

Alaris Royalty Corp. Invests CAD\$70 Million in a new Canadian Partner

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CALGARY, June 21, 2019 - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX: AD) is pleased to announce that it has invested a total of \$70,000,000 (the "Amur Investment") in a new Canadian partner, Amur Financial Group Inc. ("Amur" or the "Company") and a subsidiary thereof. The Amur Investment consists of a \$50,000,000 contribution (the "Amur Contribution") as well as an investment of \$20,000,000 in exchange for a minority ownership of the common equity in Amur (the "Amur Common Equity"). The Amur Contribution results in an anticipated first year increase of approximately \$0.18 cents and \$0.06 cents per share of revenue and net cash from operations respectively. Based on Amur's history of paying dividends on its common equity, Alaris expects to receive dividends on the Amur Common Equity, as cashflow permits. These dividend payments on the Amur Common Equity will add to the revenue and cash from operations improvements shown above.

Pursuant to the agreements (the "Amur Agreements") among Alaris and Amur, Alaris made the \$50,000,000 Amur Contribution in exchange for debt and preferred units in Amur. The Amur Contribution will result in an annualized cash distribution to Alaris of \$6,500,000 (the "Amur Distribution"), a pre-tax yield of 13%. Commencing on January 1, 2021, the Amur Distribution will be adjusted annually based on the percentage change in gross revenue for the most recently completed fiscal year vs the prior fiscal year, subject to a collar of 6% (January 1, 2021 reset based on fiscal 2020 vs fiscal 2019). The proceeds from the Amur Investment were used for partial liquidity to existing Amur shareholders.

Based on Alaris' review of Amur's internal pro forma financial results for the most recent trailing twelve-month period in 2019, as well as the post-closing capital structure, management of Alaris believes that Amur would have an earnings coverage ratio between 2.0x and 2.5x, which gives effect to the Amur Investment and other changes to Amur's capital structure and the Amur Distribution payable to Alaris. This does not include any dividends paid on the Amur Common Equity as those will be paid out with excess cash flow.

Following the Amur Investment, Alaris will have approximately \$190 million drawn on its senior credit facility (the "Facility") and \$160 million available for investment purposes (\$110 million available under the Facility and \$50 million available on the accordion) while the total senior debt to EBITDA on a proforma basis is approximately 1.85x. Alaris estimates its run rate payout ratio to be approximately 88% following today's announcement.

"Alaris is extremely pleased to have been selected by Amur as their equity partner. With a long track record of success, a young, committed management team that refused to give up control, consistent profitability, an immaculate balance sheet and a well-diversified, fee-based revenue stream, Amur provides everything that we look for in a partner. This also marks the first time that Alaris has invested in a partner not only for preferred shares but also common shares. Given the company's consistent growth and their policy of paying out excess cash as common dividends, this was a very attractive opportunity for us. In addition to allowing us to be the successful bidder on this transaction, we believe that the inclusion of common shares will increase our total returns while still contributing consistent cash yield to our shareholders," said Steve King, President and Chief Executive Officer, Alaris.

New Partner - Amur Financial

Amur was founded over 30 years ago and is one of Canada's leading fully integrated independent originator,

manager and servicer of home equity loans. Amur's business model revolves around home equity loans to homeowners who are looking to use the equity in their homes to fund debt consolidation, home renovations or other uses. Amur has two main revenue streams, Mortgage Origination (Alpine Credits) and Investment Management. Amur originates loans under the Alpine Credits brand which was established in 1969 and has generated over \$1.1 billion in home equity loans over the last five years. Success in origination has been driven by a distinctive sourcing model and innovative advertising campaigns. Mortgages originated by the Company are primarily funded directly by three Mortgage Investment Corporations ("MICs") that Amur has exclusive relationships with. Amur is the investment manager for the managed MICs and the administrator for all sold mortgages.

Alpine, the largest source of income for Amur, carries minimal balance sheet risk as the mortgages that Alpine originates are underwritten directly by the MICs or third-party lenders. Alpine is diversified across Canada with primary focus on BC, Alberta, Ontario and recently Quebec. Alpine operates a very nimble structure with a focus on a virtual presence rather than the traditional bricks and mortar set up. This allows Alpine to shift advertising dollars quickly to different markets as dynamics change, which allows them to focus on markets that are robust while scaling back in markets that are dealing with potential and current headwinds.

"Our executive team spent a significant amount of time reviewing its recapitalization options. Almost immediately Alaris stood out as the best fit. With a focus on supporting our long-term growth aspirations, and not a quick exit, it was clear that Alaris' investment model was designed specifically for companies like ours. We look forward to working with a great group of professionals and are proud to be a part of the Alaris group of companies," said Kurt Wipp, Managing Director, Amur Financial.

ABOUT THE CORPORATION:

Alaris provides alternative financing to private companies ("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-GAAP MEASURES:

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. Run Rate Payout Ratio refers to Alaris' total 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).

EBITDA refers to net earnings (loss) of a Partner 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. Normalized EBITDA refers to the EBITDA of a Partner excluding items that are non-recurring in nature and is calculated by adjusting for nonrecurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that its Partner incurs outside of its common day-to-day operations.

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 impact of the Amur Contribution (including the impact on revenues, distributions, run rate payout ratio, total senior debt to EBITDA and net cash from operating activities); the Amur Distributions (including adjustments thereto); expectations for dividends on the Amur Common Equity; outstanding indebtedness on the Facility; and Amur's earnings coverage ratio. Many of these statements can be identified by 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 (including the impact on revenues, distributions, run rate payout ratio, total

senior debt to EBITDA and net cash from operating activities), 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 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 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 of a Partner (or Partners) to realize on their anticipated growth strategies; a failure to achieve resolutions for outstanding issues with Partners on terms materially in line with management's expectations or at all; 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, 2018, 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 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.

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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. Neither the TSX nor its Regulatory Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

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