

Alaris Royalty Corp. Announces Sandbox Sale

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CALGARY, Feb. 28, 2020 - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX: AD) is announcing today the sale (the "Sandbox Sale") of Sandbox Acquisitions, LLC ("SA LLC") and Sandbox Advertising Limited Partnership ("SA LP" and, together with SA LLC, "Sandbox") to a third-party buyer (the "Buyer"). As a result of the Sandbox Sale, Alaris received total consideration of approximately \$32,609,236 (the "Consideration") consisting of: (i) \$20,003,644 for the senior debt ("Senior Debt") Alaris held in Sandbox; (ii) \$1,916,903 for unpaid interest on the Senior Debt; (iii) \$9,144,448 for a partial repurchase of preferred equity held by Alaris in SA LLC, including \$4,115,000 escrowed for working capital adjustments and indemnity obligations (the "Escrowed Cash"); and (iv) accrued distributions on the preferred equity of \$1,544,241. Alaris may also receive up to an additional \$2,000,000 ("Earnout Proceeds") pursuant to an earnout if certain financial performance criteria are satisfied. The Sandbox Sale closed on February 28, 2020. Unless otherwise stated all references to dollars are references to United States dollars.

The aggregate payments to Alaris on closing, less the Escrowed Cash and Earnout Proceeds, equals total cash ("Total Cash") of \$28,494,236. The Earnout Proceeds and Escrowed Cash, if released to Alaris, will be paid out over the next 24 months and will be used to redeem additional preferred equity in SA LLC held by Alaris.

The Sandbox Sale resulted in returns much lower than Alaris had initially anticipated, following a material reduction in the initial offer of the Buyer. Based on the Consideration and the \$20,209,774 of distributions paid to Alaris by Sandbox over the course of our partnership, the overall IRR on the investment is between -9% and -16% depending on the amount, if any, of Escrowed Cash and Earnout Proceeds received by the Corporation. The net result of the previously announced redemption of Sales Benchmark Index, LLC and the Sandbox Sale (whether or not Alaris receives any Escrowed Cash) is an immaterial change to the Corporation's total combined historical IRR of 17% on exited investments.

Alaris used the Total Cash from the Sandbox Sale to reduce its senior credit facility (the "Facility"). After today's announcements, Alaris will have approximately CAD\$131,500,000 drawn on the Facility and CAD\$248,500,000 available for investment purposes (CAD\$198,500,000 available under the Facility and CAD\$50,000,000 available on the accordion feature) while the total senior debt to EBITDA on a proforma basis is approximately 1.45x. Alaris estimates its Run Rate Payout Ratio to be under 93% following today's announcements.

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-IFRS MEASURES:

Run Rate Payout Ratio refers to Alaris' total dividend per share expected to be paid over the next 12 months divided by the estimated net cash from operating activities per share Alaris expects to generate over the same 12 month period (after giving effect to the impact of all information disclosed as of the date of this report).

IRR refers to internal rate of return, which is a metric used to determine the discount rate that derives a net present value of cash flows to zero. Management uses IRR to analyze partner returns.

The terms Run Rate Payout Ratio and IRR (the "Non-IFRS Measures") are not a standard measure under IFRS. Alaris' calculation of the Non-IFRS Measures may differ from those of other issuers and, therefore, should only be used in conjunction with the Corporation's annual audited financial statements, which are

available under the Corporation's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This news release contains forward-looking statements, including forward-looking statements within the meaning of "safe harbor" provisions under applicable securities laws ("forward-looking statements"). Statements other than statements of historical fact contained in this news release may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning: the Sandbox Sale (including the release of any Escrowed Cash, the payment of the Earnout Proceeds, future redemptions of preferred equity of SA LLC held by Alaris and Alaris' IRR on the Sandbox investment); uses of the undrawn portion of the Facility; and Alaris' Run Rate Payout 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. Any forward-looking statements herein which constitute a financial outlook or future-oriented financial information (including the impact on revenues, distributions to be received from Partners, Run Rate Payout Ratio, the Corporation's IRR and total senior debt to EBITDA) were approved by management as of the date hereof and have been included to provide an understanding of 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% of the current U.S./Canadian dollar exchange rate over the next 12 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.

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 failure of the Sandbox business to meet any earnout conditions or the release conditions for the Escrowed Cash; 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' 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.

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 Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this release.

SOURCE [Alaris Royalty Corp.](#)

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