

# Alaris Equity Partners Announces an Investment of US\$30 Million Into a New Partner, a US\$8 Million Follow-On Investment in Accscient and an Increase to its Credit Facility

22.02.2021 | [CNW](#)

CALGARY, Feb. 22, 2021 - [Alaris Equity Partners Income Trust](#) (the "Trust" or "Alaris") (TSX: AD.UN) is pleased to announce that its wholly-owned subsidiary, Alaris Equity Partners USA, Inc. (collectively with the Trust and its other subsidiaries, "Alaris") has made an investment of US\$30.0 million (the "3E Investment") into its twentieth Partner, 3E, LLC ("3E") and a US\$8.0 million (the "Accscient Contribution") follow-on investment into an existing Partner, Accscient, LLC ("Accscient"). This brings year to date 2021 capital deployment to over \$180.0 million with capital deployment over the last twelve months over \$350.0 million, Alaris' most active 12-month period in its history. Alaris is also pleased to announce that its subsidiary's credit facility (the "Facility") will be increased (the "Facility Increase") from \$373 million to \$400 million with the addition of a seventh bank to the lending syndicate (the "Lending Syndicate") subject to the completion of final documents.

## 3E Investment

On February 22, 2021, Alaris made the 3E Investment with a contribution of US\$22.5 million (the "3E Contribution") into 3E in exchange for preferred equity, which will entitle Alaris to an annualized Partner distribution of US\$3.15 million (the "3E Distribution"). In addition, US\$7.5 million (the "3E Escrow") was contributed to an escrow account to be released to 3E in the event that certain hurdles are met (the "Escrow Hurdles") with in a 24-month time frame. In the event that those Escrow Hurdles are met in part or in full, Alaris will contribute up to US\$7.5 million in exchange for additional preferred units, entitling Alaris to up to an additional US\$1.05 million of annualized distributions. The 3E Distribution is equivalent to a pre-tax yield of 14% in the first full year after the 3E Contribution.

Commencing on January 1, 2022, the 3E Distribution will be adjusted annually based on the percentage change in gross profit over the most recently completed 12-month period versus the prior 12-month period (January 1, 2022 adjustment will be based on fiscal 2021 vs fiscal 2020), subject to a collar of 6%.

Based on Alaris' review of 3E's internal pro forma financial results for the most recent trailing twelve-month period in 2021 and giving effect to the 3E Investment, certain other changes to 3E's capital structure and the 3E Distribution payable to Alaris, management of Alaris believes that 3E would have an earnings coverage ratio between 1.2x and 1.5x. Proceeds of the 3E Contribution were used to replace an existing capital provider.

3E is a utility service provider that installs, inspects, maintains and replaces critical infrastructure (primarily natural gas utilities) for blue-chip, investor-owned utility companies. 3E operates under two entities: Benton Georgia and Pipe Strong, with operations across nine States in the Southeastern and Midwestern United States including Georgia, Illinois, Texas, Tennessee, Missouri, Kentucky, Louisiana, Arkansas and Mississippi. 3E's business is well positioned to benefit from maintaining and replacing the aging natural gas utility network in the United States. 3E's services relate only to regulated entities. 3E does not provide services for natural gas exploration, production or mid-stream operations.

## Accscient Follow-On

On February 19, 2021, Alaris made the Accscient Contribution of US\$8.0 million in exchange for additional preferred units in Accscient, which entitle Alaris to an additional annualized distribution of US\$1.14 million (the "Accscient Distribution"). The Accscient Distribution is equivalent to a pre-tax yield of 14.3% in the first full year following the Accscient Contribution. Accscient used the proceeds of the Accscient Contribution for

investment purposes.

Alaris is estimating a proforma increase of \$0.05 per trust unit<sup>1</sup> to its net operating cash flow following the 3E Contribution and Accscient Contribution. Following the Facility Increase, Alaris will have approximately \$80.0 million available for future investment opportunities.<sup>2</sup>

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<sup>1</sup> Assumes the expected total units outstanding following the anticipated closing of the previously announced trust unit offering, which is expected prior to March 3, 2021 (including the exercise in full of the overallotment option).

<sup>2</sup> Assumes Alaris' previously announced offering of trust units closes and the overallotment is exercised in full.

#### ABOUT ALARIS:

The Trust, through its subsidiaries, indirectly provides alternative financing to private companies ("Partners") in exchange for distributions with the principal objective of generating stable and predictable cash flows for payment of distributions to unitholders of the Trust. 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:

Earnings Coverage Ratio refers to the Normalized EBITDA of a Partner divided by such Partner's sum of debt servicing (interest and principal), unfunded capital expenditures and distributions to Alaris. Management believes the earnings coverage ratio is a useful metric in assessing our partners continued ability to make their contracted distributions.

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 charges to be unusual and/or infrequent charges that our Partners incur outside of its common day-to-day operations.

EBITDA refers to earnings 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.

The terms Run Rate Payout Ratio, Earnings Coverage Ratio, Normalized EBITDA and EBITDA (the "Non-IFRS Measure") are not standard measures 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 (or its predecessor's) annual audited and unaudited interim financial statements, which are available under the Trust's (and its predecessor's) profile on SEDAR at [www.sedar.com](http://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 impact of the 3E Contribution and Accscient Contribution, including the 3E Distribution and the Accscient Distribution and adjustments thereto and the impact on Alaris' revenue and net cash from operating activities; 3E's Earnings Coverage Ratio; Alaris' Run Rate Payout Ratio and the impact of the 3E Contribution and Accscient Contribution thereon; the 3E Escrow Hurdles and additional investment connected thereto; the potential increase to the Facility, including the timing thereof; availability under the Facility and use of proceeds under the Facility. 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, net cash from operating activities and Run Rate Payout Ratio) 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 COVID-19) 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-19 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-19 will recover from the pandemic's impact and return to their current operating environments; following a recovery from the COVID-19 impact, the businesses of the majority of our Partners will continue to grow; the businesses of new Partners and those of existing partners will perform in line with Alaris' expectations and diligence; 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 be impacted by the COVID-19 and the extent of such impact; the ability of our Partners and, correspondingly, Alaris to meet performance expectations for 2021 and beyond as a result of COVID-19 or otherwise; any change in the senior lenders under the Facility's outlook for Alaris' business; management's ability to assess and mitigate the impacts of COVID-19; the dependence of Alaris on the Partners; reliance on key personnel; general economic conditions, including the ongoing impact of COVID-19 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; 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](http://www.sedar.com) and on its website at [www.alarisquitypartners.com](http://www.alarisquitypartners.com).

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about increases to the Trust's net operating cash per flow per unit and liquidity, each of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI and forward-looking statements. Alaris' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and FOFI, or if any of them do so, what benefits the Trust will derive therefrom. The Trust has included the forward-looking statements and FOFI in order to provide readers with a more complete perspective on Alaris' future operations and such information may not be appropriate for other purposes. Alaris disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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.

(all numbers in this release are in Canadian dollars (CDN\$) unless otherwise noted)

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Die URL für diesen Artikel lautet:

<https://www.goldseiten.de/artikel/484064--Alaris-Equity-Partners-Announces-an-Investment-of-US30-Million-Into-a-New-Partner-a-US8-Million-Follow-On-Inve>

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