

Alaris Royalty Corp. to Contribute USD\$66 Million to a New Private Company Partner, Has Entered Into a \$92 Million Bought Deal Financing and Plans to Increase Its Dividend by Six Cents Annually

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CALGARY, ALBERTA -- (Marketwired - June 25, 2013) - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce that it has entered into a subscription agreement (the "Subscription Agreement") with Sequel Youth and Family Services, LLC ("Sequel") pursuant to which Alaris will contribute USD\$66,000,000 (the "Sequel Contribution") to Sequel. Closing of the Sequel Contribution is subject to customary closing conditions and is anticipated to take place on or about July 1, 2013. The Corporation is also pleased to announce that it has entered into a \$92,082,000 bought deal financing ("Bought-Deal") with Acumen Capital Finance Partners Limited (the "Lead Underwriter") on behalf of a syndicate of underwriters (the "Underwriters") and will use the net proceeds to reduce indebtedness under the Corporation's senior credit facility (the "Facility") as well as for general working capital purposes. Lastly, Alaris is pleased to announce that, subject to the closing of the Sequel Contribution, it will be increasing its monthly dividend per share by \$0.005 to \$0.12 from \$0.115 (the "Dividend Increase"), which represents an annual dividend of \$1.44 (\$1.38 previously).

New Partner

Pursuant to the Subscription Agreement, Alaris will make the Sequel Contribution in exchange for a pre-tax annual preferred distribution of USD\$9,900,000 (the "Sequel Distribution") for the first full year after the Sequel Contribution, which represents an expected initial pre-tax return of 15.0%. Commencing on July 1, 2014, the Distribution will be adjusted annually based on the percentage change in modified same program revenue over that 12 month period, subject to a collar of 5%. The Sequel Contribution will be funded with funds drawn on the Facility, which was temporarily increased to \$100,000,000 for the purposes of the Sequel Contribution.

Sequel is a privately owned company founded in 1999 which develops and operates programs for people with behavioral, emotional, or physical challenges. Sequel offers a broad continuum of treatment options for children, adolescents, and adults. Its treatment options include; long-term residential treatment, short-term impact programs, shelter care, therapeutic group homes, therapeutic foster care, community-based services, in-home services, and alternative education programs. Sequel's populations include adjudicated youth, children with autism, and children, adolescents and adults with physical disabilities or sexual, substance abuse, emotional, or conduct disorders. Sequel operates in 17 states and serves clients from over 36 states. Sequel has an employee base of over 3,300 full and part time employees. More information about the Company can be found on its website at www.sequelyouthservices.com.

"Behavioural health is a burgeoning industry due to the growing acceptance and recognition of mental health issues that affect a large percentage of our population. Sequel is one of the leaders in this industry and has shown a tremendous track record of the highest quality in patient care as well as growing, stable operations." said Steve King, President and CEO, Alaris. "At closing, we will be proud to call Sequel our 12th and largest partner and we also believe that there are extensive growth opportunities in this sector. We are thrilled to be partnering with Sequel management on their long term business plan".

"Sequel is delighted to be partnering with Alaris. The financial architecture of the Alaris preferred equity investment allows us to think long-term about what's best for all of our stakeholders without having to plan for a liquidity event in the next five-to-seven years. We've been thrilled with our interactions with the Alaris leadership team so far, and look forward to working with them to create the premier behavioral health company in the USA moving forward", said Jay Ripley, Co-Chairman, Sequel Youth and Family Services.

Bought Deal Financing

The Corporation has entered into an agreement with the Underwriters, led by Acumen Capital Finance Partners Limited and including Cormark Securities Inc., RBC Capital Markets Inc., Canaccord Genuity Corp., National Bank Financial Inc., and Raymond James Ltd., pursuant to which the Corporation will sell and the Underwriters will purchase, on a Bought-Deal basis, subject to regulatory approval, 2,980,000 subscription receipts of the Corporation (the "Subscription Receipts") at a price of \$30.90 per Subscription Receipt for total gross proceeds of \$92,082,000 (the "Offering"). The Corporation has also granted the Underwriters an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 447,000 Subscription Receipts at the same price and on the same terms as the Offering, exercisable in whole or in part, at any time, for a period of up to 30 days following closing of the Offering to cover over-allotments. Total proceeds will be \$105,894,300 if the Over-Allotment Option is exercised in full.

Each Subscription Receipt will represent the right to receive one Common Share without the payment of any additional consideration, on the closing of the Sequel Contribution. The proceeds of the Offering will be deposited in escrow pending the closing of the Sequel Contribution. If the Sequel Contribution closes on or before July 31, 2013, the net proceeds of the Offering will be released to Alaris and used by Alaris to reduce debt outstanding on its Facility, which was temporarily increased for the purposes of the Sequel Contribution, and for general working capital purposes. If the Sequel Contribution is not completed on or before July 31, 2013 or is terminated at an earlier time, holders of Subscription Receipts will receive, for each Subscription Receipt held, a cash payment equal to the offering price per Subscription Receipt and any interest earned thereon during the term of the escrow.

Alaris is expecting to carry an undrawn balance on its Facility and approximately \$4,000,000 of cash on its balance sheet following the closing of the Offering, if the Over-Allotment Option is exercised in full and approximately \$8,000,000 of debt if it is not.

The Subscription Receipts will be offered in each of the provinces of Canada, other than the province of Québec, by way of a short form prospectus. The Offering is expected to close on or about July 16, 2013. Completion of the Offering is subject to certain conditions, including, without limitation, the receipt of all necessary regulatory approvals, including the approval of the Toronto Stock Exchange.

Dividend Increase

The Sequel Distribution is expected to result in an increase to Alaris' net cash from operating activities of approximately \$0.16 per share (on an annualized basis based on the currently issued and outstanding shares), of which, the Corporation will be passing on \$0.06 per share (on an annualized basis based on the currently issued and outstanding shares) by way of the Dividend Increase. The first dividend for which this Dividend Increase will apply, subject to the closing of the Sequel Contribution, is the dividend expected to be paid on August 15, 2013 to shareholders of record on July 31, 2013.

At the new monthly dividend level of \$0.12 per share, management estimates Alaris' payout ratio to be approximately 80% giving effect to the Offering and the Sequel Contribution versus 84% prior to the Sequel Contribution and Offering.

About Alaris

The Corporation provides alternative financing to a diversified group of private businesses ("Private Company Partners") in exchange for royalties or distributions from the Private Company Partners, with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Royalties or distributions to Alaris from the Private Company Partners are structured as a percentage of a "top line" financial performance measure such as gross margin, same clinic sales, gross revenues and same-store sales and rank in priority to the owners' common equity position.

Non IFRS Measures

Payout Ratio: The term "payout ratio" is a financial measure used in this news release that is not a standard measure under International Financial Reporting Standards. The Corporation's method of calculating payout ratio may differ from the methods used by other issuers. Therefore, the Corporation's payout ratio may not be comparable to similar measures presented by other issuers. Payout ratio means Alaris' annualized dividend payable per share (after giving effect to the Dividend Increase) over the next twelve months divided by its expected net cash from operating activities over the next 12 months. The payout ratio should only be used in conjunction with the Corporation's annual audited and quarterly reviewed financial statements, which

are available on SEDAR at www.sedar.com.

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 closing of the Sequel Contribution; the amount of the Sequel Distribution; the return to Alaris on the Sequel Contribution; the anticipated increase in net cash from operating activities; the estimated payout ratio; the Dividend Increase and the timing thereof; the use of proceeds of the Offering and the closing thereof; the indebtedness under the Facility; Alaris' cash position following the Offering; and the jurisdictions and method of Offering. 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, including, without limitation, the estimated increase in net cash from operating activities and payout ratio, 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.

Statements containing forward-looking information by their nature involve numerous assumptions and significant known and unknown facts and uncertainties of both a general and a specific nature. Key assumptions include, but are not limited to assumptions that: the Private Company Partners will continue to grow and may require additional capital from Alaris in the future; the Canadian and U.S. economies will grow moderately over the next 12 to 24 months; interest rates will not rise in a material nature over the next 12 to 24 months; more private companies will require access to alternative sources of capital; and the Corporation will obtain required regulatory approvals on a timely basis. In determining the Corporation's expectations for economic growth, management primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

The forward-looking statements contained herein are subject to numerous known and unknown risks that may cause actual results to vary from those set forth in the forward-looking statements, including, but not limited to risks associated with: general economic conditions and changes in the financial markets; risks associated with the Private Company Partners and their respective businesses; a change in the ability of the Private Company Partners to continue to pay Alaris' preferred distributions; failure to obtain required regulatory approvals on a timely basis or at all; a failure to complete or realize the anticipated benefits of the Sequel Contribution and changes in legislation on government regulations and the interpretations thereof. In addition, the information set forth under the heading "Risk Factors" in the Corporation's Annual Information Form dated March 13, 2013 (a complete copy of which can be found on SEDAR at www.sedar.com) identifies additional factors that could affect the operating results and performance of the Corporation and may cause the actual results of the Corporation to differ materially from those anticipated in forward-looking statements.

As forward-looking statements are subject to risks, uncertainties and assumptions and should not be read as guarantees or assurances of future performance. 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.

This press release does not constitute an offer of the Subscription Receipts, or the Common Shares issuable pursuant thereto, for sale in the United States. Neither the Subscription Receipts, nor the Common Shares issuable pursuant thereto, have been registered under the United States Securities Act of 1933, (the "1933 Act") as amended, and may not be offered or sold within the United States absent registration or an exemption from registration under the 1933 Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

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.

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