



Diversified Royalty Corp. Announces Third Quarter Results

Vancouver, BC, November 7, 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 September 30, 2019 (“Q3 2019”) and nine months ended September 30, 2019.

Third Quarter Results

In Q3 2019, DIV generated \$8.1 million of royalty revenue and management fees compared to \$6.7 million in the three months ended September 30, 2018 (“Q3 2018”). The increase in revenue was primarily driven by the acquisition of the trademarks and certain related other intellectual property rights (the “MRM Rights”) utilized by Mr. Mikes Restaurants Corporation (“Mr. Mikes”) on May 20, 2019, the addition of four locations to the Mr. Lube Canada Limited Partnership (“Mr. Lube”) royalty pool on May 1, 2019, positive same-store-sales growth (“SSSG”) at Mr. Lube and the annual contractual 2.0% increase in the Sutton Group Realty Services Ltd. (“Sutton”) royalty rate, effective as of July 1st of each year.

For the nine months ended September 30, 2019, DIV generated \$22.1 million of royalty revenue and management fees compared to \$19.5 million in the nine months ended September 30, 2018. The growth in revenues was due to the items noted above, as well as 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.

SSSG for the Mr. Lube stores in the royalty pool was 5.9% in Q3 2019 and 4.8% for the nine months ended September 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 October 24, 2019, the number of AIR MILES[®] reward miles issued decreased by 1% for the three months and was flat for the nine months ended September 30, 2019. ADS also disclosed that AIR MILES[®] reward miles redeemed was flat for the three months and decreased 3% for the nine months ended September 30, 2019.

Third Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “Mr. Lube had another exceptional quarter, and the AIR MILES royalty increased by 1.5% in Q3 2019. The third quarter also marked the first full quarter of royalty income and management fees from Mr. Mikes, while Sutton performed as expected.”

Mr. Morrison continued, “We are pleased with the diversification of our royalty streams and expect the acquisition of the Nurse Next Door trademarks to close in November 2019. We remain active in pursuing opportunities to acquire trademarks and royalties from a diverse group of high-quality businesses.”

Distributable Cash

In Q3 2019, distributable cash was \$5.4 million (\$0.0501 per share), an increase of \$0.3 million (\$0.0022 per share) compared to Q3 2018. For the nine months ended September 30, 2019, distributable cash was \$15.7 million (\$0.1453 per share), an increase of \$0.8 million (\$0.0059 per share) compared to the nine months ended September 30, 2018. The increase was primarily due to the growth in revenues and was partially offset by higher interest expense and current tax expense.

Dividends declared exceeded distributable cash by \$0.6 million for the three months and \$2.3 million for the nine months ended September 30, 2019. This resulted in a payout ratio of 111.1% for the three months and \$114.9%

for the nine months ended September 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 85.2% for the three months and 91.5% for the nine months ended September 30, 2019. As a result, there was no cash shortfall in making dividend payments for the three and nine months ended September 30, 2019.

DIV currently has over \$46 million of cash, which will be used to partially fund the Nurse Next Door trademarks acquisition. After the completion of the Nurse Next Door trademarks acquisition, DIV expects to increase its annual dividend from 22.25 cents per share to 23 cents per share. DIV estimates its pro forma payout ratio to be reduced to under 100% following the completion of the Nurse Next Door trademarks acquisition and the dividend increase.

Net Income

Net income for Q3 2019 was \$3.9 million, compared to net income of \$3.4 million in Q3 2018. Net income for the nine months ended September 30, 2019 was \$9.9 million compared to net income of \$9.1 million for the nine months ended September 30, 2019. The increase in net income was primarily due to the growth in revenues and the fair value adjustment on financial instruments, partially offset by higher interest expense, finance costs and income tax expense. In addition, the three and nine months ended September 30, 2018 included non-recurring litigation expenses.

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 182 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 44 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" 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 or financial outlook in this news release include, but are not limited to, statements made in relation to: the expected closing date of the Nurse Next Door trademarks acquisition; DIV pursuing opportunities to acquire trademarks and royalties from a diverse group of high-quality businesses; DIV's intention to use its cash balance to partially fund the Nurse Next Door trademarks acquisition; DIV's expectation that it will increase its annual dividend following the completion of the Nurse Next Door trademarks acquisition; DIV's expectation that the pro forma payout ratio will be reduced to under 100%

following the completion of the Nurse Next Door trademarks acquisition and the dividend increase; 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: DIV will complete the Nurse Next Door trademarks acquisition on the timing currently expected or at all; DIV realize the expected benefits of the Nurse Next Door trademarks acquisition; DIV will increase its annual dividend; DIV's payout ratio will be reduced to under 100% after the completion of the Nurse Next Door trademarks acquisition and the dividend increase; DIV will use its cash balance to partially fund the Nurse Next Door trademarks acquisition; 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; 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 11, 2019, and the "Risk Factors" section of its management's discussion and analysis for the three and nine months ended September 30, 2019 that are available under DIV's profile on SEDAR at www.sedar.com.

In formulating the forward-looking information and financial outlook contained herein, management has assumed that all necessary consents and approvals for the acquisition of the Nurse Next Door trademarks will be obtained and the acquisition will be completed in accordance with the timing currently expected and on the currently contemplated terms and 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.

To the extent any forward-looking information or statements in this news release 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 acquisition of the Nurse Next Door trademarks and related transactions on DIV.

All of the forward-looking information and financial outlook 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 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 nine months ended September 30, 2019 are consistent with the preliminary results for such period reported in DIV's news releases dated October 24, 2019 and November 1, 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”, “payout ratio” and “pro forma 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 nine months ended September 30, 2019 and Appendix A to the Corporation’s investor presentation titled “Diversified Royalty Corp. – Nurse Next Door Trademark Acquisition and Royalty – Investor Presentation” dated November 1, 2019, a copy of each 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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