

Alaris Royalty Corp. Announces Q2-2014 Financial Results and Pending Follow-On Contributions of CAD\$15.5 Million

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CALGARY, ALBERTA -- (Marketwired - July 24, 2014) - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce its results for the three and six months ended June 30, 2014 as well as pending additional contributions to SM Group International LP ("SMi") and Sequel Youth Family Services, LLC ("Sequel") of \$7.5 million and US\$7.5 million respectively (collectively the "Additional Partner Contributions").

The results of the quarter are summarized in four key performance metrics compared to the prior year period on a per share basis (the Corporation used Normalized EBITDA rather than EBITDA to back out the non-cash foreign exchange gains and losses and a gain on the reduction of the Corporation's financial interest in LifeMark in 2013):

| Per Share Items ending June 30 ending June 30 | Three months Six months | | | | | |
|---|----------------------------|---------|----------|---------|--------|----------|
| | 2013 | 2012 | % Change | 2013 | 2012 | % Change |
| Revenue | \$0.55 | \$0.45 | +22.2% | \$1.11 | \$0.90 | +24.2% |
| Normalized EBITDA | \$0.41 | \$0.33 | +24.2% | \$0.90 | \$0.70 | +28.6% |
| Dividends | \$0.365 | \$0.325 | +12.3% | \$0.725 | \$0.64 | +12.5% |
| Net cash from operating activities | \$0.45 | \$0.40 | +12.5% | \$0.90 | \$0.78 | +15.4% |
| Weighted average basic shares outstanding ('000's) | 28,902 | 24,963 | | 28,902 | 24,963 | |

Alaris experienced significant increases in revenue, Normalized EBITDA, net cash from operating activities and dividends on a per share basis in the quarter, a direct result of the continued execution of our business plan to fund well run, successful new private company partners ("Partners") with a long track record of sustainable cash flow. For the three months ended June 30, 2014, the Corporation's revenue from its Partners was as expected and increased 39.6% to \$16.24 million compared to \$11.63 million in the prior year period. On a per share basis, the increase was over 22%. The increase was due to the addition of four new Partners in the past 13 months: SCR Mining and Tunneling, LP ("SCR") in May 2013; Sequel in July 2013; SMi in November 2013; and Kimco Holdings, LLC ("Kimco") in June 2014. The Corporation also completed additional contributions into Agility Health LLC ("Agility") and Killick Aerospace Limited Partnership ("Killick") in the fourth quarter of 2013. Each of these transactions added new revenues in the current period compared to the prior year. Expenses were as expected in the quarter with legal and accounting expenses higher compared to the prior year period due to increased tax compliance matters.

At each quarter end, the Corporation reviews the fair value of the preferred units in each of the Partners. At June 30, 2014, there were two changes to the fair values of the Partners: an increase to LifeMark's units of \$1.42 million as the repurchase right LifeMark has on the units increases by 4% in June of each year; and a US\$1.40 million reduction of the Quetico units due to a reduction in growth expectations. More information is provided in the Private Company Partner Update portion of the Corporation's MD&A.

| Reconciliation of Earnings to EBITDA (thousands) | | | | Three months | |
|--|------------|----------|----------|--------------|----------|
| ending June 30 | Six months | | | | |
| ending June 30 | 2014 | 2013 | 2014 | 2013 | |
| Earnings | \$8,745 | | \$17,597 | \$20,704 | \$24,342 |
| Adjustments to Earnings: | | | | | |
| Amortization | | 28 | 26 | 54 | 53 |
| Finance costs | | 876 | 352 | 2,041 | 947 |
| Income tax expense | | | (645) | 3,810 | 2,678 |
| EBITDA | \$9,004 | | \$21,785 | \$25,477 | \$31,513 |
| Normalizing Adjustments | | | | | |
| Unrealized foreign exchange loss/(gain) | | | | 2,884 | (458) |
| Gain on reduction of LifeMark interest | | | | - | (13,052) |
| Normalized EBITDA | | \$11,888 | \$8,275 | \$25,822 | \$19,223 |

For the three and six months ended June 30, 2014, the Corporation recorded earnings of \$8.75 million and \$20.7 million, EBITDA of \$9.0 million and \$25.48 million and Normalized EBITDA of \$11.89 million and \$25.82 million compared to earnings of \$17.6 million and \$24.34 million, EBITDA of \$21.79 million and \$31.51 million and Normalized EBITDA of \$8.28 million and \$19.22 million in the prior year periods. The decrease in earnings and EBITDA is due to the gain on the reduction of the Corporation's financial interest in LifeMark in 2013. The significant increase in Normalized EBITDA in the quarter was due to the new revenue streams noted above as they were added with minimal additional costs. On a per share basis, the increase in Normalized EBITDA was 24.2%. The Corporation has raised the dividend three times in the past twelve months resulting in another double digit percentage increase in the dividends paid per share compared to the prior year periods.

"We're pleased to be reporting another strong quarter with results in line with our previously disclosed guidance. The quarter was highlighted by the addition of another new Partner in June (Kimco) and a successful equity offering, which brought our debt outstanding to nil at June 30, 2014. The accretive Kimco transaction, along with accretive follow-on contributions to SMi and Sequel, which we are scheduled to close shortly, are expected to continue to fuel our growth on a gross and per share basis in the quarters to follow," said Darren Driscoll, CFO, Alaris Royalty Corp.

Follow-on Contributions

The Corporation intends to make an additional contribution of \$7.5 million to SMi (the "Additional SMi Contribution") in exchange for additional preferred units in SMi, which will entitle Alaris to receive additional annualized distributions of \$1.2 million, bringing total annualized distributions from SMi to \$6.0 million. The Additional SMi Contribution is expected to close on or about July 25, 2014 and was in support of their growth initiatives. The Corporation also expects to make an additional contribution of US\$7.5 million, on or before August 1, 2014, to Sequel (the "Additional Sequel Contribution") in exchange for additional preferred units in Sequel, which will entitle Alaris to receive an additional annualized distribution of US\$1.1 million, bringing total annualized distributions from Sequel to US\$11 million. The Additional Sequel Contribution was part of a package to allow Sequel to buyout a non-executive owner of the business. The Additional Partner Contributions are subject to customary approval and closing conditions.

The Additional Partner Contributions are expected to provide Alaris with approximately \$2.4 million of additional annualized revenue and approximately \$0.04 per share to Alaris' annualized net cash from operating activities. A combination of cash on hand and the Corporation's credit facility will be used to fund the Additional Partner Contributions.

Outlook

Alaris' agreements with its Partners, after giving effect to the Additional Partner Contributions, provide for estimated revenues to Alaris of approximately \$66 million for the fiscal year ended December 31, 2014 and approximately \$17.3 million for the three months ended September 30, 2014. After the Additional Partner Contributions, the Corporation will have approximately \$72 million of its \$85 million credit facility available for use in future transactions. General and administrative expenses are currently estimated to be \$5.3 million for 2014, inclusive of all public company costs. Cash requirements after earnings are expected to remain at minimal levels. Shares outstanding as of the date of this announcement are 31,996,221.

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 are available on SEDAR at www.sedar.com and on our website at www.alarisroyalty.com.

Conference Call Details

The Corporation will be hosting a conference call at 9am MST (11am EST), Friday, July 25, 2014 to discuss the financial results and outlook for the Corporation. Participants can access the conference call by telephone by dialing toll free 1-866-852-2121 or 1-416-340-9531. Alternatively, to listen to this event online, please enter <http://www.gowebcasting.com/5614> in your web browser and follow the prompts given. Please connect to the call or log into the webcast at least 10 minutes prior to the beginning of the event.

For those unable to participate in the conference call at the scheduled time, it will be archived for replay until 11am EST August 1, 2014. You can access the replay by dialing toll free 1-800-408-3053 or 1-905-694-9451 and entering the passcode 2126351. The webcast will be archived for 90 days and is available for replay by using the same link as above or by clicking on the link we'll have stored under the "Investor Briefcase" on our website at www.alarisroyalty.com.

An updated corporate presentation will be posted to Alaris' website within the next 24 hours at www.alarisroyalty.com.

About the Corporation:

Alaris provides alternative financing to the 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 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, 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.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature. "Normalized EBITDA" is calculated by adjusting for non-recurring charges and gains to EBITDA. Management deems non-recurring charges or gains to be unusual and/or infrequent charges that the Corporation incurs or realizes outside of its common day-to-day operations. For the three months ended June 30, 2014, the unrealized foreign exchange gains and losses and the 2013 gain on the reduction of the Corporation's interest in LifeMark are considered by management to be non-recurring items. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

The term 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. The Corporation has provided a reconciliation of net income to EBITDA and Normalized EBITDA in this news release.

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 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 Partners, the future financial position or results of the Corporation, business strategy, and plans and objectives of or involving the Corporation or the 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 revenues to be received by Alaris and its general and administrative expenses in 2014 (in aggregate and quarterly), the cash requirements of Alaris in 2014, Alaris' general and administrative costs for 2014, the balance available on the Corporation's credit facility and the Additional Partner Contributions (including the timing, the additional distribution payable to Alaris and the impact on Alaris' net cash from operating activities). To the extent any forward-looking statements herein constitute a financial outlook, 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 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 Partners will continue to make distributions to Alaris as and when required, that the businesses of the Partners will continue to grow, what the Corporation expects to experience regarding resets to its annual royalties and distributions from its 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 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 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 Partners; reliance on key personnel; general economic conditions; failure to complete or realize the anticipated benefit of Alaris' financing arrangements with the Partners; 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; risks relating to the Partners and their businesses, including, without limitation, a material change in the operations of a Private Company Partner or the industries they operate in: a change in the ability of the Partners to continue to pay Alaris' preferred distributions; and material adjustments to the unaudited financial information provide to Alaris by the Partners. 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. 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.

NOT FOR DISTRIBUTION IN THE UNITED STATES. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW.

Alaris Royalty Corp.

Condensed consolidated statement of financial position (unaudited)

June 30 December 31

2014 2013

Assets

Cash and cash equivalents \$11,650,301 \$8,998,342

Prepayments and deposits 1,318,283 125,543

Trade and other receivables 2,632,453 955,831

Promissory notes receivable 7,550,000 8,500,000

Current Assets 23,151,037 18,579,716

Promissory notes receivable 6,915,000 6,915,000

Equipment 98,652 59,825

Intangible assets 6,433,796 6,479,265

Preferred LP and LLC Units 472,579,712 433,988,295

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

Deferred income taxes 3,905,015 3,785,015
Non-current assets 500,854,568 462,149,793
Total Assets \$524,005,605 \$480,729,509

Liabilities

Accounts payable and accrued liabilities \$2,487,223 \$1,361,588
Dividends payable 3,999,528 3,443,243
Income taxes payable 2,340,693 1,031,701
Foreign exchange contracts 317,896 633,801
Current Liabilities 9,145,340 6,470,333
Loans and borrowings - 44,500,000
Non-current liabilities - 44,500,000
Total Liabilities \$9,145,340 \$50,970,333

Equity

Share capital \$497,297,701 \$413,237,576
Equity reserve 7,520,693 5,688,079
Fair value reserve (4,829,091) (4,883,951)
Translation reserve 1,058,602 1,201,883
Retained Earnings 13,812,360 14,515,589
Total Equity \$514,860,265 \$429,759,176

Total Liabilities and Equity \$524,005,605 \$480,729,509

Alaris Royalty Corp.

Condensed consolidated statement of comprehensive income (unaudited)

Three months ended June 30 Six months ended June 30

2014 2013 2014 2013

Revenues and other income

Royalties and distributions \$15,920,210 \$ 11,363,576 \$31,407,252 \$ 22,142,406
Interest and other 314,505 268,320 626,078 465,219
Gain on reduction of partner interests - 13,052,160 - 13,052,160
Gain/(loss) on foreign exchange contracts 675,535 (333,349) 315,906 (489,002)
Total Revenue and other income 16,910,250 24,350,707 32,349,236 35,170,783

Salaries and benefits 2,353,965 1,775,414 2,691,243 2,066,187
Corporate and office 429,606 403,769 923,079 789,017
Legal and accounting fees 453,204 430,137 762,663 576,834
Non-cash stock-based compensation 1,110,080 748,061 1,833,142 1,477,760
Depreciation and amortization 27,699 26,427 54,315 52,855
Subtotal 4,374,554 3,383,808 6,264,442 4,962,653
Earnings from operations 12,535,696 20,966,899 26,084,794 30,208,130
Finance cost 876,075 351,577 2,041,212 946,638
Foreign exchange (gain)/loss 3,559,064 (791,430) 661,442 (1,251,210)
Earnings before taxes 8,100,557 21,406,752 23,382,140 30,512,702
Current income tax expense (123,912) 329,870 1,548,144 654,071
Deferred income tax expense (520,700) 3,480,220 1,129,800 5,517,000
Earnings \$8,745,169 \$ 17,596,662 \$20,704,196 \$ 24,341,631

Other comprehensive income

Net change in fair value of Preferred LP Units (73,940) - (73,940) -
Tax impact of change in fair value 128,800 - 128,800 -
Realized gain on reduction of partnership interest (13,052,160) (13,052,160)
Tax impact of realized gain 1,631,520 1,631,520
Foreign currency translation differences (1,959,871) 562,838 (143,281) 866,881
Other comprehensive income for the period, net of income tax (1,905,011) (10,857,802) (88,421)
(10,553,759)
Total comprehensive income for the period \$6,840,158 \$ 6,738,860 \$20,615,775 \$ 13,787,872

Earnings per share

Basic earnings per share \$0.30 \$0.70 \$0.72 \$0.97
Fully diluted earnings per share \$0.30 \$0.68 \$0.70 \$0.94

Weighted average shares outstanding

Basic 28,902,064 24,963,420 28,808,539 25,209,090
Fully Diluted 29,443,718 25,909,305 29,451,067 25,865,859

Alaris Royalty Corp.

Condensed consolidated statement of cash flows (unaudited)

For the six months ended June 30

2014 2013

Cash flows from operating activities

Earnings from the period \$20,704,196 \$24,341,631

Adjustments for:

Finance costs 2,041,212 946,638

Deferred income tax expense 1,129,800 5,517,000

Depreciation and amortization 54,315 52,855

Unrealized foreign exchange loss/(gain) 133,017 (1,251,210)

(Gain)/Loss on forward contracts (315,906) 489,002

(Gain)/Loss on reduction of partner interests - (13,052,160)

Non-cash stock based compensation 1,833,142 1,477,760

25,579,776 18,521,516

Change in:

-trade and other receivables (1,745,412) (283,349)

-prepayments (1,192,740) 61,613

-trade and other payables 2,434,627 1,354,597

Cash generated from operating activities 25,076,251 19,654,377

Interest paid (2,041,212) (946,638)

Net cash from operating activities \$23,035,039 \$18,707,739

Cash flows from investing activities

Acquisition of equipment (47,674) -

Acquisition/disposition of Preferred LP Units (38,872,862) (125,780,890)

Proceeds from reduction in Preferred LP Units - 30,000,000

Net cash used in investing activities \$(38,920,536) \$(95,780,890)

Cash flows from financing activities

New share capital, net of share issue costs 82,933,144 55,821,490

Proceeds from exercise of options 5,453 2,332,603

Borrowing of senior debt 37,700,000 118,000,000

Repayment of senior debt (82,200,000) (72,000,000)

Promissory notes issued (50,000) (9,605,000)

Promissory notes repaid 1,000,000 -

Dividends paid (20,676,546) (15,538,172)

Payments in lieu of dividends on RSUs (174,595) (129,263)

Net cash from financing activities \$18,537,456 \$78,881,658

Net increase in cash and cash equivalents 2,651,959 1,808,507

Cash and cash equivalents, Beginning of period 8,998,342 3,638,255

Cash and cash equivalents, End of period \$11,650,301 \$5,446,762

Contact

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