

# DIVERSIFIED

DIV

ROYALTY CORP.

## Diversified Royalty Corp. Announces First Quarter Results

For Immediate Release – not for distribution to US news wire services or for US dissemination

Vancouver BC, May 12, 2015 – Diversified Royalty Corp. (TSX: DIV) (the “Company” or “DIV”) is pleased to announce its financial results for the three-month period ended March 31, 2015 (“First Quarter”). A copy of this news release and DIV’s Unaudited Condensed Consolidated Interim Financial Statements and accompanying Management’s Discussion and Analysis for the First Quarter are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on DIV’s website at [www.diversifiedroyaltycorp.com](http://www.diversifiedroyaltycorp.com).

### First Quarter Results

The aggregate gross sales of the 78 Franworks Franchise Corp (“Franworks”) restaurants in the Royalty Pool was \$48.6 million<sup>1</sup> for the First Quarter compared to \$46.8 million for the same quarter of 2014, an increase of 3.7%. Of the Franworks restaurants in the Royalty Pool during the First Quarter, 74 were operated during both the entire First Quarter and the entire three-month period ended March 31, 2014. The same stores sales growth (“SSSG”) for these 74 restaurants was +2.5%, including a positive contribution of 1.4% from the impact of translating U.S. sales into Canadian dollars (the “FX impact”). Excluding the FX impact, SSSG came in at +1.1% for the First Quarter. SSSG for the First Quarter was principally due to menu re-pricing phased in during the Fall of 2014.

“This marks the second full quarter DIV has owned the Franworks trademarks. We are pleased with the performance of the Franworks restaurants in the Royalty Pool, especially given the challenging economic circumstances in Alberta” said Sean Morrison, President and CEO of DIV.

DIV’s royalty income (6% of gross sales for the 78 Franworks restaurants then in the Royalty Pool) was \$2.9 million for the First Quarter. DIV incurred ongoing operating expenses of \$0.4 million and cash interest expense of \$0.2 million for distributable cash of \$2.3 million in the First Quarter. DIV incurred \$0.7 million of expenses related to John Bennett litigation and other unusual costs/income and non-cash expenses, net of income tax expense, resulting in net income of \$1.2 million (\$0.02 per share) for the First Quarter.

Sean Morrison stated, “litigation expenses continued to be incurred in the First Quarter related to court-ordered indemnification by the Company of John Bennett’s criminal legal expenses. Mr. Bennett’s criminal trial in New Jersey is scheduled for November, 2015. Accordingly, DIV expects to have this matter behind it by the conclusion of 2015.”

“With approximately \$33 million of cash on hand and a solid royalty with Franworks DIV is well positioned to execute its business strategy of acquiring royalties from high quality multi-location and franchisor businesses” said Sean Morrison. Sean continued, “I am pleased with the traction DIV is getting in the marketplace with respect to its unique royalty financing. We are continuing to actively pursue several royalty opportunities.”

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<sup>1</sup> Including make-whole payments on lost system sales of \$1.7 million for one closed restaurant and three restaurants undergoing renovations

Sean added, “effective April 1, 2015, the Franworks Royalty Pool was adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the U.S. that had permanently closed. With these changes, the Royalty Pool now includes 82 restaurants. We have the opportunity each year on April 1 to adjust the Franworks Royalty Pool to include new Franworks restaurants that have been open for at least 365 days prior to such date and to remove Franworks restaurants that have permanently closed during the previous calendar year. This speaks to the opportunity we have to participate, on an accretive basis, in the growth of Franworks.”

A more detailed discussion of DIV’s First Quarter results is available in its Unaudited Condensed Consolidated Interim Financial Statements and accompanying Management Discussion and Analysis for the First Quarter, copies of each of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV’s objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV’s first royalty is with Franworks which operates 88 mid-tier casual neighborhood pub restaurants under the Original Joe’s, State & Main, and Elephant & Castle brands across Canada and in select US markets and generates over \$225 million of gross sales annually.

DIV is currently paying an annual dividend of \$0.1884 (\$0.0157 per month) and expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

#### **Forward Looking Statements**

*Certain statements contained in this news release and in certain documents referred to herein may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “intend”, “may”, “will”, “project”, “should”, “believe”, “confident”, “plan” and “intends” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to DIV’s corporate objectives and strategies; and ongoing litigation with John Bennett. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events, performance, or achievements of DIV to differ materially from those anticipated or implied in such forward-looking statements. DIV believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that DIV will be able to: make monthly dividend payments to the holders of its common shares; complete additional royalty purchases; conclude litigation related to John Bennett by the end of 2015; or achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking statements included in this news release are not guarantees of future performance, and such forward-looking statements should not be unduly relied upon. These statements speak only as of the date of this news release. DIV undertakes no obligation to publicly update or revise any*

*forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.*

*In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.*

*All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV.*

**THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.**

Additional Information

Additional information relating to the Company and other public filings are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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