Diversified Royalty Corp. Announces Acquisition of Mr. Mikes SteakhouseCasual Trademarks

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

Vancouver, British Columbia – May 16, 2019 – Diversified Royalty Corp. (TSX: DIV) (the "**Corporation**" or "**DIV**") is pleased to announce it has entered into an agreement with Mr. Mikes Restaurants Corporation and certain of its affiliates (collectively, "**Mr. Mikes**") to add a fourth royalty stream for DIV's portfolio. Specifically, on May 16, 2019 DIV and its wholly-owned subsidiary MRM Royalties Limited Partnership ("**MRM LP**") entered into an acquisition agreement (the "**Acquisition Agreement**") with Mr. Mikes to acquire the trademarks and certain other intellectual property rights utilized by Mr. Mikes in its restaurant business (the "**Mr. Mikes Marks**") for a purchase price (the "**Purchase Price**") of approximately $43.2 million (the "**Acquisition**"). The Purchase Price of $43.2 million will be satisfied by (i) a cash payment of $37.1 million, using DIV's cash on hand, (ii) the issuance of limited partnership units of MRM LP to Mr. Mikes having an agreed value of $1.15 million, as a retained interest (the "**Exchangeable Units**"), and (iii) a deferred amount of $4.95 million, payable by MRM LP to Mr. Mikes at least 12 months following closing subject to certain conditions being met (the "**Deferred Amount**").

Immediately following the closing of the Acquisition, DIV will license the Mr. Mikes Marks back to Mr. Mikes for 99 years, in exchange for an initial royalty payment of $3.9 million per annum (the "**Royalty**" and together with the Acquisition, the "**Transaction**"). The Royalty will be based on 4.35% of sales of the 38 Mr. Mikes locations in the royalty pool ("**Royalty Pool**"). The Royalty has been structured to grow at a fixed rate of 2% per annum for the first four years and thereafter will fluctuate based on the same-store-sales growth ("**SSSG**") of the Mr. Mikes locations in the Royalty Pool. The pro forma royalty coverage is estimated to be 126%.

As a result of the Acquisition, DIV's payout ratio will improve to 110% while available cash is $45 million. In addition, DIV will increase its tax pools by approximately $42 million. This depreciable tax basis adds to DIV's already existing tax pools of approximately ~$150 million and can be depreciated over time to reduce DIV's cash taxes.

Founded in 1960, Mr. Mikes operates 42 casual steakhouse restaurants, primarily in smaller western Canadian communities (British Columbia – 15 locations, Alberta – 15 locations, Saskatchewan – 7 locations, Manitoba – 3 locations, Ontario – 2 locations). Over 90% of Mr. Mikes locations are franchised and all future growth is currently expected to result from opening additional franchised locations. Over the past 10 years, the Mr. Mikes brand has been reinvigorated by the existing ownership group and management team, which is among the most experienced restaurant management teams in Canada. Mr. Mikes has grown systems sales at a cumulative annual growth rate of 13.1% over the past eight years, generated $88.5 million of system sales in 2018 and is forecasting over $100 million in system sales in 2019. Mr. Mikes' SSSG was 2.2% in 2017, 0.0% in 2018 and 1.6% in the first quarter of 2019.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "The Mr. Mikes trademark acquisition and royalty agreement adds a fourth royalty stream to DIV's portfolio, representing approximately 13% of DIV's royalty revenue on a pro-forma basis and is another step in our strategy of purchasing royalties from a diverse group of proven multi-location businesses and franchisors. DIV believes Mr. Mikes' impressive 8 – year track record of 13.1% annualized system sales growth is a testament to the strength of the business model, quality of its franchisees and experience of its management team." Mr. Morrison continued, "Our board currently plans to maintain DIV's annual dividend at $0.2225 per share; however, after full deployment of DIV's cash balances, DIV expects to be able to increase its dividend."

Mike Cordoba, Chief Executive Officer of Mr. Mikes, stated, "Mr. Mikes is excited about this partnership with DIV as it positions the company for future growth both in our existing system as well as our robust new locations development pipeline. This focus on growth will propel us forward as we continue to expand our business."

Lawrence Haber, Chair of the Board of DIV, stated, "The Mr. Mikes transaction is an excellent use of DIV's cash on hand and is a testament to the patience of DIV's management team. Mr. Mikes is a strong franchise business with a superior management team. Combined with Mr. Lube, Air Miles and Sutton Group Realty, Mr. Mikes proves that DIV is able to acquire trademarks and royalties from a diverse group of high quality businesses and brands. DIV continues to focus its efforts, in a patient and disciplined manner, on acquiring additional royalties from a diverse group of multi-location businesses and franchisors."

Further Details of the Acquisition and Royalty

The Acquisition will be completed by DIV through its newly formed wholly owned subsidiary MRM LP. The Purchase Price of $43.2 million will be satisfied by (i) a cash payment of $37.1 million, using DIV's cash on hand (which is expected to be partially re-financed following closing – See "Credit Facility" below), (ii) the issuance of Exchangeable Units to Mr. Mikes having an agreed value of $1.15 million, as a retained interest, and (iii) the Deferred Amount, payable by MRM LP to Mr. Mikes at least 12 months following closing subject to certain conditions being met. The Exchangeable Units issued to Mr. Mikes (the "**Initial Retained Interest**") will represent a retained interest in MRM LP of approximately 4.1% at closing. Mr. Mikes will be entitled to receive distributions from MRM LP on the Initial Retained Interest on a pro rata basis with the limited partnership units of MRM LP held by DIV; however, the Exchangeable Units comprising the Initial Retained Interest must be held in perpetuity and cannot be exchanged by Mr. Mikes for common shares of DIV without DIV's prior written approval and the approval of the TSX. The Deferred Amount will be payable on the later of 12 months after closing of the Acquisition and the date Mr. Mikes has opened the five locations earmarked to be opened in 2019, subject to Mr. Mikes meeting the required royalty coverage test. Once these five locations are open and Mr. Mikes has met the required royalty coverage test, these locations will be added to the Royalty Pool (with an incremental $0.5 million of royalty added to the Royalty Pool) for no additional consideration (other than the payment of the $4.95 million Deferred Amount). DIV expects to fund the payment of the Deferred Amount with cash on hand.

Under the terms of the license and royalty agreement which will be entered into upon closing of the Transaction and which will govern the Royalty (the "**Licence and Royalty Agreement**"), Mr. Mikes will be able to include eligible new Mr. Mikes locations in the Royalty Pool, subject to meeting certain performance criteria. In consideration for the addition of net new Mr. Mikes locations into the Royalty Pool, Mr. Mikes will be entitled, subject to TSX approval, to exchange certain units of MRM LP to be issued to Mr. Mikes for common shares of DIV based on a formula which is accretive to DIV shareholders.

Mr. Mikes will also, subject to meeting certain performance criteria, be provided opportunities to increase the Royalty Rate in six, 0.25% increments during the life of the Royalty. In consideration for each incremental royalty rate increase, Mr. Mikes will be entitled, subject to TSX approval, to exchange certain units of MRM LP to be issued to Mr. Mikes for common shares of DIV based on a formula which is accretive to DIV shareholders.

In addition to the Royalty, Mr. Mikes will pay DIV a management fee of approximately $40,000 per year for strategic and other services. The management fee will be increased at a rate of 2.5% per annum over the term of the license and royalty agreement.

The Acquisition is expected to close with an effective date of May 20, 2019 and is subject to customary closing conditions.

The foregoing is a summary of certain key commercial terms of the Acquisition Agreement, the Licence and Royalty Agreement and certain related agreements to be entered into in connection therewith (collectively, the "**Transaction Agreements**"). These summaries do not purport to be complete and are subject to, and qualified in their entirety by reference to, the full terms of the Transaction Agreements, copies of which will be filed under DIV's profile on SEDAR and will be available at www.sedar.com in due course following closing of the Transaction.

Credit Facility

DIV has received a term sheet from a Canadian chartered bank for a senior credit facility of $10.3 million in respect of the Transaction (the "**Credit Facility**"). The Credit Facility is expected to have a term of 36 months, be nonamortizing and have a floating interest rate equal to the Bankers' Acceptance Rate plus 1.95%. MRM LP will enter into an interest rate swap arrangement for a portion or all of the Credit Facility. The Credit Facility will be secured by the Mr. Mikes Marks and the royalties payable by Mr. Mikes under the Licence and Royalty Agreement, and will have covenants customary for this type of a credit facility. The Credit Facility will also be guaranteed by DIV on a limited recourse basis through the pledge by DIV of its interest in MRM LP.

At closing, DIV will provide $10.3 million of intercompany bridge debt to MRM LP for purposes of completing the Acquisition, and subsequent to close, DIV expects to refinance this bridge debt with the proceeds from the Credit Facility provided by the Canadian chartered bank.

Investor Conference Call

Management of DIV will host a live conference call at 5:30 am Pacific Time (8:30 am Eastern Time) on Friday, May 17, 2019. To participate by telephone across Canada, toll free at 1-877-291-4570 (conference ID 4186108). The management presentation for the conference call will be available on DIV's website www.diversifiedroyaltycorp.com prior to the call. An archived telephone recording of the call will be available until May 31, 2019 by calling 1-800-585-8367 or 1-416-621-4642 (conference ID 4186108).

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 181 locations across Canada and over $235 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 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 statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking information or "financial outlook in this news release includes, but are not limited to, statements made in relation to: the completion of the Acquisition and the Transaction, the terms thereof and the expected timing therefor; the details of the Royalty Pool; the Deferred Amount related to the addition of five further locations to the Royalty Pool; the expectation that five new Mr. Mikes franchised locations will be opened in 2019; the possibility of future increases in the Royalty payments made by Mr. Mikes to DIV through the addition of additional Mr. Mikes locations to the Royalty Pool or the increase in the Royalty Rate and the possible issuance of common shares by DIV in connection therewith, subject to the approval of the TSX; statements related to the expected tax implications of the Acquisition on DIV; the means by which DIV intends to finance the Transaction, including the expected terms of the Credit Facility; the expectation that DIV will enter into an interest rate swap arrangement for a portion or all of the amount of the Credit Facility; the timing of payment of the Deferred Amount by MRM LP to Mr. Mikes; DIV's business plans and strategies following the completion of the Transaction; Mr. Mikes' business plans and *strategies following completion of the Transaction; forecast estimates for Mr. Mikes future financial performance; the expected financial impact of the Transaction on DIV, including on its payout ratio; the expectation that DIV will maintain its current annual dividend at $0.2225 per share following the Transaction; the expectation that DIV will be able to increase its dividend after full deployment of DIV's cash balances; DIV's corporate objectives; and DIV's expectation that it will pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow. 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: the Acquisition or the Transaction will close on the terms or in accordance with the timing currently expected, or at all; there will be any future increases in the Royalty payments made by Mr. Mikes to DIV; DIV or the Partnership will be able to obtain the Credit Facility on the terms currently expected, or at all; the actual tax implications of the Acquisition on DIV will be consistent with the expected tax implications; the Transaction, if completed, will be successful; Mr. Mikes will meet its business objectives, including its objectives with respect to the future growth in the number of franchised locations; Mr. Mikes will make the required royalty payments required under the Licence and Royalty Agreement and otherwise comply with its obligations under the Transaction Agreements; Mr. Mikes will not be adversely affected by the other risks facing its business; Mr. Mikes will meet its financial forecasts for fiscal 2019; DIV will increase its dividend following deployment of its remaining cash balances; or DIV will be able to achieve any of its corporate objectives or make monthly dividend payments to the holders of its common shares. 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 11, 2019, 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, among other things, all necessary consents and approvals for the Acquisition and the Transaction will be obtained and the Transaction will be completed in accordance with the timing currently expected and on the currently contemplated terms, Mr. Mikes' will be successful in meeting its stated corporate objectives, including its growth targets for franchised locations, DIV will obtain the expected benefits of the Transaction, Mr. Mikes business will not suffer any material adverse effect, and the business and economic conditions affecting DIV and Mr. Mikes 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 applicable securities laws, such information is being provided to assist investors in understanding the potential financial impact of the Transaction on DIV and certain aspects of Mr. Mikes' estimated financial performance for fiscal 2019.

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 contemplated thereby will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV contemplated by such forward-looking information and financial outlook contained herein. 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 Measures

This news release makes reference to certain non-IFRS financial measures. These non-IFRS financial measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers, and should not be construed *as an alternative to other financial measures determined in accordance with IFRS. Rather, these financial measures are provided as additional information to complement IFRS financial measures by providing further understanding of Mr. Mikes' financial performance from management's perspective. Accordingly, non-IFRS financial measures should never be considered in isolation nor as a substitute to using net income as a measure of profitability or as an alternative to the IFRS consolidated statements of income or other IFRS financial measures. Management presents the non-IFRS measures, "Same Store Sales Growth" or "SSSG", "pro-forma payout ratio" (which is derived in part on the non-IFRS measure Distributable Cash) and "pro-forma royalty coverage" in this news release.*

"Same Store Sales Growth" or "SSSG" is calculated as the percentage increase in store sales over the prior comparable period for Mr. Mikes locations that were open for at least 24 months in both the current and prior periods, excluding stores that were permanently closed. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, the Corporation believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Mikes locations. The Corporation's method of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

Pro-forma payout ratio for DIV is calculated as the total dividends declared during the period divided by Distributable Cash for DIV during the period, adjusted to give effect to: the Transaction; the Credit Facility; and the annual contractual 2% increase in the royalty payable by Sutton Group Realty Services Ltd. that will take effect on July 1, 2019, the increase in the number of restaurants included in the Mr. Lube royalty pool that took effect on May 1, 2019, the annualized impact of Mr. Lube's additions to the royalty pool on May 1, 2018 and 2019, and the utilization of DIV's remaining non-capital losses (effective tax rate increases from 0% to ~12% as non-capital losses expire), in each case, as if such transaction had occurred on January 1, 2019. Pro-forma payout ratio is not a recognized measure under IFRS, however, management of the Corporation believes that it provides supplemental information regarding the extent to which the Corporation distributes cash as dividends, when compared to its cash flow capacity. Pro-forma payout ratio as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

Pro-forma royalty coverage is calculated as the pro-forma normalized 2019 EBITDA for Mr. Mikes divided by the sum of the annualized royalty and management fee for the same period. Pro-forma normalized 2019 EBITDA for Mr. Mikes is calculated as net income for that period before interest, taxes, depreciation, amortization, compensation to shareholders, acquisition and integration expenses.

For further details with respect to the calculation of pro-forma payout ratio, see Appendix A to the Corporation's investor presentation titled "Diversified Royalty Corp. - Mr. Mikes Trademark Acquisition and Royalty – Investor Presentation" to be dated May 17, 2019, a copy of which will be available on the Corporation's website at www.diversifiedroyaltycorp.com and will be filed under the Corporation's profile on SEDAR at www.sedar.com. For further details with respect to with respect to how DIV calculates Distributable Cash, see "*Description of Non-IFRS and Additional IFRS Measures" in the DIV's management's discussion and analysis for the three months ended March 31, 2019, a copy of which is available on SEDAR at www.sedar.com.*

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

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Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

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