DIVERSIFIED
DIV
ROYALTY CORP.

Diversified Royalty Corp. Announces Fourth Quarter and 2017 Annual Results

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

Vancouver, BC, March 29, 2018 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ("Fourth Quarter") and twelve months ("Year") ended December 31, 2017. A copy of this news release and DIV's audited annual consolidated financial statements and related Management's Discussion and Analysis are available on SEDAR at www.sedar.com and on DIV's website at www.diversifiedroyaltycorp.com.

Highlights

- Revenues of \$6.9 million for the Fourth Quarter and \$20.9 million for the Year.
- Acquired the Canadian AIR MILES® trademarks and certain related Canadian intellectual property rights as well as two related license agreements (collectively, the "AIR MILES® Licenses") on August 25, 2017.
- Completed the offering of \$57.5 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures on November 7, 2017.

Fourth Quarter and 2017 Annual Results

In the Fourth Quarter of 2017, DIV generated \$6.9 million of royalty revenue and management fees compared to \$6.4 million in the Fourth Quarter of 2016. Revenues of \$3.7 million were generated from Mr. Lube Canada Limited Partnership ("Mr. Lube"), \$1.0 million were generated from Sutton Group Realty Services Ltd. ("Sutton"), and \$2.2 million were generated from the AIR MILES® Licenses.

In 2017, DIV generated \$20.9 million of royalty revenue and management fees compared to \$28.2 million in 2016. The decrease in revenue was due to the sale of the trademarks and rights related to the Franworks Franchise Corp. business (the "FW Rights") on November 27, 2016. This was partially offset by incremental revenue generated since the purchase of the AIR MILES® Licenses on August 25, 2017, positive same-store-sales-growth ("SSSG") at Mr. Lube and the contractual 2.0% increase in the Sutton royalty rate effective July 1st of each year.

SSSG for Mr. Lube was 5.7% for the Fourth Quarter and 4.4% for the Year. Sutton's fixed royalty increases at a contractual rate of 2% per year, which effectively represents 2% SSSG. According to Alliance Data Systems Inc.'s ("ADS") news release dated January 25, 2018, the AIR MILES® reward miles issued decreased by 5% in the Fourth Quarter due to reduced promotional activity by sponsors. If 2018's actual results for AIR MILES® are consistent with the seasonally-adjusted run-rate royalty of \$7.95 million, no additional consideration will be payable by DIV to Aimia Inc. for the AIR MILES® royalty.

Fourth Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "Overall, 2017 has been a positive year for DIV with robust operating results from Mr. Lube and Sutton, the addition of the AIR MILES® program to our royalty pool, and gross proceeds of \$57.5 million from the offering of convertible debentures. With a year-end cash balance of \$85.8 million, we continue to pursue opportunities to acquire trademarks and royalties from a diverse group of high-quality businesses."

Distributable Cash

In the Fourth Quarter of 2017, distributable cash was $5.6 million ($0.0522 per share) compared to $5.4 million ($0.0486 per share) in the prior year. The increase in distributable cash was due to the acquisition of the AIR MILES® program on August 25, 2017, partially offset by higher interest expense related to the convertible debentures. In addition, distributable cash for the Fourth Quarter of 2016 was negatively impacted by the sale of the FW Rights on November 27, 2016.

In 2017, distributable cash was $17.3 million ($0.1631 per share) compared to $24.1 million ($0.2137 per share) in the prior year. The decrease was due to the sale of the FW Rights on November 27, 2016 and higher interest expense related to the convertible debentures, partially offset by the acquisition of the AIR MILES® Licenses on August 25, 2017 and higher interest income.

In the Fourth Quarter, dividends declared were in excess of distributable cash, which resulted in a payout ratio of 106.5%. However, the Company has a dividend reinvestment plan that allows the dividends to be settled through a reinvestment in the Company's shares. As a result, the payout ratio on a cash basis was 93.6% for the Fourth Quarter of 2017 and there was no cash shortfall in dividend payments.

In 2017, dividends declared were in excess of distributable cash, which resulted in a payout ratio of 136.4%. On a cash basis, the payout ratio was 123.6%. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Company intends to use the remaining proceeds from the sale of the FW Rights as well as the proceeds from the convertible debenture offering to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time. The Corporation expects the payout ratio to remain over 100% until such time as further royalty acquisitions are completed and excess cash has been deployed.

Net Income

Net income for the Fourth Quarter of 2017 was $3.5 million, compared to net income of $5.3 million in the prior year. The decrease in net income was primarily due to higher income tax expense, operating expenses and interest expense in the current period, partially offset by higher revenues related to the acquisition of the AIR MILES® Licenses.

Net income for 2017 was $11.6 million, compared to $10.7 million in the prior year. The increase in net income was primarily due to lower income tax expense, lower operating expenses and higher net finance income. The increase was partially offset by lower revenues related to the sale of the FW Rights.

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® trademarks in Canada. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with 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® 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® 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 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 expectation that no additional consideration will be payable to Aimia Inc. if 2018 results for AIR MILES® are consistent with 2017 results; DIV’s pursuit of its next royalty acquisition; DIV’s intention to use the proceeds from the offering of convertible debentures and the remaining 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: no additional contingent consideration will be payable to Aimia Inc. for the AIR MILES® royalty; DIV will use the net proceeds of the convertible debenture offering and/or the remaining proceeds from the sale of the FW Rights to fund future royalty acquisitions, or the timing thereof; DIV will be able to identify and complete any further royalty acquisitions; DIV will be able to make monthly dividend payments to the holders of its common shares; 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 and all excess cash has been deployed; or DIV will 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 29, 2018, which is available under DIV’s profile on SEDAR at 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, and that DIV will complete additional accretive royalty acquisitions. 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.

DIV notes that the financial results reported in this news release for the Fourth Quarter and Year are consistent with the preliminary results for such periods reported in DIV’s news release dated January 25, 2018.

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", "Same Store Sales Growth" and "payout ratio" are used as non-IFRS measures in this news 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 and year ended December 31, 2017, a copy of which is available on SEDAR at www.sedar.com.

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.

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