

# 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 11, 2017 – Diversified Royalty Corp. (TSX: DIV) (the “Company” or “DIV”) is pleased to announce its financial results for the three months (“First Quarter”) ended March 31, 2017. A copy of this news release and DIV’s unaudited condensed consolidated interim financial statements and related Management’s Discussion and Analysis 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).

### Highlights

- Revenues of \$4.1 million for the First Quarter.
- Combined same-store-sales-growth (“SSSG”) for Mr. Lube Canada Limited Partnership (“Mr. Lube”) and Sutton Group Realty Services Ltd. (“Sutton”) of positive 2.5%<sup>(1)</sup> for the First Quarter.

### First Quarter Results

In the First Quarter of 2017, DIV generated \$4.1 million of royalty revenue and management fees compared to \$7.0 million in the First Quarter of 2016. Revenues of \$3.2 million were generated from Mr. Lube and \$0.9 million were generated from Sutton. The decrease in total revenues was due to the sale of the trademarks and other intellectual property rights (the “FW Rights”) related to the business of Franworks Franchise Corp. on November 27, 2016.

#### *Mr. Lube*

SSSG of the 117 Mr. Lube flagship stores in the royalty pool was 2.7%<sup>(2)</sup> for the First Quarter.

#### *Sutton*

Sutton’s fixed royalty increases at a contractual rate of 2% per year with the first increase effective July 1, 2016. From DIV’s perspective, this annual contractual royalty rate increase effectively represents 2% SSSG. The next increase will be effective July 1, 2017.

#### *First Quarter Commentary*

Sean Morrison, President and Chief Executive Officer of DIV stated, “We are pleased to report that Mr. Lube achieved SSSG of 2.7%<sup>(2)</sup> this quarter, after lapping a very strong 5.8%<sup>(2)</sup> SSSG in the First Quarter of 2016. Overall, Mr. Lube and Sutton continued their solid performance in the quarter.”

Mr. Morrison continued, “With approximately \$73 million of cash on hand, the Company is well positioned to take on new royalty transactions. We are very active in pursuing discussions with several potential business partners with the aim of increasing value for our shareholders.”

#### *Distributable Cash*

In the First Quarter, distributable cash was \$3.2 million (\$0.0306 per share) compared to \$5.9 million (\$0.0526 per share) in the prior year. The decrease was due to the sale of the FW Rights on November 27, 2016.

In the First Quarter, the dividends declared were in excess of distributable cash. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Company intends to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions, with the intention of achieving a

payout ratio that approximates 100% over time. However, as the Company has not yet completed a royalty acquisition subsequent to the sale of the FW Rights, the Company expects the payout ratio to remain over 100% until such time as further royalty acquisitions are completed.

## *Net Income*

Net income for the First Quarter was \$2.3 million, an increase of \$0.3 million compared to the same prior period. The increase was driven by lower litigation expense related to the settlement in December 2016 of both John Bennett's indemnification claim against the Company and the underwriter's claim for repayment of amounts advanced to DIV in respect of Mr. Bennett's past indemnity claims.

## Footnotes

- (1) After adjusting for the estimated impact of the 2016 leap year, the combined SSSG for Mr. Lube and Sutton is 2.5% for the First Quarter of 2017. Prior to the adjustment related to the 2016 leap year, the combined SSSG is 1.6%.
- (2) After adjusting for the estimated impact of the 2016 leap year, the SSSG for Mr. Lube is 2.7% for the First Quarter of 2017 and 5.8% for the First Quarter of 2016. Prior to the adjustment related to the 2016 leap year, the SSSG is 1.5% for the First Quarter of 2017 and 7.0% in the First Quarter of 2016.

## 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 currently owns the Sutton and Mr. Lube trademarks. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 8,000 agents and 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 170 locations across Canada and approximately \$200 million of annual system sales.

DIV is currently paying a dividend 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 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: the effective date of the next annual contractual royalty increase in respect of the Sutton royalty; DIV's pursuit of its next royalty acquisition; DIV's intention to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions; DIV's ability to pay a predictable and stable dividend to shareholders; DIV's intention of achieving a payout ratio that approximates 100% over time; DIV's expectation that the payout ratio will remain over 100% until such time as further royalty acquisitions are completed; and DIV's corporate objectives. 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; DIV will complete any further royalty acquisitions; DIV will achieve a payout ratio that approximates 100% over time; DIV's payout will remain over 100% until such time as further royalty acquisitions are completed; 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. More information about the risks and uncertainties affecting DIV's business and the businesses of its royalty partners can be found in the "Risk Factors" section of its Annual Information Form dated March 28, 2017, which is available under the DIV's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

*In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV and its royalty partners 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 forward-looking statements are made as of the date of this news release and DIV assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required by applicable law.*

## Non-IFRS Financial Measures

*Management believes that disclosing certain non-IFRS financial measures provides readers with important information regarding the Company's financial performance and its ability to pay dividends. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Company than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.*

*"Distributable Cash" and "Same Store Sales Growth" are used as non-IFRS measures in this press release. For further details, see the "Description of Non-IFRS and Additional IFRS Measures" in the Company's management's discussion and analysis for the three months ended March 31, 2017.*

**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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