

Alaris Royalty Corp. provides a corporate update, January 2015

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CALGARY, Jan. 2, 2015 - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX:AD) is pleased to provide its stakeholders with a corporate update.

Proposed Killick Repurchase

On December 30, 2014, Killick Aerospace LP ("Killick") signed a purchase and sale agreement (the "PSA") with a third party (the "Third Party") to sell the majority of its operating entities (the "Killick Sale") to the Third Party and expects this to close in January 2015. As such, Killick has given the Corporation notice that it intends to repurchase Alaris' preferred units in Killick (the "Killick Repurchase") with the proceeds from the Killick Sale. The Killick Repurchase will result in Alaris receiving \$44,300,000 in proceeds (the "Killick Proceeds") from Killick. The Killick Sale, and the subsequent Killick Repurchase, are subject to a number of conditions under the PSA. Alaris will provide an update to its stakeholders when the Killick Sale is closed.

Since its initial contribution to Killick in July 2011, Alaris has contributed \$41,200,000 into Killick in three separate tranches and has collected approximately \$19,200,000 in distributions, with the current annualized distribution from Killick being approximately \$6,620,000 or roughly 8.5% of Alaris' total annualized revenue. Upon the closing of the Killick Repurchase, Alaris will have realized a total return of approximately 54% on its contributions to Killick. Alaris intends to use the Killick Proceeds to immediately pay down the balance on the Corporation's \$90,000,000 revolving credit facility (the "Facility"). It is anticipated that, assuming the Killick Repurchase is completed in January 2015, Alaris will have an undrawn balance on its Facility upon receiving the Killick Proceeds and a cash balance of approximately \$9,000,000, which funds can be used to fund contributions to new and current partners. Alaris had expected to close a significant new partnership in December that would have more than offset the funds to be received from Killick. Due to reasons outside of Alaris' control, the proposed new partnership has been delayed and there is no assurance that the transaction will close. In keeping with Alaris' business plan, there are other potential transactions at various stages that gives Alaris management confidence that the Killick proceeds will be redeployed in the near term.

"Alaris has taken pride in displaying to entrepreneurs the effectiveness of our equity capital. The Killick transaction is an incredible example of that. Alaris eliminated the growth constraints Killick's subordinated lender had in place when they approached us four years ago. The resulting growth, in combination with: (i) the limit that Alaris puts on its participation, (ii) our accretive funding of acquisitions for Killick, and (iii) capping our participation on exit, resulted in an economic outcome for Killick which would not have been possible had they chosen any other equity provider. We will miss working with Mark Dobbin and the entire Killick team. In addition to being savvy businessmen, they were gentlemen and friends throughout our time together. We would welcome another opportunity to partner with them", said Steve King, President and Chief Executive Officer of Alaris.

"When the right offer is presented, as an investor, you have to take it. The bittersweet part of this transaction is that it will result in the return of the investment Alaris made in us. The team has been great to work with, during the initial investment process and again during the follow-on rounds. Working with Alaris was a large part of why this investment was such a success for us. Killick Capital is constantly looking for new vehicles for growth and we hope to partner with the Alaris team again", said Mark Dobbin, Founder, Killick Capital.

Increased Guidance from Labstat

Alaris is pleased to report today that Labstat has exceeded previous guidance given by the Corporation. As a result of Labstat's continued success, Alaris expects to collect \$6,400,000 from Labstat in 2014, which is \$900,000 greater than stated in our November guidance and within \$400,000 of the original \$6,769,000 payable for 2014 pursuant to the partnership agreement between Alaris and Labstat. In January of 2014, Alaris was estimating to collect \$4,300,000 from Labstat and increased that guidance to \$5,500,000 in the Corporation's third quarter results released November 13, 2014. With the anticipated +6% reset to 2014's distribution as a result of their successful fiscal 2014, the maximum distribution from Labstat for 2015 is expected to be approximately \$7,175,000.

Partial Deferral of Distributions from KMH Cardiology

Alaris has agreed to receive a portion of its upcoming distributions (the "KMH Distribution") from KMH Cardiology L.P. ("KMH") by way of a deferred payment (the "Deferred KMH Distribution"). Nothing has been formalized as of yet but Alaris expects to receive approximately two thirds of the monthly distribution in cash for the next several months. The portion not paid in cash, the Deferred KMH Distribution, will be booked as revenue on Alaris' income statement and will accumulate as a liability on KMH's balance sheet as the accumulated Deferred KMH Distribution will be paid out to Alaris on any sale of KMH's business or as cash flows suffice. Alaris has also agreed to defer approximately \$1,500,000 of the \$7,960,000 of distributions that were to be paid in 2014.

Alaris and KMH Management are working together to rectify cash flow constraints that have arisen as a result of a number of factors relating to KMH's U.S. operations, including without limitation, the timing of collections on receivables related to Medicare/Medicaid insured patients, which can take up to one year to collect, and KMH's current bank facility being unable to accommodate this extended receivables collection period as well as increased overhead costs. This business segment of KMH remains profitable but has seen a decrease in cash flows due to, among other things, the factors mentioned above. The Canadian business unit accounts for approximately 75% of the EBITDA of the combined business and continues to be highly profitable while both top and bottom line continue to grow.

"As KMH's equity partner, we are comfortable deferring a portion of our distribution, knowing that this is a highly profitable and stable business that is experiencing some short-term cash flow constraints", said Steve King. "We will continue to work with management to review their customer collections and expenses as well as potentially bringing in outside resources".

Groupe SM International ("SMi") follow-on

Alaris contributed an additional \$3,000,000 (the "SMi Contribution") to SMi on December 10, 2014 at a 16% return to Alaris, which will result in an additional \$480,000 of distributions (the "Additional SMi Distributions") from SMi over the next 12 months. SMi has continued to see significant growth in new projects in Canada and internationally. These projects require upfront working capital to build out project teams and purchase equipment prior to generating additional cash flow. The SMi Contribution has a special redemption feature to allow SMi to repay the \$3,000,000 with excess cash flow from the projects they are funding, if SMi chooses to do so. Due to the continued growth SMi is experiencing, we expect the reset on January 1, 2015 to be at the upper limit of the collar and result in a 6% increase in the distribution for fiscal 2015.

Revenue Guidance

Regarding expectations for organic growth in Alaris' revenue streams, Alaris expects a net increase to its existing revenue streams of approximately \$1,700,000 for 2015 based on the cumulative effect of resets from partners with January 1, 2015 reset dates (LMS, Solowave, SMi, KMH, Agility and Labstat). No assumptions are being made in today's guidance for resets from End of the Roll (resets May 1, 2015), Sequel and LifeMark (reset July 1, 2015) and SCR, Kimco, and PF Growth Partners (do not reset until January 1, 2016).

Based on all announcements made today (not including any assumptions for contributions to new or existing partners in 2015 and assuming the Killick Repurchase is completed in January 2015), Alaris is estimating its revenue streams over the next twelve months to be approximately \$71,400,000 and based on the current annualized dividend of \$1.50 per share (\$0.125 per month), we estimate our annualized payout ratio to be approximately 80.7% over the next twelve months.

Increased Credit Facility

The Corporation recently renewed its Facility and increased its capacity from \$85,000,000 to \$90,000,000 and also received a reduction in its borrowing and renewal costs. The \$90,000,000 undrawn balance on the Facility and \$9,000,000 cash balance Alaris expects to carry after receiving the Killick Proceeds in the first quarter of 2015 will be used to fund contributions to new and existing partners in the months ahead.

The Corporation has 32,072,400 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.

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).

EBITDA refers to net earnings before depreciation and amortization, interest expense and income tax expense. EBITDA is used by management to determine the ability of a Private Company Partner to generate cash from operations. Management believes EBITDA is a useful measure from which to determine a Private Company Partners ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions.

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 Killick Repurchase; the impact of the Killick Repurchase, the Deferred KMH Distribution, funding new partnership contributions, resets on current partner distributions, and the SMi Contribution on annualized payout ratio and annualized revenues over the next 12 months and guidance therein; indebtedness under the Facility after giving effect to the transactions disclosed herein; timing of the Killick Repurchase; and resets on Private Company Partner distributions. 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, guidance on revenues 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 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 to 24 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 US dollar pair will remain in a range of approximately plus or minus 10% over the next 12 months. 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 SMi Contribution and the Deferred KMH Distribution; 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.

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