Alaris Royalty Corp. Announces a US$35 Million Contribution to a New Partner and US$26.9 Million Repurchase by Quetico

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CALGARY, ALBERTA -- (Marketwired - Nov. 25, 2014) - Alaris Royalty Corp. ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce a USD$35,000,000 contribution to a new partner, PF Growth Partners, LLC ("PFGP") and that the previously disclosed potential USD$26,900,000 repurchase of Alaris' preferred units in Quetico, LLC ("Quetico") has been completed. The net impact from the combined transactions is expected to be an increase in Alaris' annualized revenues of approximately USD$1,481,000 over the next 12 months.

New Partner

Alaris, through its affiliate Alaris USA Inc. ("Alaris USA"), has entered into an operating agreement (the "Operating Agreement") and a subscription agreement with PFGP (one of the top 3 largest franchisee groups (non-corporate affiliated) in the Planet Fitness® franchise system in North America, operating 28 Planet Fitness® clubs in Maryland, Tennessee and Florida as of Oct 31, 2014), pursuant to which Alaris will contribute USD$35,000,000 (the "PFGP Contribution") to PFGP.

Alaris made the PFGP Contribution in exchange for a pre-tax annual preferred distribution of USD$5,250,000 (the "PFGP Distribution") for the first full year after the PFGP Contribution, which represents an expected initial pre-tax return of 15.0%. Commencing on January 1, 2016, the Distribution will be adjusted annually based on the percentage change in same club revenues over that 12 month period, subject to a collar of 5%. Same club revenues is defined as all operating revenues derived from the Planet Fitness® clubs operated by PFGP and its affiliates, excluding revenues from clubs that have not been open for 24 months (or 12 months following an acquisition of a Planet Fitness® club from another franchise owner in the system). The PFGP Contribution closed on November 25, 2014 (the "Closing Date").

"Alaris is delighted to partner with Planet Fitness® Franchisee Victor Brick and his company. This company's large portfolio of Planet Fitness® locations has been remarkable in its predictability of cash flows as well as being dynamic in its growth. The Planet Fitness® system has brought affordability to its members and stability to investors in the fitness industry and has led to industry leading performance. Trends in this segment of the fitness industry have been strong for many years now as people focus on wellness and disease prevention. Management of PFGP have been leaders in the fitness industry for over 30 years and we are looking forward to funding their continued expansion plans," said Steve King, President and CEO, Alaris Royalty Corp.

"PF Growth Partners, LLC is excited to be partnering with Alaris Royalty Corp. to help us grow our number of Planet Fitness® health club locations. Alaris' business model of offering long-term, non-control preferred equity to companies for whom traditional financing is not typically available or attractive was exactly what we were looking for in an investor. We wanted capital to help us grow our business while still maintaining control. Alaris is allowing us to do that," said Victor Brick, CEO, PF Growth Partners, LLC.

Pursuant to the Operating Agreement, Alaris also agreed to contribute up to an additional USD$10,000,000 to the PFGP following the 18th month anniversary of the PFGP Contribution if certain financial conditions are satisfied at that time.

Quetico Repurchase

As disclosed on November 13, 2014, Alaris received indication from Quetico that it intended to repurchase the Corporation's preferred units before the end of 2014 and would time that repurchase with a new partner contribution by Alaris. This repurchase is now confirmed as a result of the PFGP Contribution and has resulted in Alaris receiving USD$26,900,000 for its preferred units in Quetico (the "Quetico Repurchase"). The repurchase was at our original cost of USD$26,900,000 as per the terms of our agreement with Quetico, which states that any voluntary repurchase will be at the greater of the original USD$26,900,000 contribution (the "Original Contribution") or the distribution in the exit year (USD$3,790,000) multiplied by a predetermined exit multiple. The repurchase multiple works out to 7.14x the current year's distributions (8.9x the projected distributions for 2015). Alaris redeployed this capital in the form of the PGFP Contribution at a multiple of 6.50x (15% yield) thus resulting in a net increase in annualized revenues of approximately USD$1,481,000.

Alaris has collected $12.5 million in distributions from Quetico over the past three years. Additionally, the original contribution was made by Alaris in 2011 when the US dollar was at par with the Canadian dollar resulting in a foreign exchange gain of over 10% based on current rates. Therefore, the total return on the Quetico investment was approximately 50%.

Due to a decrease in one of Quetico's largest business segments, they require less capital and it made sense for Quetico to buy back the preferred units held by Alaris. Quetico has been a tremendous Partner for three years but given their recent financial performance, the Quetico Repurchase is viewed positively by management of the Corporation as, based on current financial results the distributions were otherwise expected to decline by the maximum 20% effective January 1, 2015.

"We could not have been more pleased with our three year association with Alaris. They have been excellent partners and allowed us to do things financially that we could not have done otherwise. Their entire team has been a pleasure to work with and we will miss our friendly interaction with the group. We are only redeeming their investment as the nature of our business has changed, diminishing our need for the extra working capital Alaris had provided. We would not hesitate to approach Alaris in the future if the need once again arises", said Tom Fenchel, Co-Founder, Quetico.

Guidance

Alaris used the net proceeds from the Quetico Repurchase along with CAD$9,000,000 drawn on its CAD$85,000,000 revolving credit facility (the "Facility") to fund the PFGP Contribution, leaving approximately CAD$52,500,000 available on its Facility to fund contributions to new or existing Partners. The net increase in the Corporations revenue streams is expected to be USD$1,481,000 (CAD$1,680,000) over the next 12 months based on replacing the current annualized distribution from Quetico (USD$3,790,000) with the new PFGP Distribution of USD$5,250,000. The net increase in interest costs with the funds drawn on the Facility are expected to equal CAD$500,000 over the next 12 months, resulting in an estimated increase in annualized net cash from operating activities equal to approximately $1,180,000 or $0.037 per share. We estimate our annualized payout ratio to be approximately 78% following these transactions based on an annualized dividend of $1.50 per share ($0.125 per month). The Corporation has 32,072,358 shares outstanding as of this date.

About Alaris

The Corporation provides alternative financing to a diversified group of private companies ("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.

About PF Growth Partners, LLC

PFGP, through its affiliates, operates 28 fitness clubs in Maryland, Tennessee and Florida (as of Oct 31, 2014) as a franchisee of Planet Fitness® and has area development agreements ("ADA's") to open up to 61 Planet Fitness® clubs in those same States. PFGP was founded in 2008 by Victor and Lynne Brick and has its head office in Timonium, MD, located just outside of Baltimore, MD where it employs over 20 people. PFGP has grown to become one of the top 3 largest non-corporate affiliated franchisees in the Planet Fitness® system and were recently awarded (out of over 190 franchisees and over 850 Planet Fitness® clubs) the 2013 Franchisee of the Year, 2014 Developer of the Year for opening the most clubs in a single year and the 2014 Brand Excellence Review winner for having the highest rated clubs in the company according to club inspections conducted by Planet Fitness® Corporate. The Bricks and their management team are well-respected operators in the fitness industry and have over 30 years of experience as owner/operators of fitness clubs on an individual basis. Victor Brick recognized the need for an affordable, comfortable workout solution for the average individual. Most estimates have it that only 15% of the American population currently belongs to a health club. According to Mr. Brick, Planet Fitness® is the only health club model that addresses all the fears of a prospective, uninitiated gym user, which makes up the other 85% of the American population. PFGP has a very repeatable, predictable and scalable business model and intends to open 10 to 12 additional clubs in 2015 and currently employs over 450 individuals company wide.

About Planet Fitness®

Founded in 1992 in Dover, N.H., Planet Fitness® is now the fastest-growing full size health club franchise in the United States, and has revolutionized the industry with a combination of extremely low prices and a unique, friendly, and hassle-free environment called the Judgement Free Zone®. Planet Fitness® has over 850 locations nationwide and the company prides itself on giving people an unbeatable value, top-notch facilities, and an atmosphere that focuses on the needs of occasional or first-time gym users rather than hard-core fitness fanatics. All Planet Fitness® clubs feature a wide selection of cardio and strength equipment, and provide unlimited fitness instruction with all memberships. Planet Fitness® is a national brand partner of NBC's The Biggest Loser®. For more information, visit www.PlanetFitness.com.

Non-IFRS Measures

Annualized Payout Ratio: The term "annualized payout ratio" is a financial measure used in this press release that is not a standard measure under International Financial Reporting Standards. Annualized Payout Ratio means Alaris' total annualized dividend per share expected to be paid over the next twelve months divided by the net cash from operating activities per share Alaris expects to generate over the same twelve month period (after giving effect to the impact of all information disclosed to date).

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 return to Alaris on the PFGP Contribution; the impact of the PFGP Contribution and the Quetico Repurchase on net cash from operating activities, annualized payout ratio and annualized revenues over the next 12 months; interest costs following the PFGP Contribution; and indebtedness under the Facility. 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, 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 over the next 24 months 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 upon the reset dates for each Partner, 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% relative to the U.S. dollar over a 12 month period. 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 realize the anticipated benefits of the PFGP Contribution; 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.

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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