CALGARY, ALBERTA--(Marketwired - June 28, 2017) -

NOT FOR DISTRIBUTION IN THE UNITED STATES. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW.

Alaris Royalty Corp. ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce a US$20.0 million contribution to a new partner, the formalizing of exit terms with KMH including the receipt of an additional $9.8 million of cash proceeds and a corporate update. Today's announcements result in Alaris lowering its annualized payout ratio to below 90%.

New Partner

Alaris has contributed US$20.0 million (the "Accscient Contribution") into Accscient LLC ("Accscient") in exchange for an annualized distribution of US$3.0 million (the "Accscient Distribution"), a 15% yield. The Accscient Distribution will be reset for the first time on January 1, 2019 based on the percentage change in gross profit from 2018 vs 2017 and will have a collar of plus or minus 5%. The Accscient Contribution is made up of US$14.0 million of permanent units (the "Permanent Units") as well as US$6.0 million of redeemable units (the "Redeemable Units"). The Redeemable Units can be redeemed at par at any time up to the third anniversary following the closing of the Accscient Contribution at Accscient's discretion. After the third anniversary the Redeemable Units will have the same repurchase metrics as the Permanent Units. The estimated earnings coverage ratio (the "ECR") on the Accscient Distribution is in the 1.0x to 1.50x range (the ECR on the distribution from the Permanent Units is in the 1.50x to 2.0x range) based on the debt free proforma capital structure following the closing of the Accscient Contribution. Accscient used the proceeds to retire its debt obligations and for working capital purposes.

The Accscient Distribution adds approximately $0.06 per share to Alaris' net cash from operating activities and accounts for approximately 4% of Alaris' annualized revenue. The Accscient Contribution was funded with proceeds from KMH and Alaris' revolving credit facility and closed on June 28, 2017.

Accscient provides IT Staffing, Consulting, and Outsourcing services and specializes in Digital Infrastructure Management, Enterprise Resource Planning, Business Intelligence and Database Administration. Through its operating businesses (i) Norwin Technologies, (ii) Premier IT Solutions and (iii) Appridat Solutions, Accscient provides these services to its diverse customer base by leveraging a global delivery platform, led by a seasoned management team, to ensure reliable, proven and innovative solutions. Accscient is based in Atlanta, GA and was founded in 2005.

"Accscient is a multi-company organization led by several entrepreneurial Presidents with businesses, goals and aspirations that are aligned. Alaris encouraged us to meet with both the members of their team and their business partners and we quickly determined that our goals, cultures and aspirations were also aligned with theirs. In our world of complex financial structures and transactions, we were fortunate to have had supportive partners in the past which allowed us to get to this juncture but, finding a partner that is 100% like-minded, has been one of my greatest challenges for the past 2 decades. I firmly believe Alaris is that partner," said Sravan Vellanki, Chairman & CEO, Accscient

"Alaris is excited to welcome Sravan and his team to our diverse list of Partners. Through Sravan's leadership, the operating companies of Accscient have established themselves as valued and respected sources of IT Staffing, Consulting and Outsourcing services. We look forward to supporting Accscient's continued organic and acquisition growth initiatives," said Gregg Delcourt, Senior Vice President, Alaris.

KMH Update

Alaris has received an additional $9.8 million of cash (the "KMH Proceeds") from KMH Limited Partnership ("KMH"). The KMH Proceeds were received as a result of the sale of the majority of KMH's Canadian clinics to a third party (the "Third Party Sale"). The Third Party Sale resulted in the repayment of all outstanding senior debt in KMH leaving Alaris with first security on KMH's US business, a right to the residual value in certain real estate assets owned by a related party to KMH, and a preferred liquidation position on the equity in the Canadian business retained by KMH's owners as a result of the Third Party Sale.

As a part of the negotiated transaction, Alaris has redeemed all of its units (the "KMH Units") in KMH and a $3.5 million long-term promissory note outstanding in exchange for the $9.8 million of KMH Proceeds and $20.7 million of secured notes (the "KMH Notes") in addition to the previously collected $1.5 million. Alaris expects to collect amounts outstanding on the KMH Notes in stages following the sale of one-off clinics in Canada and the US as well as a refinancing or sale of KMH's US business, with the majority of proceeds expected to be paid over the next six months. The amount expected over that time frame is estimated to be between $12.0 million and $14.0 million. Any remaining amount outstanding on the KMH Notes will continue to be held as a long-term note with security and preference as previously mentioned. Alaris will also receive principal payments on the KMH Notes in the amount of approximately $80,000 per month beginning on July 15, 2017.

Under the terms of the KMH Notes, Alaris can force the sale of all remaining KMH assets if a minimum of an additional $12.2 million of the KMH Notes is not repaid by December 31, 2017.

"The recently closed transaction with KMH is critical in the conclusion of our partnership. Not only does it provide us with a significant amount of our $28 million now collected, it pays out all senior debt in front of our position, validates the value of the assets within the company and sets a clear path for collection of the remaining amounts. We've redeployed the KMH Proceeds into Accscient and will begin earning a return on that capital immediately," said Steve King, President and Chief Executive Officer, Alaris.

Other Corporate Updates

As previously disclosed, Sequel had entered into a merger agreement pursuant to which Sequel was expecting to be purchased by a U.S. listed Special Purpose Acquisition Corporation (the "SPAC"). In connection with this transaction, Alaris was to receive a US$30.0 million cash distribution from Sequel and retain US$62.2 million of new preferred units in Sequel for a total value of $92.2 million. Sequel has terminated its agreement with the SPAC and will not proceed with the foregoing transaction. Sequel has informed Alaris that it has received other interest in the business, though it has not received a binding offer as of this date. Alaris will continue to collect monthly distributions of over US$1.0 million (US$12.4 million annually) from one of its best performing partners.

S.M. Group International LP ("SMi") began paying Alaris $50,000 a week ($2.6 million annualized) in May and continues to do so while SCR Mining and Tunneling L.P. ("SCR") is on schedule to resume distributions of $100,000 per month ($1.2 million annualized) commencing in July.

As a result of the above items mentioned in this press release, Alaris has an estimated annualized payout ratio below 90%. This ratio is expected to continue to improve over the coming months.

About the Corporation:

Alaris provides alternative financing to private company partners (the "Partners") in exchange for distributions with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Distributions from the Partners are adjusted each year based on the percentage change of a "top line" financial performance measure such as gross margin and same-store sales and rank in priority to the owners' common equity position.

Non-IFRS Measures

EBITDA refers to net earnings (loss) determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of a company to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Partner's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that the Partner incurs outside of its common day-to-day operations. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

Earnings Coverage Ratio refers to the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded maintenance capital expenditures and distributions to Alaris.

Annualized Payout Ratio refers to Alaris' total annualized dividend per share expected to be paid over the next twelve months divided by the estimated net cash from operating activities per share Alaris expects to generate over the same twelve-month period (after giving effect to the impact of all information disclosed as of the date of this report).

Forward-Looking Statements

This news release contains forward-looking statements as defined under applicable securities laws. Statements other than statements of historical fact contained in this news release may be forward-looking statements under applicable securities legislation, including, without limitation, management's expectations, intentions and beliefs concerning: the collection of amounts owed under the KMH Notes (including the timing and amounts of such collections), the Corporation's annualized payout ratio and changes thereto, the start of partial distributions from SCR (including the timing and amount thereof) and the impact of partial distributions from SCR and SMi. Many of these statements can be identified by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. To the extent any forward-looking statements herein constitute a financial outlook they were approved by management as of the date hereof and have been included to provide an understanding with respect to Alaris' financial performance and are subject to the same risks and assumptions disclosed herein. There can be no assurance that the plans, intentions or expectations upon which these forward looking statements are based will occur.

By their nature, forward-looking statements require Alaris to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect Alaris' business and that of its Partners are material factors considered by Alaris management when setting the outlook for Alaris. Key assumptions include, but are not limited to, assumptions that the Canadian and U.S. economies will grow moderately over the next 12 months, that interest rates will not rise in a material way over the next 12 to 24 months, that Alaris will be able to achieve resolutions with respect to issues with KMH, SMi, Agility, Kimco and SCR on terms materially in line with management's expectations, that Alaris will achieve the benefits of any concessions or relief measures provided to any Partners, that the Partners will continue to make distributions to Alaris as and when required and in line with management's expectations, that the businesses of the Partners will continue to grow, what the Corporation expects to experience regarding resets to its annual royalties and distributions from its Partners upon the reset dates for each Partner, and that Alaris will have the ability to raise required equity and/or debt financing on acceptable terms. Management of Alaris has also assumed that capital markets will remain stable and that the Canadian dollar will remain in a range of approximately plus or minus 10% relative to the U.S. dollar over the next twelve months. In determining expectations for economic growth, management of Alaris primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There can be no assurance that the assumptions, plans, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. The actual results of the Corporation and the Partners could materially differ from those anticipated in the forward looking statements contained herein as a result of certain risk factors, including, but not limited to, the following: the dependence of Alaris on the Partners; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefit of Alaris' financing arrangements with the Partners; a failure of the Corporation or any Partners to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; risks relating to the Partners and their businesses, including, without limitation, a material change in the operations of a Partner or the industries they operate in; inability to close additional Partner contributions in a timely fashion, or at all; a change in the ability of the Partners to continue to pay Alaris' preferred distributions; a change in the unaudited information provided to the Corporation; a failure to achieve resolutions for outstanding issues with Partners on terms materially in line with management's expectations; and a failure to realize the benefits of any concessions or relief measures provided by Alaris to any Partner or to successfully execute an exit strategy for a Partner where desired. Additional risks that may cause actual results to vary from those indicated are discussed under the heading "Risk Factors" and "Forward Looking Statements" in the Corporation's Management Discussion and Analysis for the year ended December 31, 2016, which is filed under the Corporation's profile at www.sedar.com and on its website at www.alarisroyalty.com. Accordingly, readers are cautioned not to place undue reliance on any forward-looking information contained in this news release. Statements containing forward looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this news release. Although management believes that the expectations represented in such forward looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

Accordingly, readers are cautioned not to place undue reliance on any forward-looking information contained in this news release as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Statements containing forward-looking information reflect management's current beliefs and assumptions based on information in its possession on the date of this news release. Although management believes that the assumptions reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations will prove to be correct.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this news release are made as of the date of this news release and Alaris does not undertake or assume any obligation to update or revise such statements to reflect new events or circumstances except as expressly required by applicable securities legislation.

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