



## Is Alaris Royalty Corp. Finally Turning Around?

### Description

Shares of **Alaris Royalty Corp.** (TSX:AD) have been on a downtrend since 2015. This is because the company had problems with four of its revenue streams, which contributed 18% of its distributions. However, the company may finally be turning around.

First, let's take a look at Alaris's business.

### What does Alaris do?

Alaris offers capital to private businesses that want to maintain the ownership in their companies. In return, Alaris receives monthly cash distributions from them.

Alaris has about 70% of its investments in U.S.-based companies, which will benefit from the tax reform that will bring the corporate tax rate in the U.S. from 35% to 15% if the reform happens.

### Positive recent developments

In the first quarter, some good progress was made on its problem streams.

KMH, which is a private healthcare company that operates 20 diagnostic imaging clinics, has stopped paying a distribution to Alaris since 2014.

KMH has entered an investment agreement to be recapitalized by another company. If this is approved by the Ontario Ministry of Health, Alaris expects to get about \$26.9 million in cash from KMH and plans to use the proceeds to reduce debt.



Group SM, a company founded in 1972 which specializes in the delivery of integrated scientific, engineering, and IT solutions dedicated to the areas of buildings, energy, energy efficiency, environment, industry, infrastructure, natural resources, power, security, telecommunications and materials testing, will start paying a partial distribution this month.

SCR, which provides mine services, is showing improving and profitable monthly results. As a result, it will start paying partial distributions next month.

Alaris is also looking to exit the position in Agility, which currently contributes to 4% of its revenue stream, and redeploy the proceeds in a better opportunity.

### **Is Alaris's big yield sustainable?**

At about \$19.80 per share, Alaris now yields 8.2%. Investors must be wondering if Alaris's dividend is sustainable as the shares declined 32% in the last 12 months.

In May, CEO Steve King said that Alaris's dividend is sustainable and that there could even be a potential dividend hike this year.

As of May, the company expects this year's payout ratio to be about 97%, which has come down from about 101% when I wrote about the company in March. So, the dividend looks safer than it did before.

As of May, insiders owned 10% of the company. Additionally, a total of 5,000 Alaris shares were purchased directly or indirectly by two insiders from \$19.96 to \$20.20 per share in May. This comes out to a purchase of about \$100,400. Although this is not a huge amount, any insider purchases should be a bullish sign and could mean that the shares are at or near the bottom.

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1. Dividend Stocks
2. Investing

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