

# DIVERSIFIED

DIV

ROYALTY CORP.

## Diversified Royalty Corp. Completes Acquisition of Mr. Mikes Steakhouse Casual Trademarks

**Vancouver, British Columbia – May 21, 2019** – Diversified Royalty Corp. (TSX: DIV; DIV.DB) (the “**Corporation**” or “**DIV**”) is pleased to announce it has completed its previously announced transaction with Mr. Mikes Restaurants Corporation and certain of its affiliates (collectively, “**Mr. Mikes**”) to add a fourth royalty stream for DIV's portfolio. DIV acquired 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, including a deferred amount of \$4.95 million (the “**Deferred Amount**”), which is not payable for at least 12 months following closing subject to certain conditions being met (the “**Acquisition**”).

Immediately following the closing of the Acquisition, DIV licensed 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 is 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 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).

For further details with respect to the Transaction, see DIV's news release dated May 16, 2019, a copy of which is available under DIV's profile 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 currently owns the Sutton, Mr. Lube, AIR MILES® and Mr. Mikes 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. Mr. Mikes operates 42 casual steakhouse restaurants primarily in smaller western Canadian communities with over \$85 million of annual system sales.

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” 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. 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 in this news release includes, but are not limited to, statements made in relation to: 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; 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: 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 not be adversely affected by the other risks facing its business; 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 included in this news release are not guarantees of future performance, and such forward-looking information 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](http://www.sedar.com).*

*In formulating the forward-looking statements contained herein, management has assumed that, among other things, 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.*

*All of the forward-looking information 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 contained herein. The forward-looking information 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 measure, “Same Store Sales Growth” or “SSSG” 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.*

**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).

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