

# Alaris Royalty Corp. Releases 2012 Financial Results

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CALGARY, March 14, 2013 - [Alaris Royalty Corp.](#) (TSX:AD) ("Alaris" or the "Corporation") today announced its results for the year ended December 31, 2012. The results are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2012 was another significant year for the Corporation as it continued to focus on five main "pillars" aimed at providing a more secure dividend stream to Alaris shareholders. They are as follows:

## 1. Diversification

- Added two new Partners, Labstat International Limited Partnership ("Labstat") in June and Agility Health LLC ("Agility") in December.

## 2. Growth

- The addition of Labstat and Agility provided for growth to Alaris' net cash from operating activities.
- The Corporation completed follow-on contributions into KMH Limited Partnership ("KMH") in November and December and Killick Aerospace Limited Partnership ("Killick") in December.
- Alaris increased its monthly dividend twice for a total increase of 10.5% and provided a total annual return to shareholders of approximately 40%.

## 3. Reducing Volatility

- The Corporation negotiated collars on the maximum increase or decrease of the annual distributions from Labstat and Agility.
- The Corporation realized organic growth from current Partners of 2.2%.

## 4. Visibility

- Revenues from the Corporation's ten partners for 2013 are already determined.
- The Corporation has predictable and low general and administrative expenses.

## 5. Liquidity

- The Corporation's float increased by 18% in 2012 and daily trading volume continues to grow.

The Corporation's focus on these five pillars translated into partner revenues for the year ended December 31, 2012 increasing 49% to \$32.1 million from \$21.5 million in 2011. The increase was due to the addition of three new private company partners in the past thirteen months (Quetico LLC in December 2011 and Labstat and Agility in 2012) as well as follow on contributions in KMH and Killick.

For the year ended December 31, 2012, the Corporation recorded earnings of \$18.0 million and EBITDA and Normalized EBITDA of \$25.9 million, compared to earnings of \$34.7 million, EBITDA of \$43.8 million and Normalized EBITDA of \$16.1 million in the prior year. The increase in Normalized EBITDA in the current year is due to having a full year of revenues from Quetico and a half year from Labstat, along with increased revenue from KMH due to follow on contributions. EBITDA and earnings decreased compared to 2011 as the Corporation recorded a significant gain on the reduction of the Corporation's financial interests in LifeMark Health Limited Partnership ("LifeMark") and MEDlchair Ltd ("MEDlchair").

"2012 was another excellent year for Alaris and its shareholders. We were able to increase our dividend twice in the year as we added great new partners in established and profitable businesses with high quality management teams; and contributed more capital into current partners who have been performing well. We

funded our growth with successful bought deal financings in June 2012 and again in January 2013, and have a balance sheet that has us well positioned for further successes in 2013" said Stephen King, CEO, [Alaris Royalty Corp.](#)

### Reconciliation of Earnings to EBITDA

(thousands)	Dec 31, 2012	Dec 31, 2011
Earnings	\$18,036	\$34,712
Adjustments to Earnings:		
Amortization	108	143
Interest	1,033	1,235
Deferred income tax expense	6,688	7,729
EBITDA	\$25,865	\$43,819
Normalizing Adjustments:		
Gain on reduction of LifeMark interest	-	23,816
Gain on sale of intangible assets	-	3,892
Normalized EBITDA	\$25,865	\$16,111

### Outlook

Alaris' agreements with its partner companies (its "Private Company Partners") provide for estimated revenues to Alaris of approximately \$44.7 million for 2013. Revenues from our Private Company Partners for the three months ended March 31, 2013 are expected to be \$10.8 million. The Corporation has \$36 million remaining on its \$50.1 million credit facility for use in future transactions. General and administrative expenses are currently estimated to be \$4.0 million for 2013, inclusive of all public company costs. Cash requirements after earnings are expected to remain at minimal levels.

The Consolidated Statement of Financial Position, Statement of Comprehensive Income, and Statement of Cash Flows are attached to this news release. Alaris' financial statements and MD&A will be available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.alarisroyalty.com](http://www.alarisroyalty.com).

An updated corporate presentation is available on the Corporation's website.

### About the Corporation:

Alaris provides alternative financing to the Private Company Partners in exchange for royalties or distributions with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Royalties or distributions from the Private Company Partners are structured as a percentage 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

The terms EBITDA and Normalized EBITDA are financial measures used in this news release that are not standard measures under International Financial Reporting Standards ("IFRS"). The Corporation's method of calculating EBITDA and Normalized EBITDA may differ from the methods used by other issuers. Therefore, the Corporation's EBITDA and Normalized EBITDA may not be comparable to similar measures presented by other issuers.

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 an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Corporation's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends. The Corporation has provided a reconciliation of net income to EBITDA in this news release.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature, such as gains on the reduction of interests in Private Company Partners.

The terms EBITDA and Normalized EBITDA should only be used in conjunction with the Corporation's

annual audited and quarterly reviewed financial statements, excerpts of which are available below, while complete versions are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Forward-Looking Statements

*This news release contains forward-looking statements under applicable securities laws. Statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning the growth, results of operations, performance of the Corporation and the Private Company Partners, the, the future financial position or results of the Corporation, business strategy, and plans and objectives of or involving the Corporation or the Private Company Partners. 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. In particular, this news release contains forward-looking statements regarding the anticipated financial and operating performance of the Private Company Partners in 2013, the revenues to be received by Alaris and its general and administrative expenses in 2013, and the cash requirements of the Corporation in 2013.*

*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 in 2013 and how that will affect Alaris' business and that of its Private Company 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 in 2013, that interest rates will not rise in a material way over the next 12 to 24 months, that the Private Company Partners will continue to make distributions to Alaris as and when required, that the businesses of the Private Company Partners will continue to grow, that the Corporation will experience positive resets to its annual royalties and distributions from its Private Company Partners in 2013, more private companies will require access to alternative sources of capital, 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 5% of par relative to the U.S. dollar. 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 Private Company 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 Private Company Partners; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefit of Alaris' financing arrangements with the Private Company Partners; government regulations; and risks relating to the Private Company Partners and their businesses. Additional risks that may cause actual results to vary from those indicated are discussed under the heading "Risk Factors" in the Corporation's Annual Information Form for the year ended December 31, 2012, which is filed under the Corporation's profile at [www.sedar.com](http://www.sedar.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.*

Alaris Royalty Corp.

Consolidated statement of financial position

December 31 December 31

2012 2011

Assets

Cash and cash equivalents \$3,638,255 \$3,888,465

Prepayments 182,811 119,508

Trade and other receivables 3,417,642 3,443,679

Current Assets 7,238,708 7,451,652

Promissory note receivable 1,250,000 -

Equipment 59,881 66,743

Intangible assets 6,570,201 6,661,138

Preferred LP Units 298,226,402 207,408,290

Investment tax credit receivable 10,922,393 10,922,393

Deferred income taxes 8,673,125 13,967,984

Non-current assets 325,702,002 239,026,548  
Total Assets \$332,940,710 \$246,478,200

#### Liabilities

Accounts payable and accrued liabilities \$1,805,561 \$1,546,705  
Dividends payable 2,345,347 1,850,145  
Income taxes payable 40,585 67,590  
Current Liabilities 4,191,493 3,464,440  
Loans and borrowings 50,000,000 6,500,000  
Non-current liabilities 50,000,000 6,500,000  
Total Liabilities \$54,191,493 \$9,964,440

#### Equity

Share capital 252,016,172 \$200,822,160  
Equity reserve 2,930,483 4,626,500  
Fair value reserve 2,336,689 2,292,939  
Translation reserve (265,220 ) (124,947 )  
Retained earnings 21,731,093 28,897,108  
Total Equity \$278,749,217 \$236,513,760

Total Liabilities and Equity \$332,940,710 \$246,478,200

#### Alaris Royalty Corp.

Consolidated statement of comprehensive income  
Years ended Dec 31

2012 2011

#### Revenues

Royalties and distributions \$32,089,405 \$21,497,960  
Interest and other 16,509 68,408  
Gain on reduction of partner interests - 23,815,973  
Gain on sale of intangible assets - 3,891,560  
Total Revenue 32,105,914 49,273,901

Salaries and benefits 1,796,174 1,875,508  
Corporate and office 971,072 859,727  
Legal and accounting fees 1,330,689 556,621  
Non-cash stock-based compensation 1,901,683 1,978,727  
Depreciation and amortization 107,633 143,244  
Subtotal 6,107,251 5,413,827  
Earnings from operations 25,998,663 43,860,074  
Finance costs 1,033,392 1,235,348  
Unrealized foreign exchange loss 241,794 183,060  
Earnings before taxes 24,723,477 42,441,666  
Deferred income tax expense 5,978,701 7,661,200  
Current income tax expense 709,173 68,022  
Total income tax expense 6,687,874 7,729,222  
Earnings 18,035,603 34,712,444

#### Other comprehensive income

Net change in fair value of Preferred LP units 50,000 1,093,437  
Tax impact of change in fair value (6,250 ) (136,679 )  
Realized gain on reduction of partnership interest - (24,015,973 )  
Tax impact of realized gain - 3,001,997  
Foreign currency translation differences (140,273 ) (124,947 )  
Other comprehensive income for the year, net of income tax (96,523 ) (20,182,165 )  
Total comprehensive income for the year \$ 17,939,080 \$ 14,530,279

#### Earnings per share

Basic earnings per share \$0.86 \$2.04  
Fully diluted earnings per share \$0.84 \$1.97

#### Weighted average shares outstanding

Basic 20,934,899 17,036,346  
Fully Diluted 21,475,993 17,595,740

#### Alaris Royalty Corp.

Consolidated statement of cash flows

Years ended Dec 31

2012 2011

Cash flows from operating activities

Earnings from the year \$18,035,603 \$34,712,444

Adjustments for:

Finance costs 1,033,392 1,235,348

Deferred income tax expense 5,978,701 7,661,200

Depreciation and amortization 107,633 143,244

Gain on sale of intangible asset and reduction of partner interests - (27,707,533 )

(Gain)/Loss on foreign exchange forward contract 3,750 (21,864 )

Unrealized foreign exchange loss 241,794 183,060

Non-cash stock-based compensation 1,901,683 1,978,727

27,302,556 18,184,626

Change in:

-trade and other receivables 26,037 (2,755,165 )

-prepayments (63,303 ) 223,676

-trade and other payables 231,851 192,303

Cash generated from operating activities 27,497,141 15,845,440

Finance costs (1,033,392 ) (1,235,348 )

Net cash from operating activities \$26,463,749 \$14,610,092

Cash flows from investing activities

Acquisition of equipment (9,835 ) (12,979 )

Acquisition of Preferred LP Units (91,141,585 ) (78,948,286 )

Proceeds from sale of intangible asset and reduction of partner interests - 65,000,000

Net cash used in investing activities \$(91,151,420 ) \$(13,961,265 )

Cash flows from financing activities

New share capital, net of share issue costs 46,286,377 37,830,223

Proceeds from exercise of warrants - 3,988,875

Proceeds from exercise of options 607,500 112,675

Repayment of debt (49,000,000 ) (66,700,000 )

Proceeds from debt 92,500,000 44,000,000

Promissory notes issued (1,250,000 ) -

Dividends paid (24,464,678 ) (17,560,350 )

Payments in lieu of dividends on RSUs (241,738 ) (248,653 )

Net cash used in financing activities \$64,437,461 \$1,422,770

Net increase/(decrease) in cash and cash equivalents (250,210 ) 2,071,597

Cash and cash equivalents, Beginning of year 3,888,465 1,816,868

Cash and cash equivalents, End of year \$3,638,255 \$3,888,465

**NOT FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW.**

## Contact

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