

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.](#) (TSX:AD) ("Alaris" or the "Corporation") is pleased to announce its results for the three and six months ended June 30, 2016. The results are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### 2016 Second Quarter Highlights:

- Improved diversification by adding a new annual revenue stream and a follow on contribution to a current Partner for a total increase to annualized revenue of \$5.4 million USD:
  - \$4.5 million USD from M-Rhino Holdings, LLC, operating as Providence Industries ("Providence")
  - \$0.9 million USD from a subsidiary of Federal Resources Supply Company ("Federal Resources")
- The Corporation has deployed over CAD\$250 million in capital since June 2015 through five new Partners and four follow on transactions
- Paid dividends per share of \$0.405 vs \$0.38 in 2015, an 6.6% increase compared to the prior year period
- Increased gross revenue by 40.9%, +25.4% on a per share basis
- Increased Normalized EBITDA by 42.7%, +25.6% on a per share basis
- Increased net cash from operating activities by 9.0%, -2.9% on a per share basis

Per Share	Three months ending June 30			Six months ending June 30		
	2016	2015	% Change	2016	2015	% Change
Revenue	\$0.69	\$0.55	+25.4%	\$1.40	\$1.14	+22.8%
Normalized EBITDA	\$0.54	\$0.43	+25.6%	\$1.12	\$0.93	+20.4%
Dividends	\$0.405	\$0.38	+6.6%	\$0.81	\$0.755	+7.3%
Net cash from operating activities	\$0.34	\$0.35	-2.9%	\$0.75	\$0.71	+5.6%
Weighted average basic shares outstanding (000's)	36,309	32,175		35,336	32,166	

<sup>1</sup>Using the weighted average shares outstanding for the period.

For the three and six months ended June 30, 2016, the Corporation recorded earnings of \$7.0 million and \$27.9 million, EBITDA of \$11.4 million and \$39.2 million and Normalized EBITDA of \$19.7 million and \$39.6 million compared to earnings of \$9.0 million and \$30.8 million, EBITDA of \$12.7 million and \$40.3 million and Normalized EBITDA of \$13.2 million and \$26.9 million in the prior year periods. The increases in revenue and Normalized EBITDA can be attributed predominantly to the addition of five new partners since June 2015 (DNT Construction, LLC, Federal Resources, MAHC Holdings, LLC, Sandbox Acquisitions LLC and Providence) and follow on contributions to PF Growth Partners, LLC, Kimco Holdings, LLC ("Kimco"), Federal Resources and LMS Limited Partnership ("LMS"). The decrease in net earnings is due to the impairment of the KMH, Limited Partnership ("KMH") units as the Corporation continues to negotiate a repurchase of its units with the goal of obtaining more up-front cash on the pending repurchase rather than leaving a long-term note payable with KMH, as management of Alaris believes that any note payable would take an extraordinary amount of time to collect and there exists a strong preference to terminate the relationship with KMH going forward.

Net cash from operating activities per share declined by 2.9% on a per share basis in the current quarter and is less than dividends paid in each of the three and six month periods ending June 30, 2016 due to annual tax payments in Canada (Alberta only) and the U.S. of \$3.4 million and \$4.7 million, respectively, as well as distributions from Partners that were not received in the current quarter but that are expected to be paid in the next twelve months of \$3.5 million and \$5.3 million, respectively. Adding back the prorated impact of the annual tax payments (using 1/4 for the three month period and 1/2 for the six month period), net cash from operating activities was \$0.41 and \$0.81 per share for both periods.

At each quarter end, the Corporation reviews the fair value of the preferred units in each of the Partners. At June 30, 2016, there were six changes to the fair values of the Partners: an increase to Sequel's units of \$2.75 million USD due to better than expected same program sales performance for Sequel's year ended June 30, 2016; an increase in the Solowave units of \$1.25 million CAD due to better than expected performance in 2016; an increase in DNT's units of \$1.5 million USD due to better than expected performance; a reduction to the KMH units of \$7 million CAD due to aforementioned negotiations on the pending redemption; a reduction to the SCR Mining and Tunneling, LP ("SCR") units of \$2.5 million CAD due to reduced expectations for distributions over the next twelve months; and a reduction to the Kimco units of \$3.8 million USD due to a reduced expectations for distributions over the next twelve months. More information is provided in the Private Company Partner Update portion of the Corporation's Management's discussion and analysis for the period (a copy of which is available under Alaris' profile at [www.sedar.com](http://www.sedar.com)).

	3 months ending June 30		6 months ending June 30	
Reconciliation of Earnings to EBITDA (thousands)	2016	2015	2016	2015
Earnings	\$7,043	\$8,951	\$27,885	\$30,759
Adjustments to Earnings:				
Amortization	69	48	138	77
Finance costs	1,359	697	2,876	1,481
Income tax expense	2,976	2,980	8,306	7,977
EBITDA	\$11,447	\$12,676	\$39,205	\$40,294
Normalizing Adjustments				
Unrealized foreign exchange loss/(gain)	(188)	505	10,427	(10,553)
(Gain)/loss on reduction of Partner interests	(23)	-	(18,588)	(2,792)
Impairment of Partner interest	7,000	-	7,000	-
Bad debts	853	-	853	-
Penalties and fees	656	-	656	-
Normalized EBITDA	\$19,745	\$13,181	\$39,553	\$26,949

"Our five largest Partners are our best performers, with each of them expected to hit the top end of the performance metric collar for the next distribution reset and we continue to make progress on our more challenging Partners. Add to that our pipeline of opportunities, we are well positioned to continue our track record of continuous growth in the quarters to come," said Darren Driscoll, Chief Financial Officer.

## Outlook

Based on Alaris' current agreements with its partners, it expects revenues of approximately \$101.5 million for 2016. For the third quarter of 2016, those same agreements provide for revenues of approximately \$25.6 million for the Corporation. Annual general and administrative expenses are currently estimated at \$8.3 million annually and include all public company costs. The Corporation's annualized payout ratio is at approximately 80% today, which assumes the collection of all accrued revenue as of the date hereof over the next twelve months. The senior debt facility was drawn to \$124.8 million at June 30, 2016 and remains the same as of the date of this release, leaving the Corporation with approximately \$125 million, including the \$50 million available under the accordion feature of the facility. The annual interest rate on that debt was approximately 4.95% at June 30, 2016 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](http://www.sedar.com) and on our website at [www.alarisroyalty.com](http://www.alarisroyalty.com).

## Conference Call Details

Alaris management will host a conference call at 9am MST (11am EST), Wednesday, July 27, 2016 to discuss the financial results for the three and six months ended June 30, 2016 and the outlook for the Corporation. Participants can access the conference call by dialing toll free 1-866-225-0198 (or 1-416-340-2218). Alternatively, to listen to this event online, please enter <http://www.gowebcasting.com/7706> 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 11:59pm EST August 3, 2016. You can access the replay by dialing toll free 1-800-408-3053 (or 1-905-694-9451) and entering the passcode 9087284. 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. "Presentation and Events", on our website.

## About the Corporation:

Alaris provides alternative financing to private companies ("Partners") in exchange for royalties or distributions with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders. Distributions from the Partners are adjusted annually based on the percentage change of a "top-line" financial performance measure such as gross margin or same store sales and rank in priority to the owner's common equity position.

## Non-IFRS Measures

The terms EBITDA, Normalized EBITDA and Annualized Payout Ratio 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, Normalized EBITDA and Annualized Payout ratio may differ from the methods used by other issuers. Therefore, the Corporation's EBITDA, Normalized EBITDA and Annualized Payout Ratio may not be comparable to similar measures presented by other issuers.

**Annualized Payout Ratio:** Annualized payout ratio refers to Alaris' total annualized dividend per share expected to be paid over the next twelve months divided by the estimated 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 as of the date of this report).

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 and is calculated by adjusting for non-recurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that the Corporation incurs outside of its common day-to-day operations. For the period ended June 30, 2016, the gain on the redemption of the LifeMark and Killick units (in 2015), the impairment of the KMH units, the write off of the interest on the KMH promissory note, one-time penalties and fees related to the CRA GST audit and the unrealized foreign exchange gains and losses are considered by management to be non-recurring charges. Adjusting for these non-recurring items allows management to assess EBITDA from ongoing operations.

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](http://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 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 Partners in 2016, the revenues/contractual distributions to be received by Alaris in 2016 (annually and quarterly, and over the next 12 months), its general and administrative expenses in 2016, the cash requirements of the Corporation in 2016 and the collection of deferred and/or accrued distributions. 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 2016 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 in 2016, 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, Alaris will achieve the benefits of any concessions or relief measures provided to any Partners, that the businesses of the Partners will continue to grow, that the Corporation will experience net positive resets to its annual royalties and distributions from its Partners in 2016, 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 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; 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 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 a failure to realize the benefits of any concessions or relief measures provided by Alaris to any Partner or to successfully execute an exit strategy for a Partner where desired. 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, 2015, which is filed under the Corporation's profile at [www.sedar.com](http://www.sedar.com) and on its website at [www.alarisroyalty.com](http://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.](#)

Condensed consolidated statement of financial position (unaudited)

	30-Jun 2016	31-Dec 2015
<b>Assets</b>		
Cash and cash equivalents	\$11,021,192	\$20,990,702
Prepayments	1,665,515	2,434,451
Income tax receivable	8,031,317	3,528,509
Trade and other receivables	15,858,726	10,577,985
Investment tax credit receivable	4,453,400	3,796,888
Promissory note receivable	17,787,500	11,750,000
Current Assets	58,817,650	53,078,535
Promissory note receivable	\$7,234,945	7,234,945
Deposits	13,346,048	11,981,345
Equipment	726,781	791,942
Intangible assets	6,251,924	6,297,392
Investments at fair value	715,714,226	704,109,367
Investment tax credit receivable	3,234,892	4,716,919
Non-current assets	746,508,816	735,131,910
<b>Total Assets</b>	<b>\$805,326,466</b>	<b>\$788,210,445</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$2,274,785	\$2,138,132
Dividends payable	4,905,368	4,900,869
Foreign exchange contracts	951,721	5,345,488
Income tax payable	-	1,841,634
Current Liabilities	8,131,874	14,226,123
Deferred income taxes	22,740,777	19,490,794
Loans and borrowings	124,782,775	77,447,075
Non-current liabilities	147,523,552	96,937,869
<b>Total Liabilities</b>	<b>\$155,655,426</b>	<b>\$111,163,992</b>
<b>Equity</b>		
Share capital	\$617,892,818	\$617,626,773
Equity reserve	10,131,352	7,525,767
Fair value reserve	(15,075,641)	1,874,903
Translation reserve	15,880,205	27,651,191
Retained earnings	20,842,308	22,367,819
<b>Total Equity</b>	<b>\$649,671,040</b>	<b>\$677,046,453</b>
<b>Total Liabilities and Equity</b>	<b>\$805,326,466</b>	<b>\$788,210,445</b>

[Alaris Royalty Corp.](#)

Condensed consolidated statement of comprehensive income / (loss) (unaudited)

For the three and six months ended June 30

	Three months ended June 30th		Six months ended June 30th	
	2016	2015	2016	2015
Revenues				
Royalties and distributions	\$24,527,403	\$17,446,917	\$48,780,013	\$36,227,126
Interest and other	385,586	239,990	698,958	476,596
Total Revenue	24,912,989	17,686,907	49,478,971	36,703,722
Other income				
Gain on partner redemption	22,500	-	18,588,007	2,792,457
Realized loss on foreign exchange contracts	(722,052)	(659,944)	(2,062,331)	(3,000,160)
Unrealized gain/(loss) on foreign exchange contracts	523,066	707,319	4,393,768	999,288
Total Other income	(176,486)	47,375	20,919,444	791,585
Salaries and benefits	1,572,545	1,301,737	2,137,794	1,805,678
Corporate and office	1,271,615	827,639	2,217,668	1,600,298
Bad debt expense	853,122	-	853,122	-
Legal and accounting fees	485,813	591,690	1,292,752	894,473
Impairment of preferred units	7,000,000	-	7,000,000	-
Non-cash stock-based compensation	1,771,112	1,125,443	2,871,628	2,454,778
Depreciation and amortization	69,119	47,531	138,181	76,823
Subtotal	13,023,326	3,894,040	16,511,145	6,832,050
Earnings from operations	11,713,177	13,840,242	53,887,270	30,663,257
Finance costs	1,358,909	696,548	2,875,638	1,480,928
Unrealized foreign exchange loss/(gain)	335,044	1,212,492	14,820,684	(9,553,823)
Earnings before taxes	10,019,224	11,931,202	36,190,948	38,736,152
Deferred income tax expense	3,046,036	1,570,399	7,365,104	3,429,123
Current income tax expense	(69,723)	1,409,527	941,244	4,547,831
Total income tax expense	2,976,313	2,979,926	8,306,348	7,976,954
Earnings	7,042,911	8,951,276	27,884,600	30,759,198
Other comprehensive income / (loss)				
Transfer on redemption of preferred units	-	-	(18,686,309)	(2,792,457)
Net change in fair value of Preferred Units	(664,685)	2,176,700	(664,685)	2,176,700
Tax effect on items in other comprehensive income	(90,794)	(1,102,806)	2,400,450	(698,622)
Foreign currency translation differences	(266,687)	(990,910)	(11,770,986)	5,414,611
Other comprehensive income / (loss) for the period, net of income tax	(1,022,166)	82,984	(28,721,530)	4,100,232
Total comprehensive income / (loss) for the period	\$6,020,745	\$9,034,262	\$(836,930)	\$34,859,430
Earnings per share				
Basic earnings per share	\$0.19	\$0.28	\$0.77	\$0.96
Fully diluted earnings per share	\$0.19	\$0.27	\$0.76	\$0.94
Basic	36,309,317	32,175,921	36,306,026	32,165,687
Fully Diluted	36,817,179	32,718,833	36,730,479	32,848,703

#### [Alaris Royalty Corp.](#)

Condensed consolidated statement of cash flows (unaudited)  
for the six months ended June 30

	2016	2015
Cash flows from operating activities		
Earnings from the period	\$ 27,884,600	\$ 30,759,198
Adjustments for:		
Finance costs	2,875,638	1,480,928
Deferred income tax expense	7,365,104	4,547,831
Depreciation and amortization	138,181	76,823
Bad debt expense	853,122	-
Impairment of preferred units	7,000,000	-

Gain on partner redemption	(18,588,007)	(2,792,457)
Loss on foreign exchange contracts	(4,393,768)	616,966
Unrealized foreign exchange (gain) / loss	14,820,684	(9,553,823)
Non-cash stock-based compensation	2,871,628	2,454,778
	\$ 40,827,182	\$ 27,590,244
<i>Change in:</i>		
-trade and other receivables	(6,133,863)	1,378,603
-income tax receivable	(4,502,808)	-
-prepayments and deposits	768,936	(6,804,836)
-trade and other payables	(1,704,981)	2,258,918
Cash generated from operating activities	29,254,466	24,422,929
Finance costs	(2,875,638)	(1,480,928)
Net cash from operating activities	\$ 26,378,828	\$ 22,942,001
Cash flows from investing activities		
Acquisition of equipment	\$ (27,551)	\$ (486,092)
Acquisition of preferred LP units	(83,386,831)	(146,918,721)
Proceeds from partner redemptions, reduction of interest	38,517,202	44,300,000
Net cash used in investing activities	\$ (44,897,180)	\$ (103,104,813)
Cash flows from financing activities		
New share capital, net of share issue costs	\$ -	\$ -
Proceeds from exercise of options	-	1,205,035
Repayment of debt	(22,000,000)	(40,500,000)
Proceeds from debt	70,943,300	149,200,000
Promissory notes issued	(6,350,000)	(3,000,000)
Promissory notes repaid	312,500	3,230,055
Dividends paid	(29,405,612)	(24,118,995)
Deposits with CRA	(1,364,703)	-
Net cash used in financing activities	\$ 12,135,485	\$ 86,016,095
Net increase in cash and cash equivalents	\$ (6,382,866)	\$ 5,853,283
Impact of foreign exchange on cash balances	(3,586,644)	1,200,761
Cash and cash equivalents, Beginning of period	20,990,702	13,483,524
Cash and cash equivalents, End of period	\$ 11,021,192	\$ 20,537,568

## Contact

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