

Alaris Royalty Corp. to Contribute US\$29.2 Million to a New Private Company Partner, Has Entered Into a \$76 Million Bought Deal Financing and Increases Its Annual Dividend by Six Cents

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CALGARY, ALBERTA -- (Marketwired - June 5, 2014) - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce that its wholly owned subsidiary, Alaris USA Inc. ("Alaris USA"), has entered into a subscription agreement (the "Subscription Agreement") with Kimco Holdings, LLC ("Kimco") pursuant to which Alaris USA will contribute US\$29,200,000 to Kimco (the "Kimco Contribution"). Closing of the Kimco Contribution is expected on or before June 25, 2014 and is subject to customary closing conditions. The Corporation is also pleased to announce that it has entered into a \$76,014,900 bought deal financing (the "Offering") with Acumen Capital Finance Partners Limited ("Acumen") on behalf of a syndicate of underwriters and will use the net proceeds to fund the Kimco Contribution (if the offering is closed before the closing of the Kimco Contribution), 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 Kimco Contribution, it will be increasing its monthly dividend per share to \$0.125 from \$0.12 (the "Dividend Increase"), which represents an annualized dividend of \$1.50 (\$1.44 previously), a 4.2% increase.

New Partner

Pursuant to the Subscription Agreement, Alaris USA will make the Kimco Contribution in exchange for preferred securities of Kimco which will entitle it to a pre-tax annualized preferred distribution of US\$4,672,000 (the "Kimco Distribution"), which represents an expected initial pre-tax return of 16.0%. Commencing on January 1, 2016, the Kimco Distribution will be adjusted annually based on the percentage change in gross revenue over the most recently completed 12 month period versus the 12 month period prior thereto, subject to a collar of 6%. If the Kimco Contribution is completed before the closing of the Offering, it will be funded with funds drawn on the Facility. Kimco will use the proceeds to acquire Kimco Facility Services, LLC ("Kimco Services") and certain customer contracts from a third party.

Kimco Services and its predecessor companies have been providing route based commercial janitorial services throughout the United States since the 1970's. Services are provided in three business segments: commercial/retail, hospitality and malls. The majority of Kimco Services' revenue is generated under long-term contracts (generally 1 to 3 years) to its more than 375 customers, which range in size from multi-location national customers to regional single site customers. Management of Alaris believes that Kimco Services is one of the largest businesses in a highly fragmented industry, which is estimated by management to generate over \$50 billion in annual sales in the United States. Kimco Services is one of only a small group of businesses in this industry that operates on a national scale. The four key owners/executives of Kimco, including the President of Kimco Services, have over 120 years of combined industry experience as well as significant ownership in Kimco, thus creating a strong alignment of interest and management continuity.

Based on Alaris' review of Kimco Services unaudited internal pro forma results for the fiscal year ended September 30, 2013 as well as for the trailing twelve months period ended March 31, 2014, management of Alaris believes that Kimco Services would have had an earnings coverage ratio in the range of 1.5x to 2.0x, after giving effect to the Kimco Contribution, Kimco Services new debt facilities and the Kimco Distribution payable to Alaris.

"Alaris is grateful to be partnering with Kimco Services. This group has a very long track record of profitability from providing a required service to its customers under long term contracts and across all 50 states. There are also many growth opportunities in this fragmented industry, especially for one of the few janitorial service

providers with a national scope. We are very excited about helping our new partner pursue these opportunities as well as with what the future holds for its existing client base. We are also proud to continue our track record of consistent dividend growth with our eighth consecutive dividend increase. We look forward to the remainder of 2014 as we work through new opportunities and as our business continues to expand", said Steve King, President and Chief Executive Officer, Alaris.

"Kimco Services is delighted to be partnering with Alaris. Alaris' equity financing was the perfect fit for this transaction and we look forward to the future with Alaris as our partner as we grow our service base to new heights", said Mark Horn, Chief Executive Officer, Kimco.

Bought Deal Financing

The Corporation has entered into an agreement with Acumen as the lead underwriter, and on behalf of a syndicate of underwriters to be agreed to between Acumen and the Corporation (collectively, the "Underwriters"), in respect of the Offering, pursuant to which the Corporation will sell and the Underwriters will purchase, on a bought-deal basis, subject to regulatory approval, 2,847,000 subscription receipts of the Corporation (the "Subscription Receipts") at a price of \$26.70 per Subscription Receipt for total gross proceeds of \$76,014,900. The Corporation has also granted the Underwriters an over-allotment option (the "Over-Allotment Option") to purchase up to an additional 427,050 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 gross proceeds will be \$87,417,135 if the Over-Allotment Option is exercised in full.

Each Subscription Receipt will represent the right to receive one common share of the Corporation (each, a "Common Share") without the payment of any additional consideration, on the closing of the Kimco Contribution. The proceeds of the Offering will be deposited in escrow pending the closing of the Kimco Contribution. If the Kimco Contribution closes on or before 5:00 p.m. (Calgary time) on July 31, 2014, the net proceeds of the Offering will be released to Alaris and used by Alaris to fund the Kimco Contribution (if the Offering is completed before the closing of the Kimco Contribution), reduce debt outstanding on its Facility and for general working capital purposes. If (i) the Kimco Contribution is not completed on or before July 31, 2014, (ii) the Subscription Agreement is terminated at an earlier time or (iii) Alaris advises the Underwriters or the public that it does not intend to proceed with the Kimco Contribution, 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.

If the Kimco Contribution is completed prior to the closing date of the Offering, as currently contemplated, each purchaser under the Offering shall receive Common Shares in lieu of Subscription Receipts and the net proceeds of the Offering will be delivered directly to the Corporation and used by Alaris to reduce debt outstanding on its Facility, a portion of which will have been incurred to fund the Kimco Contribution and for general working capital purposes. Total Common Shares outstanding following the Offering will be 31,569,171 and 31,996,221 if the Over-Allotment is exercised in full.

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 June 25, 2014 (the "Closing Date"). 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.

Provided that the Kimco Contribution has closed and record dates for one or more cash dividends on Alaris' Common Shares shall have occurred on or subsequent to the Closing Date or, if applicable, during the period from the Closing Date to the closing date of the Kimco Contribution, each holder of a Subscription Receipt shall be entitled to receive an amount per Subscription Receipt equal to the amount of such per-Common Share dividend(s) on the later of the closing date of the Kimco Contribution or the date the dividend is paid to shareholders.

Dividend Increase

The Kimco Distribution is expected to result in an increase to Alaris' net cash from operating activities of approximately \$0.08 per share (on an annualized basis based on the currently issued and outstanding shares and including the impact of funding the Kimco Contribution with debt drawn from the Facility), of which, the Corporation will be passing on \$0.06 per share by way of the Dividend Increase. The first dividend for which this Dividend Increase will apply, subject to the closing of the Kimco Contribution, is the dividend expected to be paid on July 15, 2014 to shareholders of record on June 30, 2014. At the new monthly dividend of \$0.125 per share and following the closing of the Kimco Contribution and completion of the Offering, including the exercise of the Over-Allotment Option, Alaris expects its payout ratio to be

approximately 82%.

Permanent Increase to Borrowing Capacity

On June 3, 2014, Alaris' senior debt facility was amended to increase the borrowing limit to \$85,100,000 from \$75,100,000 for the purposes of the Kimco Contribution and to meet the demand for future contributions to new and existing partners. The Facility was previously utilized to fund accretive contributions to partners and for general working capital purposes. Alaris is expecting to carry an undrawn balance on its Facility following the closing of the Kimco Contribution and the Offering if the Over-Allotment Option is exercised in full and approximately \$10,000,000 of debt on its Facility if the Over-Allotment is not exercised.

"We have deployed capital at a faster pace over the last 24 months and are being presented with larger opportunities as we prove ourselves as a valuable source of capital to entrepreneurs and their advisors. The increased capacity on our Facility, and the room available on it following the Offering, will allow us to pursue these opportunities without constraint", said Darren Driscoll, Chief Financial Officer, Alaris Royalty Corp.

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

The terms "payout ratio" and "earnings coverage ratio" are financial measures used in this news release that are not a standard measure under International Financial Reporting Standards. The Corporation's method of calculating the payout ratio and earnings coverage ratio may differ from the methods used by other issuers. Therefore, the Corporation's payout ratio and earnings coverage 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.

Earnings coverage ratio refers to EBITDA divided by the sum of debt servicing (interest and principal), maintenance capital expenditures and distributions to Alaris. Alaris uses this ratio to evaluate a Private Company Partner's ability to pay the distributions payable to Alaris. This ratio is intended to measure the number of times a Private Company Partner's fixed commitments can be covered by its earnings, and in Alaris' view it is indicative of a Private Company Partner's available margin of safety with respect to its ability to pay its commitments, including the distributions payable to Alaris. Alaris generally considers a ratio of 1.0 or higher to be sufficient to demonstrate a Private Company Partner's ability to pay the distributions payable to Alaris.

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 Kimco Contribution; the amount of the Kimco Distribution; the return to Alaris on the Kimco Contribution; growth opportunities for Kimco Services; 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.

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 2014 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 over the next 12 months, 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, what the Corporation expects to experience regarding resets to its annual royalties and distributions from its Private Company Partners in 2014, 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 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; a failure to complete or realize the anticipated benefits of the Kimco Contribution; government regulations; a failure to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; a material adjustment to the unaudited financial information of a Private Company Partner provided to Alaris; and risks relating to the Private Company Partners and their businesses, including, without limitation, a material change in the operations of a Private Company Partner or the industries they operate in and a change in the ability of the Private Company Partners to continue to pay Alaris' preferred distributions. 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, 2013, which is filed under the Corporation's profile at www.sedar.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.

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.

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