

Alaris Equity Partners Income Trust: Provides Update

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CALGARY, Oct. 5, 2020 - Alaris Equity Partners Income Trust (the "Trust" or "Alaris") (TSX: AD.UN) is pleased to provide an operational update, including an estimate for Q3 revenue which is expected to beat Q2 revenue by over 16% and previous guidance for the quarter by approximately 3%.

Financial Update:

- Q3 revenue is estimated to be \$23.5 million up \$3.3 million from Q2 revenue of \$20.2 million.
- The increase in Q3 revenue vs Q2 is a result of Body Contour Centers LLC ("BCC") paying US\$1.7 million of distributions in the quarter vs NIL in Q2 2020 as well as the collection of US\$0.9 million of distributions from Kimco Holdings, LLC, operating as Kimco Facility Services ("Kimco") in the quarter. Revenue was negatively impacted by a lower Canadian dollar in Q3 vs Q2 but more than offset by the positive developments in our underlying portfolio.
- Despite a difficult and uncertain economic environment, the strong demand for services/products that our Partners (as defined below) provide has resulted in better than previously expected financial performance for 2020 and a positive revision to certain Partners expected performance metric resets for 2021. As a result, Alaris believes organic revenue will be flat year over year when performance metrics are reset January 1, 2021.
- Alaris currently has available on its \$330 million senior credit facility (the "Facility") approximately \$192 million for investment purposes (including the \$50 million accordion), with a total senior debt to EBITDA on a proforma basis of 1.8x.
- The Trust expects to close on a 2-year extension to the Facility (extended to November 2023) by mid October on similar terms.
- Prior to the trust conversion, [Alaris Royalty Corp.](#) had purchased for cancellation 1,156,541 of its common shares at an average price of \$8.69 per common share through its Normal Course Issuer Bid ("NCIB"). Following the trust conversion, the NCIB continues to be in place for the Trust and Alaris will continue to consider/evaluate opportunities to purchase trust units under the plan.
- Alaris is estimating its Run Rate Payout Ratio to be less than 80%, which is expected to result in an estimated \$12 million of excess cash flow over the next 12 months. This is without counting on any revenue from PF Growth Partners LP ("PFGP") in that time period. The Run Rate Payout Ratio will improve with capital deployment and as distributions from PFGP come back on line. Distributions from PFGP would reduce our Run Rate Payout Ratio by approximately 12% when full distributions are being paid.

"Our portfolio continues to surprise on the upside due to strong management teams, low debt and the focus on required products/services. Seeing flat year over year aggregate performance while the broad economy has taken the biggest short term hit in history is an incredible achievement by our partners," said Steve King, President and CEO, Alaris. King continues, "While we were likely too aggressive on cuts to our book value and dividend in May, that leaves ample room for growth in the future. The current environment is also proving to be very robust for capital deployment opportunities both with our current high performing partners as well as with new partners who have proven their abilities to succeed during these volatile times."

Partner Update Kimco

- Kimco continues to see increased revenue from additional cleaning and sanitization work with their existing customers and through ancillary cleaning services for new customers as a result of the heightened demand for sanitization.
- EBITDA for the eight months ending August 31, 2020 is up substantially vs the entire 12 months ending December 31, 2019.
- Distributions restarted at US\$100,000 per month in July and August and have since increased to US\$200,000 per month in September.

- Alaris and Kimco also agreed to a cash flow sweep to accelerate repayment of outstanding distributions. Alaris will receive an additional payment of US\$500,000 applied to Q3 and is expecting to receive a further US\$500,000 in Q4 bringing total Q3 payments to US\$900,000 and Q4 expected payments to US\$1.1 million up from NIL in Q2 2020 and prior quarters.
- The coronavirus disease 2019 ("COVID") pandemic was a growth catalyst for Kimco's operations. Kimco anticipates sales growth to maintain current performance well in 2021 and potentially beyond. This has been an impressive turnaround by Kimco and their management team.

BCC:

- Alaris proactively deferred distributions for three months to assist BCC with liquidity while all their locations were temporarily closed between March and June. Upon reopening of all clinics in June, results have been positive allowing BCC to pay US\$1.7 million of distributions in Q3, which is the full amount owed for the quarter.
- Monthly financial and operational results since reopening have exceeded their profitability and key performance indicators in the same period in 2019. The company is expecting to finish the year with EBITDA in excess of the prior year, even with a total loss of almost all revenue for a full two months.
- As a result of the performance of the business and barring any unforeseen changes, it is anticipated that all previously deferred Q2 distributions will be paid within the next 6 months.
- Both the restart of full distributions and the anticipated payment of the deferred distributions have been much sooner than originally forecast.

PFGP:

- All 67 clubs are now open with the last 7 clubs opening in August.
- Results since reopening continue to be strong. For the clubs that have been opened for 3 full months, net new memberships are in line with management forecasts. However, cancellations did increase this summer due to COVID related factors such as mask requirements in certain states. Signs of stabilization of cancellations are now showing and Alaris continues to monitor results closely. New joins for the last two months are up versus the prior year and user engagement has increased for 4 straight months.
- The October billing period will provide a base to forecast the next 12 months as this will include a full 3 months of billings from all clubs and thus should provide a stabilized set of data.
- Management of Alaris and PFGP will discuss how deferred distributions will be caught up once regular distributions begin. Alaris, PFGP and PFGP's lending syndicate will be negotiating a longer-term amendment to the existing credit facility in Q4 2020. Alaris is optimistic that the lending syndicate will allow for a level of preferred distributions to be paid based on the current performance of the business, but this will be subject to negotiation.
- The resiliency of the businesses coming out of the initial stages of the COVID lock down continues to highlight the strength of the Planet Fitness ("PF") brand including the low price point membership offering and superior member experience. With the low operating costs of a PF gym, it is our view that the PF system is weathering the COVID storm much better than most other operators in the fitness industry. Thus, we feel PFGP is well positioned to gain market share coming out of the COVID pandemic.

Federal Resources Supply Company ("FED"):

- Trailing twelve-month ("TTM") revenue and EBITDA are both up by a large margin compared to full year 2019 metrics. The company has significantly reduced debt over the last several months due to the substantial increase of cash flow.
- FED continues to execute its traditional business plan as well as opportunistically securing numerous key contracts to supply personal protective equipment ("PPE") such as masks, medical gowns and gloves under various government awarded contracts.
- The PPE order that Alaris was participating in has not yet materialized due to constraints in the available supply of medical grade nitrile gloves. FED still expects to execute this order, however, Alaris' participation will not be required until FED secures adequate supply and may not be needed at all, depending on the size and structure of the new supply chain. Alaris has received US\$5 million of the US\$11.5 million deposit Alaris initially paid with the remaining amounts expected in October 2020. Alaris did not provide any additional funding outside of the aforementioned deposit.

DNT Construction LLC ("DNT"):

- DNT has continued to perform well throughout the pandemic, initial project delays have subsided and DNT's backlog is now flat year over year.
- DNT revenue and EBITDA are trailing the comparable period slightly. However, their liquidity and net working capital continue to be robust. DNT and Alaris do not expect any interruptions in distributions. This is a positive revision from the onset of the pandemic as the Trust expected some flexibility in distributions would be required to assist with working capital requirements.

LMS Reinforcing Steel Group LP ("LMS"):

- Year to date results are substantially ahead of the prior year and the company currently has a robust project backlog.
- Alaris is expecting a double digit increase to the annual distribution for 2021 based on LMS' financial performance thus far in 2020.

General Update for Remaining Partners:

- For the other eleven Partners, there are no significant updates to provide. Each continues to operate at or above expectations since the guidance provided in Alaris' Q2 2020 earnings release this past July.
- As previously disclosed, ccComm and Providence are the only Partners from this group not paying distributions. Given the strong results from other Partners included in this section, there are no expectations of any others needing to defer distributions.

ABOUT ALARIS:

Alaris provides alternative financing to private companies ("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:

Run Rate Payout Ratio refers to Alaris' total distribution per unit expected to be paid over the next twelve months divided by the estimated net cash from operating activities per unit 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).

The term Run Rate Payout Ratio (the "Non-IFRS Measure") is not a standard measure under IFRS. Alaris' calculation of the Non-IFRS Measure may differ from those of other issuers and, therefore, should only be used in conjunction with the Trust's annual audited financial statements, which are available under the Trust's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This news release contains forward-looking statements, including forward-looking statements within the meaning of "safe harbor" provisions under applicable securities laws ("forward-looking statements"). Statements other than statements of historical fact contained in this news release may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning: the financial and operational performance of the Partners for the remainder of 2020 and beyond; expected resets on distributions from the Partners for 2021 (individually and in the aggregate); use of proceeds from the Facility; the extension of the Facility (including the timing and terms thereof); Alaris' Run Rate Payout Ratio; restarting or increasing distributions from Partners that are not paying Alaris (partially or in full); the collection of deferred distributions from Partners; expectations regarding future deferrals of distributions for Partners; Kimco's ability to sustain its current growth and operational improvements; amendments to PFGP's senior credit facility; PFGP's ability to increase market share; FED's continued growth and execution on specific PPE orders; Alaris' use of the NCIB; the impact of the ongoing COVID pandemic on the operations of Alaris and our Partners or any of them. 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. Any forward-looking statements herein which constitute a financial outlook or future-oriented financial information (including the impact on revenues, Run Rate Payout Ratio, dividends and interruptions to Partners' businesses,) were approved by management as of the date hereof and have been included to provide an understanding of 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 (including, without limitation, the ongoing impact of the COVID pandemic) 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 begin to recover from the ongoing economic downturn created by the response to COVID pandemic within the next twelve months; interest rates will not rise in a material way over the next 12 to 24 months, that those Alaris Partners detrimentally affected by COVID will recover from the pandemic's impact and return to their current operating environments; following a recovery from the COVID impact, the businesses of the majority of our Partners will continue to grow; 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 the Canadian and U.S. dollar trading pair will remain in a range of approximately plus or minus 15% of the current rate 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 as well as prevailing economic conditions at the time of such determinations.

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 Trust 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: how many Partners will continue to be impacted by the ongoing COVID pandemic and the extent of such impact; the ability of our Partners and, correspondingly, Alaris to meet performance expectations for 2020 and beyond as a result of COVID or otherwise; any change in Alaris' senior lenders outlook for the Trust; a failure to complete the extension of the Facility in line with expected terms or at all; management's ability to assess and mitigate the impacts of the COVID pandemic; the dependence of Alaris on the Partners; reliance on key personnel; general economic conditions, including the ongoing impact of the COVID pandemic on the Canadian, U.S. and global economies; failure to complete or realize the anticipated benefit of Alaris' financing arrangements with the Partners; a failure of the Trust or any Partners to obtain required regulatory approvals on a timely basis or at all; changes in legislation and regulations and the interpretations thereof; a failure to achieve expected benefits of the trust conversion; 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' distributions; a change in the unaudited information provided to the Trust; a failure of a Partner (or Partners) to realize on their anticipated growth strategies; 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 Trust's Management Discussion and Analysis for the year ended December 31, 2019, which is filed under the Trust'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.

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SOURCE Alaris Equity Partners Income Trust

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