Alaris Royalty Announces US$20.5 Million of Contributions to Existing Partners, a Pending Contribution of US$15.0 Million to a New Partner

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Increased Credit Facility and a $2.0 Million Increase in Distributions Following Distribution Resets

CALGARY, Dec. 18, 2017 - Alaris Royalty Corp. ("Alaris" or the "Corporation") (TSX:AD) is pleased to announce the following (all numbers presented in Canadian dollars unless otherwise noted): (i) capital deployment of US$35.5 million consisting of US$20.5 million to two existing partners as well as a pending US$15.0 million transaction with a new partner bringing year to date capital deployment to a record of approximately $195 million; (ii) an increase to the base credit facility to $300 million from $200 million pending final syndicate approval, which will provide Alaris with approximately $120 million of undrawn capacity to deploy into new and existing partners; and (iii) expectations for a $2.0 million increase to annual distributions based on expected resets from certain partners effective January 1, 2018. The cumulative impact of today’s announcements are a $0.13 cent (after tax) increase in distributable cash per share as well as a run rate payout ratio below 90%.

Alaris has made a follow-on contribution to Federal Resources Supply Company (“Federal Resources”) in the amount of US$13.5 million (CAD$17.4 million) (the “Additional Federal Resources Contribution”), bringing cumulative total contributions to Federal Resources to US$67 million (CAD$84 million). The Additional Federal Resources Contribution was in exchange for additional annual distributions of US$1.76 million (approximately CAD$2.26 million) (the “Additional Federal Resources Distributions”). Alaris also made a follow-on contribution to Sandbox Acquisitions, LLC (“Sandbox”) in the amount of US$7.0 million (CAD$9.01 million) (the “Additional Sandbox Contribution”), bringing cumulative total contributions to Sandbox to US$35 million (CAD$46 million). Alaris made the Additional Sandbox Contribution in exchange for additional annual distributions of US$1.0 million (approximately CAD$1.29 million). Federal Resources used the proceeds to partially fund an acquisition while Sandbox used the proceeds to fund a performance earn out in connection with a prior acquisition.

Alaris is also expecting to close a US$15.0 million contribution to a new partner before year-end in exchange for an annual distribution of US$2.25 million. This transaction is subject to completion of definitive agreements. Following the closing of this pending transaction, Alaris will have contributed a total of approximately $195 million in 2017, a record for gross capital deployment in a single year.

In addition to the above, Alaris is pleased to also announce the following amendments to, and extension of, its senior credit facility (the “Facility”): (i) an increase in capacity from $200 million to $300 million, with the current additional $50 million accordion facility remaining in place, leaving approximately $120.0 million of additional capacity on the Facility as well as the $50 million accordion feature; (ii) the term of the Facility being extended for another year to December 2021; and (iii) increasing the permanent leverage covenant from 1.75x EBITDA to 2.5x EBITDA, and the bridge covenant (for 90 days following certain approved transactions) from 2.25x EBITDA to 3.0x EBITDA. There continue to be no amortization payments and pricing will also remain the same. The amendments to the Facility are subject to final syndicate approval and completion of definitive agreements. However, the co-leads of the syndicate have received credit committee approval.

Finally, due to the continued strong performance from the majority of Alaris’ partners, Alaris is expecting an increase in annual distributions of over $2.0 million effective January 1, 2018 (subject to final confirmation of audited numbers) as a result of expected net positive distribution resets. After tax, an increase to distributable cash per share of approximately $0.05 is expected for fiscal 2018 from the positive distribution resets and a further approximately $0.08 per share as a result of the Additional Federal Resources Contribution, the Additional Sandbox Contribution and from the pending US$15.0 million transaction announced earlier in this release. Upon completion of the pending US$15 million contribution to a new partner, and all other items disclosed today, Alaris expects to have a run rate payout ratio below 90% and approximately $120 million of undrawn capacity on its Facility.

“We are very pleased to be announcing four very meaningful transactions before year end. The contributions to current partners Sandbox and Federal Resources to support acquisition growth as well as adding another new partner brings our total capital deployment for 2017 to over $195 million. This is the highest level of deployment in the 14 year history of our company. Just as importantly, we are very pleased with the support of our Canadian banking syndicate who have shown their confidence in our business model. Having more than $120 million of capital to deploy on new deals puts us in a very strong position heading into 2018. Finally, the significant upward resets from our partner distributions reflects the strong performance of our portfolio. All of these updates are significant in bringing us to our short term goal of an 80% payout ratio and growing our dividend,” said Steve King, President and CEO, Alaris Royalty Corp.

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 adjusted each year based on the percentage change 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:

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 our financial interest in one partner or an impairment loss in another with which the Corporation has transacted as well as the impacts of non-cash foreign exchange gains and losses. Management deems non-recurring charges to be unusual and/or infrequent charges that the Corporation incurs outside of its common day-to-day operations.

Run Rate 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).

Distributable Cash Per Share is cash flow from operations less taxes.

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 impact of the Additional Federal Resources Contribution, Additional Sandbox Contribution, the pending contribution to a new partner, and the amendments to the credit facility; the run rate payout ratio; increases in distributable cash per share; the anticipated closing of the credit facility amendments and the pending new partner contribution; the yield on the additional Federal Resources and Sandbox contributions and the anticipated distribution resets from existing 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. To the extent any forward-looking statements herein constitute a financial outlook, including, without limitation, estimates regarding the run rate payout ratio, increases in distributable cash per share and the anticipated distribution resets, 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 Alaris will be able to achieve resolutions with respect to issues with SMi, Agility, Kimco and SCR on terms materially in line with management’s expectations, that Alaris will achieve the benefits of any concessions or relief measures provided to any Partners, that the Partners will continue to make distributions to Alaris as and when required and in line with management’s expectations, 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 the next twelve 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 of the Corporation or any Partners 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 or adjustment to the unaudited financial information provided to the Corporation by its Partners; a failure to achieve resolutions for outstanding issues with Partners on terms materially in line with management’s expectations; 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, 2016, 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 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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