

# DIVERSIFIED

DIV

ROYALTY CORP.

## Diversified Royalty Corp. Announces Q4 2017 Earnings Release Date and Preliminary Mr. Lube, AIR MILES and Sutton Q4 2017 Results

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

**Vancouver, BC, January 25, 2018** – Diversified Royalty Corp. (TSX: DIV) (the “Corporation” or “DIV”) will release earnings results for the three and twelve months ended December 31, 2017 following the closing of regular trading on the Toronto Stock Exchange on March 29, 2018.

### Mr. Lube Fourth Quarter Results and Outlook

Mr. Lube Canada Limited Partnership (“Mr. Lube”) generated same-store-sales-growth (“SSSG”) of 5.7% for the Mr. Lube stores in the royalty pool for the fourth quarter of 2017, compared to SSSG of 6.2% in the fourth quarter of 2016 and 4.4% for 2017, compared to 4.9% for 2016. Mr. Lube’s SSSG was driven by continued strong store-level execution and expansion of the tire business, including the launch of tire retailing across the chain in the fourth quarter of 2017.

DIV expects to report that aggregate royalty income and management fees of \$3.7 million were generated from Mr. Lube in the fourth quarter of 2017, an increase of \$0.1 million from the fourth quarter of 2016.

Mr. Lube expects to open multiple new locations in 2018.

### AIR MILES® Fourth Quarter Results

The AIR MILES® reward miles issued decreased by 5% in the fourth quarter due to reduced promotional activity, according to Alliance Data Systems Inc.’s (ADS”) news release dated January 25, 2018.

DIV expects to report that royalty income of \$2.2 million was generated from the AIR MILES® licenses in the fourth quarter of 2017. Seasonally-adjusted, this is equivalent to approximately a \$7.95 million annual run-rate royalty payment to DIV. If 2018’s actual results are in-line with this run-rate figure, no additional consideration will be payable by DIV to Aimia Inc. for the AIR MILES® royalty (which was acquired from Aimia Inc. in August 2017); furthermore, DIV’s royalty purchase price multiple will be approximately 6.8x.

### Sutton Fourth Quarter Results

The unaudited fourth quarter results for Sutton Group Realty Services Ltd. (“Sutton”) were in line with expectations.

DIV expects to report that royalty income and management fees of \$1.0 million were generated from Sutton in the fourth quarter of 2017, representing a 2% increase over the fourth quarter of 2016.

### Fourth Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “We are very pleased with the continued strong performance of Mr. Lube, the successful launch of the tire retail business in the fourth quarter and Mr. Lube’s 18<sup>th</sup> straight year of positive SSSG. Mr. Lube’s strong SSSG and significant new store pipeline highlight its continued strong business execution.”

Mr. Morrison continued, “While the fourth quarter 2017 performance of AIR MILES is at the low end of expectations due to reduced promotional spend (representing 1/3 of AIR MILES issuance activity), we are encouraged that the model has stabilized (renewal of their largest sponsor (BMO) and active collectors back to pre-second half 2016 levels), AIR MILES experienced no clients losses and ADS’s expectation of improved performance in 2018. We structured the AIR MILES trademark purchase with a large contingent payment to protect our purchase price during the post second half 2016 period and to align the purchase price with actual royalties received in 2018.”

Mr. Morrison closed by noting, “DIV’s fourth quarter results highlight the benefits of royalty portfolio diversification - two of our royalty partners (Mr Lube and Sutton representing over 67% of our revenues) grew their revenues more than offsetting the decrease in expected revenue from AIR MILES resulting in net royalty portfolio revenue growth.”

*The financial information contained in this news release is preliminary, is based upon the estimates and assumptions of the respective management of DIV, Mr. Lube and Sutton, as applicable, has not yet been approved by their respective Audit Committees or Boards of Directors, and has not been subject to an audit by their respective auditors. The final audited financial results could differ materially from the above preliminary unaudited financial information. As noted above, DIV expects to release its financial statements for the three and twelve months ended December 31, 2017 on March 29, 2018 at which time DIV also expects to file the financial statements of Mr. Lube and Sutton for the three and twelve months ended December 31, 2017.*

#### 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, Mr. Lube and AIR MILES<sup>®</sup> trademarks in Canada. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 8,000 agents and over 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 172 locations across Canada and over \$225 million of annual system sales. AIR MILES<sup>®</sup> is Canada’s largest coalition loyalty program with over 200 leading brand-name sponsors; approximately two-thirds of Canadian households actively participate in the AIR MILES<sup>®</sup> Program.

DIV 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 information” or “financial outlook” within the meaning of applicable securities laws that 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 information or financial outlook. 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 information and financial outlook, although not all forward-looking information and financial outlook contain these identifying words. Specifically, forward-looking information and financial outlook in this news release include, but are not limited to, statements made in relation to: the timing of the release of DIV’s earnings results for the three and twelve months ended December 31, 2017; the expected financial results of Mr. Lube and Sutton for the three and twelve months ended December 31, 2017; the expectation that Mr. Lube will open multiple new locations in 2018; ADS’s expectation of improved performance in 2018; the expectation that no additional consideration will be payable to Aimia Inc. if 2018 results for AIR MILES<sup>®</sup> are consistent with 2017 results; DIV’s ability to pay a predictable and stable dividend to shareholders; 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 information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: the audited financial results of Mr. Lube and Sutton will be consistent with the preliminary results; AIR MILES<sup>®</sup> performance will improve in 2018; no additional contingent consideration will be payable to Aimia Inc. for the AIR MILES<sup>®</sup> royalty; Mr. Lube will open multiple new locations in 2018; DIV will be able to make monthly dividend payments to the holders of its common shares; or DIV will achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking information and financial outlook included in this news release are not guarantees of future performance, and such forward-looking information and financial outlook 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 and the "Risk Factors" section of its Final Short Form Prospectus dated October 30, 2017, which are available under DIV's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

*In formulating the forward-looking information and financial outlook 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.*

*To the extent any forward-looking information or statements in this presentation constitute a "financial outlook" within the meaning of securities laws, such information is being provided investors with timely disclosure of material financial information with respect to the financial performance of the Company and its royalty partners prior to the completion of year end audits.*

*All of the forward-looking information and financial outlook disclosed in this news release is 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 it will have the expected consequences to, or effects on, DIV. The forward-looking information and financial outlook included in this news release is 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.*

*"Same Store Sales Growth" is used as a non-IFRS measure in this press release. Further details with respect to this non-IFRS measure will be included in the Company's management's discussion and analysis for the three and 12 months ended December 31, 2017 once filed.*

#### **Third Party Information**

*This news release includes information obtained from third party company filings and reports and other publicly available sources. Although DIV believes these sources to be generally reliable, such information cannot be verified with complete certainty. Accordingly, the accuracy and completeness of this information is not*

*guaranteed. DIV has not independently verified any of the information from third party sources referred to in this news release nor ascertained the underlying assumptions relied upon by such sources.*

**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 Corporation and other public filings, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Contact:

Sean Morrison, President and Chief Executive Officer  
Diversified Royalty Corp.  
(604) 235-3146

Greg Gutmanis, Chief Financial Officer and VP Acquisitions  
Diversified Royalty Corp.  
(604) 235-3146