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ROYALTY CORP.

Diversified Royalty Corp. Announces Second Quarter Results

For Immediate Release

Vancouver, BC, August 8, 2019 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ended June 30, 2019 ("Q2 2019") and six months ended June 30, 2019.

Highlights

- Acquired the trademarks and certain related other intellectual property rights (the "MRM Rights") utilized by Mr. Mikes Restaurants Corporation ("Mr. Mikes") in their restaurant business on May 20, 2019.

- Mr. Lube Canada Limited Partnership ("Mr. Lube") added four new stores to the Mr. Lube royalty pool, which increased from 118 to 122 locations on May 1, 2019.

- Revenues of $7.5 million for Q2 2019 compared to $6.8 million in Q2 2018, 11.3% increase.

Second Quarter Results

In Q2 2019, DIV generated $7.5 million of royalty revenue and management fees compared to $6.8 million in the three months ended June 30, 2018 ("Q2 2018"). Revenues of $4.1 million were generated from Mr. Lube, $1.0 million from Sutton Group Realty Services Ltd. ("Sutton"), $2.0 million from the AIR MILES® licenses and $0.5 million from Mr. Mikes.

For the six months ended June 30, 2019, DIV generated $14.0 million of royalty revenue and management fees compared to $12.8 million in the six months ended June 30, 2018. Revenues of $7.8 million were generated from Mr. Lube, $2.0 million from Sutton, $3.7 million from the AIR MILES® licenses and $0.5 million from Mr. Mikes.

The growth in revenues for the three and six months ended June 30, 2019 compared to the same periods in 2018 was primarily driven by incremental revenues generated from the licensing of the recently acquired MRM Rights to Mr. Mikes, the addition of four locations to the Mr. Lube royalty pool on May 1, 2019, the increase in the Mr. Lube royalty rate and the net addition of one store to the Mr. Lube royalty pool on May 1, 2018, positive same-store-sales growth ("SSSG") at Mr. Lube for the locations in the Mr. Lube royalty pool and the annual contractual 2% increase in the Sutton royalty rate.

SSSG for the Mr. Lube stores in the royalty pool was 4.2% in Q2 2019 and 4.3% for the six months ended June 30, 2019. 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 July 18, 2019, the number of AIR MILES® reward miles issued decreased by 2% for the three months and was flat for the six months ended June 30, 2019. ADS also disclosed that AIR MILES® reward miles redeemed decreased by 2% for the three months and 5% for the six months ended June 30, 2019.

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "We continue to see strong results from Mr. Lube this quarter and Sutton's royalty continues to grow at 2% each year, while AIR MILES royalties were flat. The addition of Mr. Mikes to our portfolio improves the diversification of DIV's royalty streams. With over $46 million on cash on hand, we are actively pursuing opportunities to acquire trademarks and royalties from a diverse group of high-quality businesses."

Distributable Cash

In Q2 2019, distributable cash was $5.5 million ($0.0505 per share), an increase of $0.2 million ($0.0017 per share) compared to Q2 2018. For the six months ended June 30, 2019, distributable cash was $10.3 million ($0.0952 per share), an increase of $0.5 million ($0.0037 per share) compared to the six months ended June 30, 2018. The increase was primarily due to the growth in revenues and was partially offset by higher interest expense related to the $7.0 million increase to ML Royalties Limited Partnership's term loan facility on May 1, 2018 and current tax expense of $0.2 million.

Dividends declared exceeded distributable cash by $0.5 million for the three months and $1.7 million for the six months ended June 30, 2019. This resulted in a payout ratio of 110.0% for the three months and $116.9% for the six months ended June 30, 2019. The Corporation has a dividend reinvestment plan that allows the dividends to be settled through a reinvestment in the Corporation's shares at the election of the shareholder. On a cash basis, the payout ratio was 84.4% for the three months and 94.8% for the six months ended June 30, 2019. As a result, there was no cash shortfall in making dividend payments for the three and six months ended June 30, 2019.

The Corporation intends to use its $46 million cash balance 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 Q2 2019 was $3.4 million, compared to net income of $3.0 million in Q2 2018. The increase in net income for Q2 2019 was primarily due to the growth in revenues, partially offset by higher interest expense and income tax expense. In addition, Q2 2018 results included non-recurring litigation expenses.

Net income for the six months ended June 30, 2019 was $5.9 million compared to net income of $5.7 million for the six months ended June 30, 2019. The increase in net income was driven by the growth in revenues, partially offset by higher interest expense and the fair value adjustment on financial instruments. In addition, the results for the six months ended June 30, 2018 included non-recurring litigation expenses.

<u>About Diversified Royalty Corp.</u>

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 43 casual steakhouse restaurants primarily in 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 information, although not all forward-looking information contain these identifying words. Specifically, forward-looking information in this news release include, but are not limited to, statements made in relation to: DIV pursuing opportunities to acquire trademarks and royalties from a diverse group of high-quality businesses; DIV's ability to pay a predictable and stable dividend to shareholders; DIV's intention to use its cash balance to fund future royalty acquisitions, with the 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 excess cash has been deployed; 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. DIV believes that the expectations reflected in the forward-looking information 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 use its cash balance to fund future royalty acquisitions, or the timing thereof; DIV will be successful in identifying or completing any royalty acquisition opportunities; 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 ratio 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 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, and the "Risk Factors" section of its management's discussion and analysis for the three and six months ended June 30, 2019 that are available under DIV's profile on SEDAR at www.sedar.com.

In formulating the forward-looking information 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 be successful in identifying and completing additional royalty acquisitions. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking information 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 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.

DIV notes that the financial results reported in this news release for the three and six months ended June 30, 2019 are consistent with the preliminary results for such period reported in DIV's news release dated July 18, 2019.

Non-IFRS Financial Measures

Management believes that disclosing certain non-IFRS financial measures provides readers with important information regarding the Corporation'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 Corporation 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 Corporation’s management’s discussion and analysis for the three and six months ended June 30, 2019, 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.

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