



REDISHREDTM
CAPITAL CORP.

TSXV:**KUT**

**ANNUAL
REPORT
2021**

About Redishred

Profile

Redishred Capital Corp. (“Redishred” or “the Company”) is a growth-oriented company that owns and operates various platforms in the information management and e-waste space:



Providing document and hard drive destruction services, primarily on-site.



Providing digital imaging and document management services.



Providing electronics recycling and refurbishment services.

Collectively, our brands operate in the information management industry and provide services in 40 major markets in the United States with System Sales in excess of \$50 million USD.

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 franchising and acquisitions, and
- Drive service depth and cash flows in all locations by way of tuck-in acquisitions.

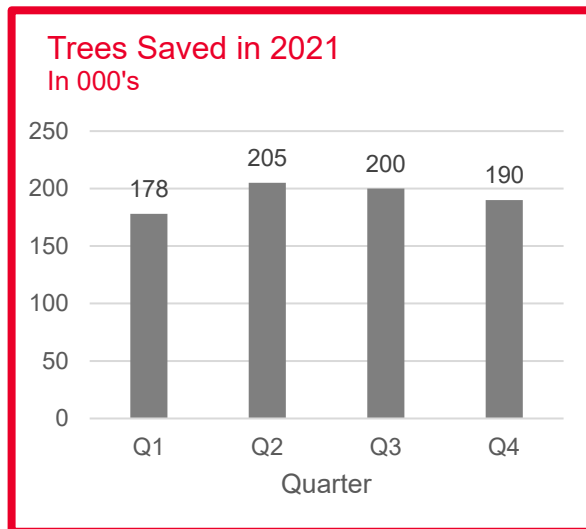
Purpose:

The Company provides certified and secure information management services to its clients. Redishred’s subsidiary, **PROSHRED®** is both ISO 9001 and NAID AAA certified, the only national provider to be dual certified.

Vision:

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 2021, we saved over three quarters of one million trees through our paper recycling services.



Saving trees is one part of the equation, we also strive to minimize the driving and idling time on the routes while providing shredding services to our clients and we maintain our shredding vehicles in optimal condition 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.

SHRED CANCER

NATIONWIDE EVENT

Values:

Operating with integrity, being open and transparent in our communications, creating awareness, holding ourselves accountable, respecting others, and growing, 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:

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. Without our people, this delivery of services would not be possible. The Company has a diverse workforce, both at the client-facing through to the most senior management positions; we believe that the best service is provided by a diverse team that has care for the services provided to our clients and character to do the right thing when no one is looking.

Consolidated Revenue

\$36.2M

(42% increase vs 2020)

Consolidated EBITDA¹ Margin

25%

(200 bps increase vs 2020)

OILI/Share²

\$0.044

(159% increase over 2020)

Four Acquisitions Completed

\$16.6M

(4% increase vs 2020)

Trees Saved by PROSHRED[®]

~750,000

(Trees saved in 2021)

Debt as a Percentage of
Total Assets³

49%

1. EBITDA is defined as Earnings before Interest, Taxes and Depreciation, and is a non-IFRS measure. For a full description of non-IFRS measures, please refer to the Year end 2021 Management Discussion and Analysis.
2. OILI is defined as EBITDA less depreciation on tangible assets and net interest expense and is a non-IFRS measure. For a full description of non-IFRS measures, please refer to the Year end 2021 Management Discussion and Analysis.
3. Debt as a percentage of total assets is a capital management measure. For a full description of debt as a percentage of total assets please refer to the Year end 2021 Management Discussion and Analysis.

Letter to Shareholders

Dear Shareholders:

I am pleased to write this year's annual letter to our shareholders to report on Redishred's financial and operational performance and to comment on our goals and priorities for 2022.

2021 was the second consecutive year that required the Redishred team to be vigilant in meeting COVID-19 protocols; these protocols changed frequently in various U.S. states and to make matters more challenging, the COVID-19 virus also mutated on several occasions in 2021 causing even further disruption to our clients and our operations. What did not change was the resolve, the care, and the character of the Redishred team in responding to these unprecedented challenges. Our over 200 employees continued to find ways to service our clients and in doing so propelled Redishred to the best year ever in our history.

Redishred's financial and operating results for 2021 were very strong. We achieved revenues of \$36.2M, up 42% versus 2020. We attained 25% EBITDA margins a 200-basis point improvement over 2020, and OILI/Share of 4.4 cents, a 159% increase from the prior year. Redishred' management team was successful in meeting the strategic targets for 2021.

Redishred's management team remains 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, all three areas contributed to our earnings growth in 2021.

Strong Growth from our Same Location Operations

Increasing earnings from our existing locations is a key component to our strategy. We have invested in 2021 on initiatives to further drive revenues and control costs that will drive continued operating leverage. Many of the initiatives that commenced in late 2021 will continue into 2022, including: (1) the deployment of a 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 sales resources, both people and tools with a view to acquiring new clients and enhancing route density.

Another Strong Acquisition Year

2021 was another strong year on the acquisition front, as Redishred acquired four shredding operations during the year, valued at \$16.6M. Key acquisitions for us included:

Richmond, VA: We acquired the business from our long standing **PROSHRED**[®] franchisee in the market; with the existing ownership of **PROSHRED**[®] Northern Virginia, Redishred can provide service to 75% of the state of Virginia.

Atlanta, GA: We acquired the business from our long standing **PROSHRED**[®] franchisee in the market. Atlanta is one of the largest metropolitan markets in the United States; post acquisition Redishred has invested in new sales resources and has deployed the new workflow software into the location.

New York and New Jersey: We acquired the American Security Shredding business from one of the largest independent operators in the region late in 2021. With this acquisition, Redishred obtained two new baling and plant-based facilities enhancing recycling opportunities. Redishred has commenced the integration of the acquired business into the existing business with a view to enhancing client service and route density.

All of the above acquisitions were conducted prior to our equity raise of \$8.6M that closed on December 23, 2021.

Franchise Support

Redishred's legacy includes a strong performing franchise system. During 2021, the **PROSHRED**[®] system saw same location system sales grow by 22% versus 2020. This strong growth was driven by continued investment by our franchisees in new trucks and sales resources. Furthermore, the Franchise support team continued to evolve and deploy new programs.



Care for our Environment and the Communities we Serve

Environment:

Redishred through the brand **PROSHRED**[®] has 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 life cycle for the information it is destroyed securely, 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 2021 we saved over 750,000 trees by recycling the shredded paper we collect from our clients. This effort keeps 750,000 trees in the eco-system to absorb CO2 and deliver oxygen to the planet. This also prevents 750,000 trees from being used in the pulping process; this process has heavy energy requirements.
2. During 2021, Redishred purchased twelve 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.

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 \$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 \$200,000 USD for AICR since 2014. This year marks the 9th 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 2022

We are optimistic that the worst of the COVID-19 global pandemic is in the past and we are very hopeful to 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 ultimately our OI/Share.

We also look forward to conducting accretive acquisitions, with the \$8.6M equity raise conducted in December of 2021, Redishred has the capital to continue the acquisition program that commenced in earnest in 2018.

Redishred's annual general meeting of shareholders will be held on May 26, 2022, at 1:00PM Atlantic time at the Courtyard Marriott, 5120 Salter Street, Halifax, Nova Scotia. This will be our first in person meeting of shareholders in three years and we look forward to supporting the great city of Halifax and reconnecting with our many founding shareholders there. Redishred will also be holding an investor reception for our many Toronto, Ontario based shareholders and capital markets partners on May 30, 2022, at 5:00PM Eastern time at the Vintage Conservatory, 100 Lombard Street, Toronto, Ontario.

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

Yours truly,

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

Jeffrey Hasham
Chief Executive Officer

Financial and Operational Highlights

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

| As at and for the years ended | 2021 | 2020 | 2019 |
|--|-----------|-----------|-----------|
| Operations (Excludes COVID 19 Government Subsidies unless otherwise stated) | | | |
| Revenue | \$ 36,199 | \$ 25,437 | \$ 22,407 |
| EBITDA | \$ 9,191 | \$ 5,938 | \$ 5,045 |
| Operating income less net interest expense ("OILI") | \$ 3,464 | \$ 1,323 | \$ 1,862 |
| Cash provided from operations ¹ | \$ 8,403 | \$ 6,976 | \$ 4,460 |
| OILI/Share | \$ 0.044 | \$ 0.017 | \$ 0.025 |
| Financial Position | | | |
| Total assets | \$ 79,334 | \$ 58,688 | \$ 53,770 |
| Total liabilities | \$ 38,974 | \$ 28,280 | \$ 23,870 |
| Total equity | \$ 40,360 | \$ 30,408 | \$ 29,900 |
| Debt to total assets percentage | 49% | 48% | 44% |
| Normalized Fixed Charge Coverage Ratio ² | 1.57 | 1.19 | 2.39 |
| Normalized Total Funded Debt to EBITDA ratio ² | 2.39 | 2.95 | 2.94 |
| Location Information | | | |
| Corporate locations | 14 | 11 | 10 |
| Franchised locations | 16 | 19 | 20 |
| US Markets serviced | 42 | 40 | 38 |

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

2. Trailing twelve months

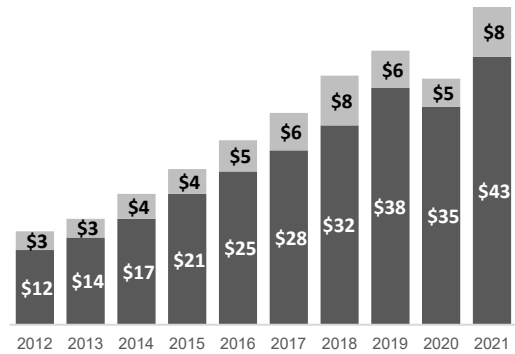
Charts related to Financial and Operational Highlights



System Sales (USD)

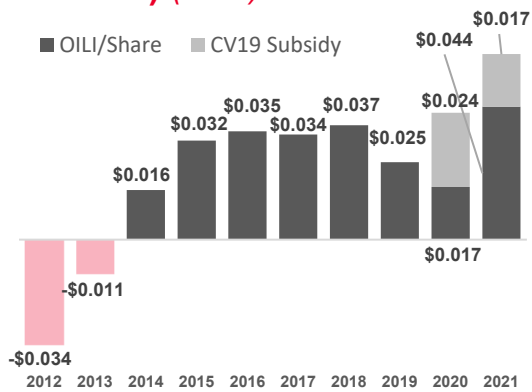
In Millions

■ Service ■ Recycling



OILI/Share (Fully Diluted) (CAD)

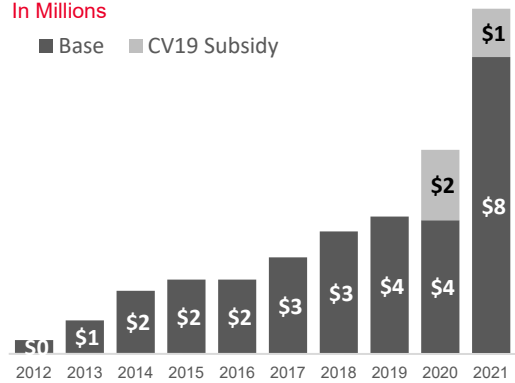
■ OILI/Share ■ CV19 Subsidy



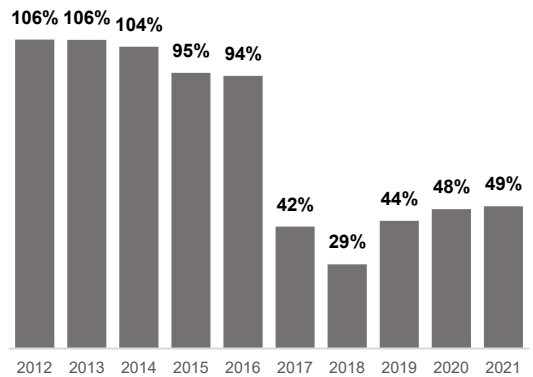
Corporate Location Operating Income (CAD)

In Millions

■ Base ■ CV19 Subsidy



Debt as a % of Total Assets



Strategic Targets

| | |
|---|--|
| 1. Growth of Same Location Shredding System Sales⁽¹⁾: | |
| 2021 Target | Same location shredding system sales growth of 5% to USD\$38M, subject to COVID-19 related restrictions being lifted by Q2-2021. |
| 2021 Performance | The target was exceeded. Same location shredding system sales grew by 19% to USD\$41M, as the majority of offices and facilities have re-opened and clients have resumed shredding services. |
| 2022 Target | Same location shredding system sales growth of 10% to USD\$45M. |
| Longer-term target | Growth averaging over 8% per year. |
| 2. Growth in Same Location EBITDA and Operating Income⁽¹⁾: | |
| 2021 Target | Growth of 10% in same location EBITDA to \$7.9M and growth of 22% in same location operating income to \$4.4M, subject to COVID-19 related restrictions being lifted by Q2-2021. |
| 2021 Performance | The target was exceeded. Same location EBITDA grew 28% to \$9.2M, and same location operating income grew 66% to \$6.0M. |
| 2022 Target | Growth of 8% in same location EBITDA to \$13.4M and growth of 11% in same location operating income to \$8.8M. |
| Longer-term target | 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. |
| 3. EBITDA and Operating Income from acquired operations⁽¹⁾: | |
| 2021 Target | EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs. |
| 2021 Performance | The target was exceeded. The EBITDA and operating income margins from acquired operations were 40% and 25%, respectively. |
| 2022 Target | EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs. |
| Longer-term target | Maintain EBITDA and operating income margins of at least 30% and 20% respectively. |
| 4. Franchise Development: | |
| 2021 Target | Open one new market in the United States by way of franchising. |
| 2021 Performance | The target was not met. The Company did not award any new franchise locations during 2021. Redishred is pursuing franchise opportunities in available markets. |
| 2022 Target | The Company will drive footprint growth primarily by way of accretive acquisitions (please refer to the fifth strategic target below). |

Strategic Targets (continued)

| 5. Expand by way of Accretive Acquisitions: | |
|--|--|
| 2021 Target | Add USD\$3M to USD\$4M in revenue by way of accretive acquisitions. |
| 2021 Performance | <p>The target was exceeded. The Company has added approximately USD\$6.3M in revenue, based on prior year 2020 results, by way of accretive acquisitions.</p> <p>On May 1, 2021, the Company closed on the acquisition of the PROSHRED[®] Richmond, Virginia business, which generated USD\$0.9 million in revenue in 2020. On July 30, 2021, the Company closed on the acquisition of the PROSHRED[®] Atlanta business, which generated USD\$1.3 million in revenue in 2020. Lastly, on December 1, 2021 the Company closed on the acquisition of American Shredding, which generated USD\$4.1 million in revenue in 2020.</p> |
| 2022 Target | Add USD\$4M to USD\$5M in revenue by way of accretive acquisitions. |
| Longer-term target | 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. |
| 6. Improve Operating Leverage ⁽²⁾ : | |
| 2021 Target | General and administrative (“G&A”) costs at 13% of total revenue. |
| 2021 Performance | This target was met. G&A costs were 13% of total revenue. |
| 2022 Target | G&A costs at 12% of total revenue. |
| Longer-term target | G&A costs at 10% of total revenue. |

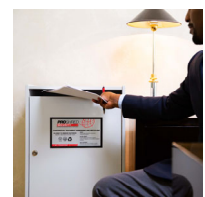
(1) 2021 corporate location targets were subject to the U.S. economy re-opening, including businesses returning to offices, as well as an improvement in the number of COVID-19 cases and the distribution of COVID-19 vaccines.

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

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.



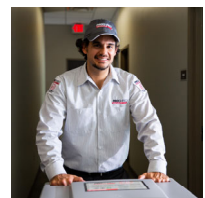
Step 2: Our Customer Service Professional (CSP) will arrive at client site at a regularly scheduled date/time.



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 (crosscut). 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.



Harjit Brar, CPA, CA
Sr. Vice President Finance and Chief Financial Officer



As of November 2021, Mr. Brar is the Senior Vice President of Finance and Acquisitions. Mr. Brar has also, as of January 2022, assumed the position of Chief Financial Officer (“CFO”), as Mrs. Pawluk, the Company’s long-standing CFO, left on maternity leave. Mr. Brar began his career at Ernst and Young in their Assurance practice, and subsequently has held a number of senior financial roles at various publicly listed companies, including those listed on the Toronto Stock Exchange and TSX Venture Exchange.

Kasia Pawluk, CPA, CA (on Mat Leave)
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
Sr. Vice President of Performance & Operations



Mr. Gable is the Sr. 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.

Management Team (continued)

Francesco Marascia, MBA, CM
Vice President of Marketing & PROSCAN Solutions

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.



Brian Samson
Vice President of Performance & Operations

Mr. Samson joined Redishred in July 2014. Prior to this position, Mr. Samson had held multiple operational roles within the organization. Mr. Samson has over 10 years of experience in operations and logistics, emphasizing technology and innovation.

Dave Knowles
Vice President of Business Development

Dave Knowles joined Redishred in July 2019. Mr. Knowles brings over 28 years of sales experience managing sales teams across North America, emphasizing coaching and technology adoption.



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Kansas City, KC 66106

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Albany, NY 12207

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