Alaris Royalty Corp. Announces a Follow-on Contribution, an Increased Credit Facility, Terms of an Agreement With Labstat's Senior Lenders, Operational Guidance and a Message From Its President

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CALGARY, ALBERTA -- (Marketwired - Jan. 6, 2014) - Alaris Royalty Corp. ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce the following items: (i) a $5,000,000 follow-on contribution to Killick Aerospace Limited LP ("Killick") in exchange for additional annual distributions of $714,000; (ii) a permanent increase in borrowing capacity on the Corporation's revolving credit facility (the "Facility") to $75,000,000 from $50,000,000; (iii) an agreement in principle with Labstat International ULC ("Labstat") and its senior lenders ("Labstat's Senior Lenders") which will see Alaris contribute $6,000,000 to Labstat in exchange for additional preferred units in Labstat. Along with Alaris' additional contribution, Labstat will use $1,000,000 of cash on hand to reduce its senior debt by $7,000,000. All terms are subject to final credit approval and settlement of definitive documentation, which is expected by January 31, 2014; (iv) the conversion of a $3,000,000 short-term note in LMS Reinforcing Steel Group LP ("LMS") for additional preferred units in LMS, which carry an additional annual distribution of $480,000 plus the anticipated percentage increase in the performance metric for the periods ended December 31, 2013 compared to December 31, 2012; (v) positive guidance on distribution resets from a number of Alaris' Private Company Partners (as defined herein) with a net increase in distributions estimated for 2014; and (vi) a message from Alaris' President and CEO, Steve King. An updated corporate presentation will be posted to the Corporation's website today, which can be found under the "investor briefcase" section located at www.alarisroyalty.com.

(i) Follow-on contribution to Killick

On December 24, 2013, Alaris provided $5,000,000 to Killick (the "Additional Killick Contribution") in exchange for an additional annual distribution of $714,000 (the "Additional Killick Distribution") in the first year following the Additional Killick Contribution. Alaris funded the Additional Killick Contribution with its Facility and has now contributed a total of $41,250,000 to Killick in three separate transactions since July 2011. Alaris is expecting to collect approximately $6,805,000 of distributions from Killick over the next 12 months compared to the $5,892,000 of distributions it collected in 2013. This includes the Additional Killick Distribution and an anticipated 4% increase on Killick's 2013 distributions when that distribution resets on July 1, 2014. The 4% increase is a result of the exceptional performance of Killick's underlying businesses resulting in an anticipated increase in 2013 net sales far greater than the 4% collar on Alaris' distributions. This will be the third consecutive positive increase since partnering with Killick in July 2011.

Killick used the proceeds from Alaris as well as debt from its existing credit facility to acquire a business which is complementary to its existing operations, which further strengthens the service offerings of Killick.

(ii) Increased credit facility

Alaris has agreed to terms with the syndicate of lenders (the "Syndicate") under the Facility to increase its borrowing limit to $75,000,000 from $50,000,000 and to reduce the standby fees the Corporation pays on any undrawn portions of the Facility. The terms of the amended credit agreement are effective Dec 31, 2013. As of today's announcement, Alaris has a balance of $44,500,000 outstanding on its Facility.

"Increasing the borrowing limit of the Facility by $25,000,000 gives us more flexibility as we use the Facility to grow our business with contributions to new and existing Private Company Partners. The increase in the Facility shows the confidence the Syndicate has in our underlying business. If Alaris fully utilizes the Facility, it would still be well below the 1.70x debt to EBITDA covenant under the Facility. Therefore, leverage on the Corporation's balance sheet is still quite low," said Darren Driscoll, Chief Financial Officer, Alaris Royalty

Corp.

(iii) Terms of agreement with Labstat and its Senior Lenders

Subject to Labstat's Senior Lenders receiving final credit committee approval and completion of the definitive documentation, Alaris has an agreement in principle with Labstat's Senior Lenders and Labstat, similar to what Alaris disclosed in the November 14, 2013 press release and Q3 2013 Management Discussion and Analysis. Alaris has agreed to contribute an additional $6,000,000 (the "Additional Labstat Contribution") for additional preferred units in Labstat (the "Additional Labstat Units"). This amount, along with $1,000,000 of cash on hand from Labstat will be used to reduce the outstanding balance of Labstat's senior debt ("Labstat's Senior Debt") by a total of $7,000,000. This process will bring Labstat's leverage ratio to an acceptable level for all parties. Alaris has also agreed to take a lower fixed amount for its annual distribution, while sharing in the "sweep" of excess cash as long as Labstat meets certain financial covenants each quarter. Labstat's Senior Lenders have also agreed to lower the annual amortization on the Labstat Senior Debt for the remaining term. Alaris believes these adjustments will provide Labstat with the appropriate capital structure to continue to be a successful business in 2014 and beyond.

Following the Additional Labstat Contribution of $6,000,000, which is expected to take place by the end of January 2014, Alaris will have contributed a total of $47,200,000 to Labstat ("Total Labstat Contributions"). Alaris' distributions will now be based on this amount with the fixed portion of the distribution now equaling approximately $3,420,000 over the next 12 months while the variable "sweep" portion can increase the total annual distributions up to approximately $6,670,000, which is the maximum level of distributions permitted under the partnership agreement for 2014 after giving effect to an estimated 6% reduction in the $6,180,000 of distributions in 2013, which is based on the performance metric calculation for the periods ended December 31, 2013 compared to December 31, 2012, as well as the distributions on the Additional Labstat Contribution. Based on a budget prepared by management of Labstat and provided to Alaris, Alaris expects to collect approximately $4,300,000 of the $6,670,000 from Labstat in 2014. This estimate does not include Labstat generating any revenue from the anticipated regulatory testing that will arise from the Family Smoking Prevention and Tobacco Control Act (the "Tobacco Control Act" or the "Act") when certain regulations under the Act are fully implemented. Revenue from such work should lead to an increase in Alaris' estimate for 2014 distributions from Labstat. Alaris also previously provided long-term loans totaling $6,915,000 to Labstat, which carry an average rate of interest of 8.4%. Alaris does not expect these loans to be repaid within the next 12 months.

Labstat's core business of regulatory tobacco testing in Canada and non-regulatory testing for global tobacco manufacturers remains strong and generates sufficient cash flow to support all capital commitments under the proposed revised capital structure. Alaris invested at a time when Labstat was generating revenue from tobacco manufacturers conducting pre-testing in anticipation of the implementation of new regulations in the United States under the Tobacco Control Act. This revenue was expected to continue as the U.S. Food and Drug Administration ("FDA") moved towards final implementation of certain regulations under the Tobacco Control Act, which relate to the testing services Labstat will provide to its customers. However, these regulations have been delayed, which resulted in manufacturers delaying further regulatory testing until a point in time in which the final guidance is given and these specific regulations are fully implemented. This caused the trailing twelve months EBITDA of Labstat to decrease and is the reason for today's announced changes. Alaris remains confident in Labstat's business and anticipates that the annual distribution from Labstat will eventually return to the amount prescribed under the partnership agreement.

(iv) Conversion of $3,000,000 in short-term notes for additional preferred equity in LMS

On December 31, 2013, Alaris converted $3,000,000 of the $6,000,000 in short-term notes (the "LMS Conversion") it had previously provided to LMS into additional preferred units in LMS (the "Additional LMS Units"). The Additional LMS Units provide Alaris with additional annual distributions (the "Additional LMS Distributions") from LMS of $480,000 plus the percentage increase in gross profit for the year ended December 31, 2013 compared to the year ended December 31, 2012 in the first full year following the LMS Conversion. Alaris expects the remaining $3,000,000 of short-term notes to be repaid by LMS, or converted for additional preferred units, within the next six months. The short-term notes were originally provided to LMS so that it could make an opportunistic purchase of steel inventory.

As a result of the continued strong performance of LMS, and based on unaudited internal financial reports provided to Alaris by LMS for the 10 month period ended October 31, 2013, Alaris is expecting a meaningful increase in its distributions upon the reset dates (January 1, 2014 on the original tranche and April 1, 2014 on the second tranche). Alaris' distributions from LMS are adjusted based on the change in gross profit year over year. Based on the information currently available to it, Alaris is estimating an annualized distribution of approximately $3,500,000 from LMS for 2014, which includes the Additional LMS Distributions as well as an anticipated increase in the 2013 distributions for 2014 compared to $2,457,000 of distributions from LMS in 2013. Alaris expects audited results from LMS for its 2013 fiscal year by the end of March 2014 and will provide an update if the results vary significantly from what Alaris is using in its guidance today.

(v) Guidance on distributions resets from a number of Alaris' Private Company Partners

Alaris feels confident at this time, based on unaudited internal reporting from its Private Company Partners that it will receive a net increase in partner distributions from its Private Company Partners in 2014 based on the calculation of performance metrics from LMS, Solowave, Quetico, Agility, Labstat and KMH, which have January 1, 2014 reset dates as well as the automatic 4% increase in Alaris' distribution from LifeMark, which will take place on July 1, 2014 and will increase the annual distribution from LifeMark to approximately $4,115,000 from $3,957,000. Also, as mentioned earlier in this announcement, Alaris expects Killick's distribution to go up 4% effective July 1, 2014 based on unaudited information provided by Killick's management. SCR's distribution is fixed until January 1, 2016 and the SM Group's distribution does not get adjusted until January 1, 2015. Other partners such as End of the Roll (May 1 adjustment) and Sequel Health (July 1 adjustment) have resets later in 2014 and there have not been enough reporting periods in each of their fiscal years to make an estimate for adjustments at this time.

Message to Alaris shareholders from Alaris' President

Over the course of the last ten years, the management and directors of Alaris have built a company that has created returns for its shareholders well in excess of the broader market. We have also created a company that has been able to produce net cash from operating activities with a low amount of volatility in that cash flow, even in a very volatile economic climate. Since becoming a publicly traded entity in November, 2008, Alaris has paid out more than $107 million in cash dividends to its shareholders. In addition to our unique structure of receiving preferred distributions from our long-standing, profitable Private Company Partners, a key to our track record has been diversifying our revenue base. We will collect approximately $63.2 million in revenue from 12 Private Company Partners over the next 12 months. This diversity is essential in that it limits the impact of potential business risk that is present in any one company. The benefits of this strategy became very clear with the recent problems with one of our smallest partners, SHS Services Management LP. Because of our diversification, we are able to maintain our current level of dividend payments to shareholders ($1.44 per share annualized) while maintaining an estimated payout ratio of approximately 80% of our net cash from operating activities following today's announcements. The impact of a decline in distributions from Labstat is also mitigated by the anticipated net gains in distributions being received from our other partner companies and the additional distributions as described in this press release. Over time, we expect organic growth in our distributions to average between 3 and 5 percent given the fact that these are old economy, mature businesses and also given the fact that 70% of Alaris' distributions are governed by a volatility-reducing collar that keeps them in a fairly narrow band. Our historical results also supports this expectation.

The key, as it has always been, for sustaining our track record of dividend increases, is to continue adding quality new partners that provide distributions at attractive yields while also increasing our diversification. In 2012, Alaris deployed approximately $90 million in capital. This led to a 10% dividend increase in that year. In 2013, Alaris deployed approximately $170 million of capital and increased the dividend by nearly 15% through three separate dividend increases. Looking forward to 2014, I am very excited about what the year holds for our company. The level of knowledge that now exists in the U.S. private company advisory market continues to grow, leading to a consistently increasing selection of high quality companies to partner with. We also have several partners that continue to grow rapidly and choose to continue using Alaris as their equity partner. Thanks to our loyal shareholders and our banking partners, we feel that we have ample access to capital to capitalize on this future growth.

We certainly learned many valuable lessons in 2013 and we have become a better company for it. Those lessons will be front of mind as we continue to market our very unique offering to private companies. This business model has performed extremely well for many years and through some very difficult environments and that allows us to move forward confidently as we enter the next stage of growth in 2014.

Steve King, President and Chief Executive Officer

Alaris Royalty Corp.

About Alaris:

The Corporation provides alternative financing for 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 from the Private Company Partners are structured as a percentage of a "top line" financial performance measure such as net revenue, gross profit, and same location sales.

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 total dividends payable per share over the next twelve months divided by its expected net cash from operating activities over the next 12 months (after giving effect to the impact of all information disclosed today). 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 additional distributions to be received from Killick, Labstat and LMS; the anticipated changes in distributions to be received from Killick, Labstat and LMS; the anticipated net increase in partner company distributions for 2014; the impact of the increase to the Facility, including Alaris' leverage position; the repayment or conversion of the remaining short-term notes given to LMS; repayment of the Labstat loans; the terms of the arrangement with Labstat and its Senior Lenders and the anticipated impact thereof; the revenue generated by Labstat upon final implementation of the regulations under the Tobacco Control Act; the annual distribution from Labstat returning to the original amounts prescribed under the partnership agreement; operational performance of Alaris' Private Company Partner's; Alaris' annualized dividend rate; the impact of the events described in the press release on Alaris' revenues, payout ratio and debt level under the Facility; anticipated annual growth in our annual distributions from our Private Company Partners; and Alaris' access to capital markets. 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 effect on Alaris' revenues and estimated payout ratio, they were approved by management as of the date hereof and have been included to assist readers in understanding management's current expectations regarding 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; a material change in the operations of a Private Company Partner or the industries in which they operate; a failure of Labstat's Senior Lender to obtain final credit committee approval or a failure to settle the definitive documents relating to the Labstat concessions; a failure to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; and material adjustments to the unaudited internal financial reports provided to Alaris by the Private Company Partners 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.

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.

CONTACT INFORMATION

Alaris Royalty Corp.
Curtis Krawetz
Vice President, Investments and Investor Relations
(403) 221-7305
www.alarisroyalty.com