

# Alaris Royalty Corp. Commits to Fund Up to US\$91 Million to a New Partner and Contributes US\$7 Million to Accscient

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CALGARY, Sept. 14, 2018 - [Alaris Royalty Corp.](#) ("Alaris" or the "Corporation") (TSX: AD) is pleased to announce that it has contributed US\$46,000,000 (the "BCC Contribution") to a new partner, Body Contour Centers, LLC ("BCC"), and has committed to contributing an additional US\$45,000,000 (the "Additional BCC Contributions") to BCC in two future tranches dependent on BCC achieving certain financial targets. The Corporation is also pleased to announce a follow-on contribution of US\$7,000,000 (the "Accscient Contribution") into Accscient LLC ("Accscient"). The US\$53,000,000 of contributions announced today add approximately \$0.27 cents and \$0.13 cents per share of revenue and net cash from operations respectively. Alaris has approximately \$155,000,000 of undrawn capacity on its credit facility (the "Facility") following today's announcement and estimates its run-rate payout ratio to be 92%.

## New Partner – Body Contour Centers, LLC

Alaris entered into subscription and operating agreements with BCC on September 14, 2018, pursuant to which Alaris made the BCC Contribution in exchange for preferred units in BCC (the "BCC Units"), which entitle Alaris to a US\$6,440,000 distribution (the "BCC Distribution") for the first full year following the transaction, representing an initial yield of 14%. BCC has the option to pay a portion of the BCC Distribution, subject to a maximum of 2% of the aggregate contributed capital to BCC in any given year as payment in kind ("PIK") provided that any amounts subject to the PIK must be paid every three years. If utilized, any amounts PIK will compound monthly. The BCC Distribution will be adjusted annually (commencing January 1, 2020) based on the change in same clinic sales, subject to a 6% collar and will represent approximately 8.5% of Alaris's revenue. The BCC Contribution was used to fund growth and provide partial liquidity to existing equity holders.

Alaris has also committed as part of the operating and subscription agreements with BCC to the Additional BCC Contributions consisting of US\$20,000,000 ("Tranche 2") and US\$25,000,000 ("Tranche 3"). The Tranche 2 and Tranche 3 contributions will be funded upon BCC satisfying certain financial targets. If the Additional BCC Contributions are funded, Alaris will have contributed a total of US\$91,000,000 to BCC. The Additional BCC Contributions will carry the same terms as the original BCC Contribution. Up to 25% of the BCC Units are redeemable at par at any time following the earlier of the second tranche closing and three years from the original closing date, prior to such time these units are non-redeemable.

"Alaris is thrilled to be adding what could eventually become one of our largest partners. Body Contour Centers is the unquestioned market leader in a field that continues to grow at a high rate in the US. Adding yet another partner with a great balance sheet and in a very desirable industry is another example of our ability to deploy capital in competitive situations. We look forward to supporting BCC's world class management team for years to come," said Steve King, President and Chief Executive Officer, Alaris.

Body Contour Centers, is the largest private plastic surgery practice in the United States with over 50 locations across the country. Operating in nearly 30 states and over 50 cities, it combines a consistent patient experience with the art of treating each patient as an individual with unique plastic surgery needs. Procedures are conducted by over 100 board-certified plastic surgeons and every surgical center is certified by AAAHC, the highest-level certification for plastic surgery. BCC is growing rapidly, doubling its location

count over the last two years. The company celebrated its tenth year of delivering great patient outcomes in July 2018 and lives by a mission that everyone deserves to have their best body today and pursue their best life now.

“We are excited to embark on the next phase of growth via this partnership with Alaris. Their flexible capital solution will allow our management team to pursue our vision for growth while recapitalizing our balance sheet in a prudent way. We look forward to a long and successful relationship with Alaris,” Chris M. Par, Chief Executive Officer, Body Contour Centers, LLC.

Based on Alaris' review of BCC's internal pro forma results for the most recent trailing twelve month period in 2018, management of Alaris believes that BCC would have an earnings coverage ratio in a range of 1.2x to 1.5x, after giving effect to the BCC Contribution, other changes to BCC's capital structure and the BCC Distribution payable to Alaris.

#### Accscient Follow-On

In exchange for the Accscient Contribution announced today, Alaris is entitled to an additional US\$1,001,000 of distributions from Accscient. Alaris now has US\$30,000,000 invested in Accscient and is collecting run rate distributions of US\$4,430,000. Accscient's cumulative distribution accounts for approximately 6% of Alaris' total revenue. Proceeds of the Accscient Contribution were used by Accscient to acquire a business complimentary to their current operations.

#### 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-GAAP MEASURES:

Earnings Coverage Ratio refers to the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded maintenance capital expenditures and distributions to Alaris.

Run Rate Payout Ratio refers to Alaris' total 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) of a Partner 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.

Normalized EBITDA refers to the EBITDA of a Partner excluding items that are non-recurring in nature and is calculated by adjusting for nonrecurring expenses and gains to EBITDA. Management deems non-recurring items to be unusual and/or infrequent items that its Partner incurs outside of its common day-to-day operations.

#### 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 BCC and Accscient contributions (including the impact on revenues, distributions, run rate payout ratio and net cash from operating activities), and the BCC Distributions and the additional Accscient distributions. Many of these statements can be identified by 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 the impact on revenues, distributions, run rate payout ratio and net cash from operating activities), 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 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 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 the unaudited information provided to the Corporation; a failure to achieve resolutions for outstanding issues with Partners on terms materially in line with management's expectations or at all; 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, 2017, 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 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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