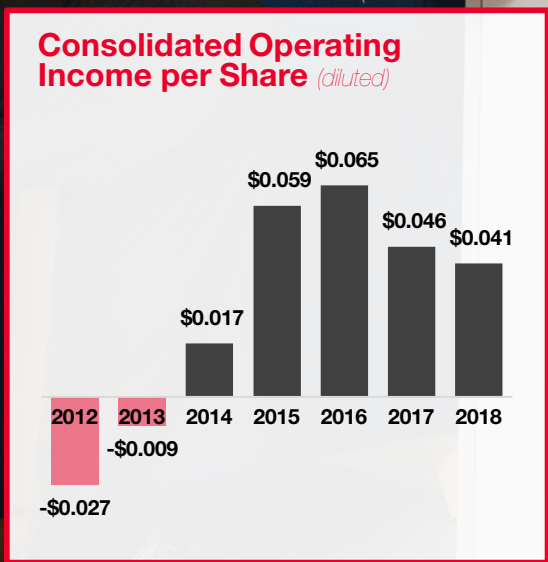
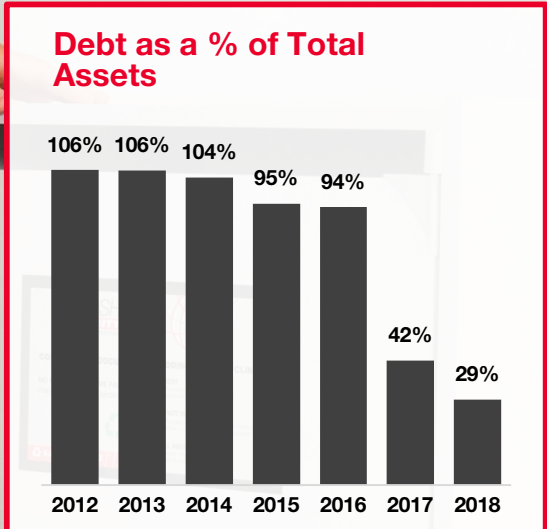
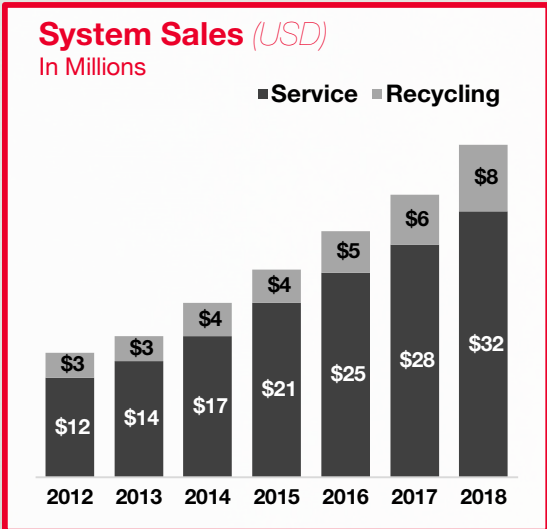
(Value in 000's, except per unit amounts and where noted)

	2018	2017	% Change
Operations in Canadian Dollars			
Franchise system royalty revenue	\$2,166	\$2,015	7%
Corporate location revenue	\$12,015	\$9,315	29%
Corporate location EBITDA	\$4,409	\$3,594	23%
Consolidated Operating Income ("OI")	\$2,340	\$2,176	8%
Consolidated Net Income	\$2,712	\$1,056	157%
Normalized Operating Income/Share (diluted)	\$0.041	\$0.046	-11%

Financial Position			
Total assets	\$27,943	\$11,506	143%
Total liabilities	\$7,995	\$5,461	46%
Total equity	\$19,880	\$6,044	229%
Shares outstanding (At Dec 31)	66,557	47,503	40%
Working capital	\$7,288	\$1,411	417%
Debt to total assets ratio	0.29	0.42	31%
Fixed Charge Coverage ratio	1.94	2.30	16%
Total funded Debt to EBITDA ratio	1.69	1.28	32%

System Information			
System sales (USD)	\$39,841	\$34,070	17%
% scheduled (recurring)	47%	48%	
System sales - same location (USD)	\$39,343	\$33,869	16%
% scheduled (recurring)	47%	48%	

Charts related to Financial and Operational Highlights



Dear Shareholders:

I am pleased to report that 2018 was another 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 13% to \$31.1 million USD; when we include paper revenue we were \$40 million in system sales. We attained \$3.5 million CAD in EBITDA with \$3.0 million in EBITDA from existing locations. Finally, we expanded our foot print into two new markets, including Northern New Jersey, via \$7.8M CAD in accretive acquisitions. Our corporate locations continued to provide a strong return on invested capital of 30.0% in 2018.

The strong returns in 2017 and the first quarter of 2018 provided Redishred with the opportunity to raise \$11M CAD in new equity at \$0.60 per share. The new equity was issued to five new institutional investors and to a broadened retail investor base, creating increased liquidity for our shareholders. Redishred's share price from December 30, 2017 to December 31, 2018 increased by 20.0%.

The **PROSHRED**[®] system continued to perform, with system sales increasing by 17% in 2018 over 2017. Scheduled recurring system sales continued its steady climb, reaching \$18.6M USD, representing 47% 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 2018. As noted, we raised \$11 million of new equity in July. In the fall of 2018, Redishred's truck financing line of credit was increased from \$1M USD to \$1.7M USD. With these transactions, we reduced debt as a percentage of total assets to 29%, which is a reduction of 31% from December 31, 2017. As at December 31, 2018, Redishred had \$10M in existing banking facilities and cash on hand to react quickly to acquisition opportunities.

Redishred invested just under \$8 million in acquisitions in 2018. These acquisitions included the purchase of Shred Con in Up-State New York, On Guard Shredding in New York City and Safe Shred in Northern New Jersey. All the acquisitions have been cash flow positive since they were acquired, including transition costs.

The Safe Shred acquisition in particular provided Redishred with the opportunity to enter the North New Jersey market, increasing the **PROSHRED**[®] location footprint. I am very pleased with the results of the acquisitions conducted in 2018, and we are looking forward to conducting further acquisitions in 2019 and beyond.

As we enter 2019, we continue to be optimistic and poised for growth as we continue to 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.

We took the initial steps of investing in and developing an integrated technology platform. The technology goals included 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 in 2017 and early 2018 has allowed for enhanced and easy client interactions with **PROSHRED**[®] on the phone, email and other communication channels, as well as created 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 2019 will be a strong year for Redishred, we expect stronger system sales (particularly scheduled recurring sales), better earnings from our franchised and corporate locations, and continued franchising and 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 28, 2019 at 1:00 PM Atlantic Time at the Courtyard Marriott Hotel, Halifax. I am looking forward to providing updates on our 2019 progress at that time.

Yours truly

A handwritten signature in blue ink, appearing to read 'Jeffrey Hasham', with a long horizontal flourish extending to the right.

Jeffrey Hasham

Performance Compared to 2018 Targets

Growth of Same Location Service System Sales⁽¹⁾:

2018 Target	Growth of 10% to \$30.25M USD.
2018 Performance <i>Exceeded target</i>	Redishred's same location service system sales (scheduled and unscheduled sales) grew by 13% over 2017, achieving \$31.1M USD.

Consolidated EBITDA and Operating Income from existing operations⁽²⁾:

2018 Target	Attain EBITDA of \$3.3M from existing locations, growing by 14% over 2017 EBITDA. Attain operating income of \$2.3M from existing operations, growing by 10% over 2017 normalized operating income. During 2018, Redishred earned \$3.0M in EBITDA from existing operations, an increase of 2% over 2017. Redishred earned \$1.9M in consolidated operating income from existing operations in 2018, a decrease of 3% over 2017. The Company did not achieve its target as a result of:
2018 Performance <i>Did not achieve target</i>	(1) the additional investment in four salespeople and increased management in two of our largest locations; (2) Board stock option grants were expensed at full value as the options vested immediately. The Company has increased both Board and management compensation as the Company has enhanced its performance and compensation for both was less than peer public companies; and (3) no new franchises were awarded.

Franchise Development:

2018 Target	Open two to four new markets in the United States by way of franchising.
2018 Performance <i>Did not achieve target</i>	The Company did not award any new franchise locations during 2018. Redishred continues to pursue franchise opportunities in open markets and has increased its exposure with broker agencies and at International Franchise Association events.

Expand by way of Accretive Acquisitions:

2018 Target	Conduct between \$3M and \$4M of acquisitions.
2018 Performance <i>Exceeded Target</i>	During 2018, the Company conducted \$7.8M of acquisitions. Redishred continues to identify and market to acquisition targets in the United States.

(1) The performance targets do not include the IFRS 15 adjustments related to the adoption of the new accounting standard.

(2) Service related sales excludes recycling sales.

(3) Existing operations includes the same store corporate operations and the existing infrastructure. Existing operations for 2018 do not include the three acquisitions conducted during the year.

2019 & Long-Term Targets

Growth of Same Location Service System Sales⁽¹⁾:

2019 Target	Growth of 10% to \$43.7M USD.
Longer-term target	Growth between 8% and 10% per annum.

Consolidated EBITDA and Operating Income from existing operations⁽²⁾:

2019 Target	<p>Attain EBITDA of \$3.5M from existing locations, growing by 14% over 2018 EBITDA from existing locations.</p> <p>Attain operating income of \$2.1M from existing locations, growing by 11% over 2018 operating income from existing locations.</p> <p>This does not include the North New Jersey results as the acquisition was completed on October 1, 2018 or the Kansas results as the acquisition was completed on January 31, 2019.</p>
Longer-term target	Attain EBITDA and Operating Income growth of 5% to 10% from existing locations.

EBITDA and Operating Income from acquired operations:

2019 Target	Attain EBITDA margin of at least 35% and operating income margin of 27%.
Longer-term target	Maintain EBITDA and operating income margins of 35% and 27% respectively.

Franchise Development:

2019 Target	Open one new market in the United States by way of franchising.
Longer-term target	Continue to add one new market per annum.

Expand by way of Accretive Acquisitions:

2019 Target	Conduct between \$7M and \$10M of acquisitions.
Longer-term target	Increase the Corporately operated portfolio from 8 to 12 locations by 2020. Expand the PROSHRED [®] footprint by at least one location per year.

(1) Service related sales excludes recycling sales.

(2) Existing operations includes the same store corporate operations and the existing infrastructure. Existing operations for 2018 and 2019 do not include the North New Jersey and Kansas City acquisitions.

Raising Funds for the American Institute for Cancer Research

A Letter from Jeffrey Hasham, CEO

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 over \$150,000 USD for AICR since 2014. This year marks the 6th 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




Securing Information at Your Door

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.



Francesco Marascia, MBA, CM
Vice President of Marketing

Mr. Francesco Marascia joined Redishred in July 2016. Prior to being appointed to his position, Mr. Marascia was the National Marketing Director for Redishred. Mr. Marascia brings over 15 years of experience developing Omni-Channel strategies across a range of sectors with a strong emphasis on digital technologies.



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