Alaris Royalty Corp. Releases 2014 Financial Results

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Alaris Royalty Corp. (TSX:AD) ("Alaris" or the "Corporation") today announced its results for the year ended December 31, 2014. The results are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2014 was another successful year of growth as Alaris continued to experience increases in its four key performance metrics of revenue, Normalized EBITDA, net cash from operating activities and dividends on a per share basis in the three and twelve months ended December 31, 2014 (the Corporation used Normalized EBITDA rather than EBITDA to back out the non-cash foreign exchange gains and losses, as well as gains and losses on the redemption or sale of the Corporation`s financial interest in partners no longer with Alaris). These increases are a direct result of the continued execution of our business plan to fund well run, successful new private businesses with a long track record of sustainable cash flow.

	Three months ending Dec 31					Year ending Dec 31				
		2014		2013	% Change		2014		2013	% Change
Revenue from partners per share[1]	$	0.60	$	0.54	+11.1%	$	2.28	$	1.97	+15.3%
Normalized EBITDA per share[1]	$	0.50	$	0.48	+4.2%	$	1.87	$	1.64	+15.4%
Dividends per share[1]	$	0.375	$	0.36	+4.2%	$	1.475	$	1.36	+8.5%
Net cash from operating activities per share[1]	$	0.53	$	0.51	+3.9%	$	1.65	$	1.64	+0.6%

[1] Using the weighted average shares outstanding for the period.

The Corporation deployed $108 million of capital in 2014 through contributions to two new Partners; Kimco Holdings, LLC ("Kimco") and PF Growth Partners, LLC ("Planet Fitness"), as well as follow on investments into four existing Partners; Labstat International, LP ("Labstat"), Solowave Design, LP ("Solowave"), Sequel Youth and Family Services, LLC ("Sequel") and SM Group International, LP ("SMi"). Due to the accretive nature of each of these 2014 transactions as well as steady existing cash flows, Alaris increased its monthly dividend to an annualized rate of $1.50 per share in June 2014 with $1.475 per share paid in 2014, a total increase of 8.5% over dividends paid in 2013. The Corporation also experienced organic growth from partner companies with net annual performance metric resets increasing by +5.5%, which results in increases to our existing distribution base for 2015. Diversification improved in the year such that Alaris' single largest annualized revenue source is now only 17% and now has only two annualized revenue streams accounting for more than 10% of total revenue.

For the year ended December 31, 2014, revenues from partners increased 31.5% to $69.3 million from $52.7 million in 2013, a 15.3% increase on a per share basis. Over the same period, the Corporation recorded earnings of $49.0 million, EBITDA of $62.7 million and Normalized EBITDA of $57.4 million, compared to earnings of $29.8 million, EBITDA of $42.2 million and Normalized EBITDA of $43.9 million in the prior year. The increase in earnings and EBITDA can be attributed predominantly to the addition of new partners in Kimco (June 2014) and Planet Fitness (November 2014) and follow on contributions to Labstat, Sequel, SMi and Solowave. Late in 2014, Quetico, LLC repurchased our units for US$26.9 million, which resulted in a total return of 54%. Subsequent to year end Killick repurchased Alaris' units for $44.3 million resulting in a total return to Alaris of 56%. Proceeds were used to reduce indebtedness on the Corporation's credit facility (the "Facility") leaving a cash balance of approximately $10 million and an undrawn balance on the $90 million Facility.

The results for the three months ended December 31, 2014 were also strong on a gross and per share basis. Revenue from partners increased 24.6% to $19.2 million from $15.4 million in the prior period and increased 11.1% on a per share basis. The revenue was modestly below expected amounts due to the variable nature of the Labstat International, LP ("Labstat") distributions in 2014. While Labstat still had a tremendously successful year, the cash flow sweep was less than expected due to year-end audit adjustments that weren't contemplated by the Corporation. As a result, total distributions for Labstat for 2014 will be $5.84 million compared to the $6.4 million estimated in the third quarter results and compared to $4.3 million estimated at the beginning of 2014. For the three months ended December 31, 2014, the Corporation recorded earnings of $13.6 million, EBITDA of $17.5 million and Normalized EBITDA of $16.1 million, compared to a loss of $2.9 million, EBITDA of ($1.1) million and Normalized EBITDA of $13.7 million in the prior year period. The end of 2014 also saw a significant deal not get closed causing an increase in legal and accounting expenses as all of the legal and financial diligence and agreement costs (approximately $700,000) are expensed when a deal isn't completed which impacted earnings and EBITDA.

"While we were disappointed to lose a deal in its late stages at the end of 2014, the rest of the year was highly successful. We were able to increase our dividend once again based on increased cash flows. Growth in cash flow comes from the addition of two new partners with established and profitable businesses and high quality management teams and through contributing additional capital into four current partners who have been performing well. Increases in organic revenue also continue to support our increasing cash flow base. Our organic resets for the annual distributions on 2014 partner company results averaged +5.5%, a record for the Corporation. We have a clean balance sheet and deal pipeline that has us well positioned for further successes in 2015," said Steve King, Chief Executive Officer, Alaris Royalty Corp.

Reconciliation of Earnings to EBITDA (thousands)	Three months ending Dec 31		Year ending Dec 31	
	2014	2013	2014	2013
Earnings/(loss)	$ 13,593	$ (2,856)	$ 49,049	$ 29,823
Adjustments to Earnings:				
Amortization & depreciation	28	27	110	106
Interest	470	433	2,759	1,677
Income tax expense	3,382	1,325	10,801	10,544
EBITDA	$ 17,473	$ (1,071)	$ 62,719	$ 42,150
Normalizing Adjustments:				
(Gain)/loss on reduction of Partner interests	860	-	860	(13,052)
Impairment loss on SHS	-	15,512	-	15,512
Bad debt expense	500	575	500	575
Unrealized foreign exchange loss/(gain)	(2,753)	(1,358)	(6,707)	(1,258)
Normalized EBITDA	$ 16,080	$ 13,658	$ 57,372	$ 43,927

Outlook

As disclosed in Alaris' January 2, 2015 press release, Alaris was expecting to collect two thirds of its scheduled 2015 distribution, which Alaris is estimating to be $7.96 million, from KMH in cash, payable monthly, while deferring the remaining amount to be collected at a later date in the year. Subsequent to the January 2nd disclosure, the fixed portion of the distributions have been less than expected, resulting in a $1.66 million reduction in the fair value of our units in KMH to $52 million at December 31, 2014. We will continue working with KMH management to determine what level of cash distributions we can expect to receive for the remainder of 2015 based on available cash flow.

Based on Alaris' current agreements with its partners, it expects revenues to the Corporation of approximately $74.0 million for 2015. For the first quarter of 2015, those same agreements provide for revenues of approximately $18.5 million for the Corporation. Both revenue numbers assume the full amount of distributions from KMH. Annual general and administrative expenses are currently estimated at $6.5 million annually and include all public company costs. The senior debt facility was drawn to $35.5 million at December 31, 2014 and nil at March 18, 2015, leaving the Corporation with approximately $100 million of net debt available including cash available on the balance sheet. The annual interest rate on that debt was approximately 5.75% at December 31, 2014 and remains at that level today.

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

Alaris management will host a conference call at 9am MST (11am EST), Thursday, March 19, 2015 to discuss the financial results and outlook for the Corporation.

Participants can access the conference call by dialing toll free 1-800-355-4959 (or 1-416-340-8530). Alternatively, to listen to this event online, please enter http://www.gowebcasting.com/6309 in to 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 March 26, 2015. You can access the replay by dialing toll free 1-800-408-3053 (or 1-905-694-9451) and entering the passcode 5983910. 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" section on our website.

An updated corporate presentation will be available on the Corporation's website within the next 24 hours.

About the Corporation:

Alaris provides alternative financing to the Private Company Partners ("Partners") in exchange for royalties or distributions 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 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, net of gain or loss on disposal of capital assets, 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. The Corporation has provided a reconciliation of net income to EBITDA in this news release.

Normalized EBITDA refers to EBITDA excluding items that are non-recurring in nature, such as gains associated with the reduction of interest in one partner and an impairment loss in another with which the Corporation has transacted.

The terms EBITDA and Normalized 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.

Forward-Looking Statements

This news release contains forward-looking statements 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 Private Company Partners, the future financial position or results of the Corporation, business strategy, and plans and objectives of or involving the Corporation or the Private Company 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 financial and operating performance of the Private Company Partners in 2015, the revenues to be received by Alaris in 2015 (including expectations relating to the amount of revenues to be received from KMH), its general and administrative expenses in 2015, and the cash requirements of the Corporation in 2015. 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 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 in 2015, 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, that the Corporation will experience net positive resets to its annual royalties and distributions from its Private Company Partners in 2015, more private companies will require access to alternative sources of capital, 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 and U.S. dollar trading pair will remain in a range of approximately plus or minus 10% over the next 6 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 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; inability to close additional Partner contributions in a timely fashion, or at all; a change in the ability of the Partners to continue to pay Alaris' preferred distributions; a change in the unaudited information provided to the Corporation; and risks relating to the Private Company Partners and their businesses. Additional risks that may cause actual results to vary from those indicated are discussed under the heading "Risk Factors" and "Forward Looking Statements" in the Corporation's Management Discussion and Analysis for the year ended December 31, 2014, which is filed under the Corporation's profile at www.sedar.com and on its website at www.alarisroyalty.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.

Alaris Royalty Corp.

Consolidated statement of financial position

	December 31 2014	December 31 2013
Assets		
Cash and cash equivalents	$ 13,483,524	$ 8,998,342
Prepayments	1,467,872	125,543
Income tax receivable	1,866,572	-

Trade and other receivables	5,551,730	955,831
Promissory note receivable	8,965,000	8,500,000
Current Assets	31,334,698	18,579,716
Promissory note receivable	3,500,000	6,915,000
Equipment	109,565	59,825
Intangible assets	6,388,328	6,479,265
Preferred LP and LLC Units	527,641,735	433,988,295
Investment tax credit receivable	10,922,393	10,922,393
Deferred income taxes	-	3,785,015
Non-current assets	548,562,021	462,149,793
Total Assets	$ 579,896,719	$ 480,729,509
Liabilities		
Accounts payable and accrued liabilities	$ 1,453,661	$ 1,361,588
Dividends payable	4,009,045	3,443,243
Foreign exchange contracts	1,541,630	633,801
Income taxes payable	-	1,031,701
Current Liabilities	7,004,336	6,470,333
Deferred income taxes	7,712,668	-
Loans and borrowings	35,500,000	44,500,000
Non-current liabilities	43,212,668	44,500,000
Total Liabilities	$ 50,217,004	$ 50,970,333
Equity		
Share capital	498,363,066	413,237,576
Equity reserve	8,858,711	5,688,079
Fair value reserve	(2,637,352)	(4,883,951)
Translation reserve	7,071,417	1,201,883
Retained earnings	18,023,873	14,515,589
Total Equity	$ 529,679,715	$ 429,759,176
Total Liabilities and Equity	$ 579,896,719	$ 480,729,509

Alaris Royalty Corp.

Consolidated statement of comprehensive income

For the years ended December 31

	2014	2013
Revenues		
Royalties and distributions	$ 68,170,968	$ 51,576,277
Interest and other	1,134,918	1,130,727
Gain on reduction of partnership interest	-	13,052,160
Loss on disposal of partnerships	(860,337)	(15,512,013)
Loss on foreign exchange contracts	(1,770,386)	(651,915)
Total Revenue	66,675,163	49,595,236
Salaries and benefits	3,621,464	2,679,570
Corporate and office	1,947,484	1,371,188
Legal and accounting fees	2,219,063	919,791
Non-cash stock-based compensation	4,143,549	3,808,518
Bad debts	500,000	575,000
Depreciation and amortization	110,536	106,283
Subtotal	12,542,096	9,460,350
Earnings from operations	54,133,067	40,134,886
Finance costs	2,759,380	1,677,102
Unrealized foreign exchange loss/(gain)	(8,476,913)	(1,909,530)
Earnings before taxes	59,850,600	40,367,314
Deferred income tax expense	11,901,005	8,257,300
Current income tax expense	(1,099,516)	2,286,517
Total income tax expense	10,801,489	10,543,817
Earnings	49,049,111	29,823,497
Other comprehensive income		
Net change in fair value of Preferred LP units	2,853,470	4,800,000
Tax impact of change in fair value	(606,871)	(600,000)
Loss on reduction of partnership interest	-	(13,052,160)
Tax impact of realized gain	-	1,631,519

Foreign currency translation differences		5,869,534		1,467,103
Other comprehensive income for the year, net of income tax		8,116,133		(5,753,537)
Total comprehensive income for the year	$	57,165,244	$	24,069,960
Earnings per share				
Basic earnings per share	$	1.61	$	1.12
Fully diluted earnings per share	$	1.58	$	1.09
Weighted average shares outstanding				
Basic		30,446,449		26,695,896
Fully Diluted		31,095,740		27,408,071

Alaris Royalty Corp.

Consolidated statement of cash flows

For the years ended December 31

		2014		2013
Cash flows from operating activities				
Earnings from the year	$	49,049,111	$	29,823,497
Adjustments for:				
Finance costs		2,759,380		1,677,102
Deferred income tax expense		11,901,005		8,257,300
Depreciation and amortization		110,536		106,282
Bad debts expense		500,000		575,000
Loss on Quetico redemption		860,337		-
Gain on reduction of partnership interest		-		(13,052,160)
Impairment loss on SHS		-		15,512,013
Unrealized loss on foreign exchange forward contract		842,772		651,915
Unrealized foreign exchange (gain)/loss		(8,476,913)		(1,909,530)
Non-cash stock-based compensation		4,143,549		3,808,518
		61,689,777		45,449,937
Change in:				
-trade and other receivables		(6,962,471)		(631,302)
-prepayments		(1,342,329)		57,268
-trade and other payables		(977,977)		547,143
Cash generated from operating activities		52,407,000		45,423,046
Finance costs		(2,759,380)		(1,677,102)
Net cash from operating activities	$	49,647,620	$	43,745,944
Cash flows from investing activities				
Acquisition of equipment		(69,340)		(15,290)
Acquisition of Preferred LP Units		(107,763,746)		(173,282,648)
Proceeds from Partner redemptions, reduction of interest		30,386,240		30,000,000
Net cash used in investing activities	$	(77,446,846)	$	(143,297,938)
Cash flows from financing activities				
New share capital, net of share issue costs		82,795,636		155,685,585
Proceeds from exercise of options		123,739		2,332,603
Repayment of debt		(84,200,000)		(168,000,000)
Proceeds from debt		75,200,000		162,500,000
Promissory notes issued		(50,000)		(11,665,000)
Promissory notes repaid		3,000,000		-
Dividends paid		(44,713,396)		(35,648,317)
Payments in lieu of dividends on RSUs		(261,630)		(292,790)
Net cash used in financing activities	$	31,894,349	$	104,912,081
Net increase in cash and cash equivalents		4,095,123		5,360,087
Impact of foreign exchange on cash balances		390,059		-
Cash and cash equivalents, Beginning of year		8,998,342		3,638,255
Cash and cash equivalents, End of year	$	13,483,524	$	8,998,342

Contact

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