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Diversified Royalty Corp. Announces Agreement to Acquire Oxford Learning Centres Trademarks and Increase in Annual Dividend

Vancouver, British Columbia – February 6, 2020 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "**Corporation**" or "**DIV**") is pleased to announce it has entered into an agreement with Oxford Learning Centres, Inc. ("**Oxford**") to add a sixth royalty stream to DIV's portfolio.

Highlights:

- Acquisition of Oxford trademarks and certain other intellectual property rights for $44.0 million.
- Annual revenue from Oxford of ~$4.3 million, representing ~10.0% of DIV's pro-forma revenue.
- Annual dividend on DIV's common shares to be increased 2.2% from 23 cents per share to 23.5 cents per share, effective March 1, 2020 subject to closing of the transaction.

Acquisition Overview

DIV and its wholly-owned subsidiary OX Royalties Limited Partnership ("**OX Royalties LP**") entered into an acquisition agreement dated February 5, 2020 (the "**Acquisition Agreement**") with Oxford to acquire the trademarks and certain other intellectual property rights utilized by Oxford in its pre-school, elementary and secondary school and post-secondary supplemental education business (the "**Oxford Rights**") for a purchase price (the "**Purchase Price**") of $44.0 million (the "**Acquisition**"), excluding a retained interest to be provided to Oxford through the issuance of limited partnership units of OX Royalties LP (collectively, the "**Oxford Retained Interest**"). The cash Purchase Price of $44.0 million will be funded with $37.0 million drawn from DIV's existing undrawn acquisition facility (the "**Acquisition Facility**") and DIV's cash on hand following DIV's drawdown of the remaining $7.0 million of available capacity under its existing credit facility secured in connection with DIV's acquisition of the Nurse Next Door trademarks and royalty (the "**Nurse Next Door Credit Facility**").

Immediately following the closing of the Acquisition, DIV will license the Oxford Rights back to Oxford for 99 years, in exchange for a royalty payment equal to 7.67% of the gross sales of 146 franchised and corporate Oxford Learning Centres in Canada and the U.S. (the "**Royalty**" and together with the Acquisition, the "**Transaction**"). The aggregate Royalty in the first year following closing of the Acquisition is estimated to be $4.3 million, based on the run-rate system sales for the trailing twelve months ended December 31, 2019 of the Oxford Learning Centres in the Royalty Pool (defined below) and assuming 0% same store sales growth ("SSSG") for such locations. The Royalty will fluctuate based on the same store sales growth of the Oxford Learning Centres in the Royalty Pool (defined below) during the term of the license. From 2011 to 2019, Oxford averaged 4.0% SSSG and over the past three years averaged 5.8% SSSG on a combined basis in its Canada and U.S. locations.

The Acquisition will increase DIV's tax pools by $44 million to $281 million, which can be depreciated over time to reduce DIV's cash taxes.

Founded in 1984, Oxford is one of Canada's leading franchise tutoring services, achieving best in class learning outcomes through the application of its proprietary cognitive learning methodology, which improves educational outcomes by focusing on teaching students 'how to think' rather than 'what to think'. This unique teaching style is complemented by Oxford's library of over 1,700 proprietary booklets, which are constantly being refined, expanded and updated. Oxford operates 155 locations globally, with 123 locations in Canada (2 corporate owned and 121 franchise locations), 27 in the U.S. (2 corporate owned and 25 franchise locations) and 5 internationally (all franchise locations) generating annual system sales of approximately $56 million. Oxford has opened 22 net new franchise locations since 2015, grown system sales by 7.4% per year since 2015 and expects to open approximately 11 new locations in 2020. The tutoring industry in Canada is valued by market research firms at over $1 billion annually and expected by such firms to continue growing due to various factors including, the rise in competition among students to gain admission to universities and colleges, deficiencies in public education systems and increased disposable income by parents. Oxford's business model has been proven over the past 36 years with mature stores generating $350,000 to $400,000 of annual revenues while providing an attractive return on capital over time for the franchisee. From 2011 to 2019, Oxford averaged 4.0% SSSG and over the past three years averaged 5.8% SSSG. Oxford is led by an experienced management team with a focus on building culture, brand and success. Oxford won the Canadian Franchise Association Franchisees' Choice Award in 2018 and 2019.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "The Oxford transaction adds a sixth royalty stream to DIV's portfolio, representing approximately 10% of DIV's pro-forma revenue and is another step in our strategy of purchasing royalties from a diverse group of proven multi-location businesses and franchisors. Oxford is one of the leading North American supplemental education providers, with a 36-year operating history, proven franchisee economics, steady and growing cash flows, history of same-store-sales growth and an experienced leadership team. These attributes make Oxford a perfect fit for DIV's portfolio."

Mr. Morrison continued, "The Oxford transaction is accretive, allowing DIV to both increase its annual dividend to 23.5 cents per share while further reducing the pro forma payout ratio to approximately 95%. The Oxford transaction, together with the Mr. Mikes and Nurse Next Door royalty acquisitions that closed in 2019, will represent the third royalty acquisition completed in the past nine months and exemplifies DIV's business model – to acquire high quality trademarks and royalty streams on an accretive basis, resulting in greater royalty portfolio diversification and dividend increases."

Nick Whitehead, Founder of Oxford, stated, "We are very pleased to have entered in a trademark sale and license and royalty agreement with DIV. DIV's unique royalty structure allows for a monetization while ensuring continued alignment with our franchisees. Furthermore, as part of this transaction, up to 30% of the equity in Oxford will be made available to management, while the founders will retain control of the business."

Lawrence Haber, Chair of the Board of DIV, stated, "The Oxford transaction is an excellent addition to DIV's portfolio. Combined with Mr. Lube, Air Miles, Sutton Group Realty, Mr. Mikes and Nurse Next Door, Oxford proves that DIV is able to execute on its strategy to acquire trademarks and royalties from a diverse group of high-quality businesses and brands."

Further Details of the Acquisition and Royalty

The Acquisition will be completed by DIV through its newly formed wholly-owned subsidiary OX Royalties LP. The cash Purchase Price of $44.0 million will be funded with $37.0 million drawn from DIV's Acquisition Facility and DIV's cash on hand following DIV's drawdown of the remaining $7.0 million of available capacity under the existing Nurse Next Credit Facility. In addition to the cash portion of the Purchase Price, OX Royalties LP will issue the Retained Interest to Oxford at closing, with the Retained Interest having an agreed value of approximately $33,000.

Under the terms of the license and royalty agreement that will be entered into upon closing of the Transaction, which will govern the Royalty (the "**Licence and Royalty Agreement**"), Oxford will pay OX Royalties LP a royalty (the "**Royalty**") equal to 7.67% of the gross sales (the "**Royalty Rate**") from Oxford's 146 franchise and corporate locations in Canada and the United States (the "**Royalty Pool**"). So long as certain royalty coverage tests are met, Oxford will be able to include eligible new Oxford locations in the Royalty Pool commencing on May 1, 2021. In consideration for the addition of net new Oxford locations into the Royalty Pool, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX Royalties LP comprising the Retained Interest for common shares of DIV (or cash, at DIV's election) based on a formula that is accretive to DIV shareholders.

Oxford 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, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX Royalties LP comprising the Retained Interest for common shares of DIV (or cash, at DIV's election) based on a formula that is accretive to DIV shareholders.

In addition to the Royalty payable to OX Royalties LP, Oxford will pay DIV a management fee of $40,000 per year for strategic advice and other services. The management fee will increase by $5,000 every 5 years over the term of the License and Royalty Agreement.

The Transaction is expected to close in February 2020 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. For further details with respect to the Acquisition Facility and the Nurse Next Door Credit Facility, see DIV's previously issued news releases dated December 5, 2019 and November 1, 2019, respectively, copies of which are available on SEDAR at www.sedar.com.*

Dividend Increase

Subject to completion of the Transaction, DIV's board of directors has approved an increase in DIV's annual dividend from 23 cents per share to 23.5 cents per share effective March 1, 2020. DIV estimates its pro forma payout ratio will reduce to approximately 95%.

Oxford Credit Facility

Following closing, DIV, through OX Royalties LP, expects to refinance approximately $11 million of the $37 million drawn on the Acquisition Facility with new bank debt having a term of approximately 5 years, non-amortizing and having a floating interest rate based on Bankers' Acceptance Rate plus a spread based on prevailing market rates (the "**Oxford Credit Facility**"). The Oxford Credit Facility is expected to be secured by the Oxford Rights and the royalties payable by Oxford under the Licence and Royalty Agreement, and to have covenants customary for this type of a credit facility. The Oxford Credit Facility is also expected to be guaranteed by DIV on a limited recourse basis through the pledge by DIV of its interest in OX Royalties LP.

Investor Conference Call

Management of DIV will host a live conference call at 6:00 am Pacific Time (9:00 am Eastern Time) on Thursday, February 6, 2020. To participate by telephone across Canada, toll free at 1 (877) 291-4570 (conference ID 5776197). 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 February 19, 2020 by calling 1 (800) 585-8367 or 1 (416) 621-4642 (conference ID 5776197).

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 Mr. Lube, AIR MILES®, Sutton, Mr. Mikes and Nurse Next Door trademarks. Mr. Lube is the leading quick lube service business in Canada with 185 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. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with over 200 offices across Canada. Mr. Mikes operates 45 casual steakhouse restaurants primarily in western Canadian communities with over $85 million of annual system sales. Nurse Next Door is one of North America's fastest growing home care providers and operates over 180 locations across Canada, the United States and Australia with over $100 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, although not all forward-looking information contains 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 of February 2020; certain of the expected terms of the Licence and Royalty Agreement; the details of the Royalty, including the estimated annual amount thereof; the possibility of future increases in the Royalty payments made by Oxford to DIV and the 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 Acquisition; the expectation that DIV will refinance a portion of funds drawn on the Acquisition Facility through the Oxford Credit Facility post closing, and the excepted terms of the Oxford Facility; DIV's business plans and strategies following the completion of the Transaction, including continuing to execute on its business plan of acquiring high quality trademarks and royalty streams on an accretive basis, resulting in greater diversification and dividend increases; the expectation that the Transaction will be accretive; Oxford's business plans and strategies following completion of the Transaction, including the expectation that Oxford will open approximately 11 new locations in 2020; the expected increase in Oxford management's ownership interest in Oxford; the expectation of market research firms that the tutoring industry in Canada will continue to grow and the reasons for such expected growth; the expected financial impact of the Transaction on DIV, including on its pro forma payout ratio; the statement that DIV will increase its annual dividend to $0.235 per share, subject to completion of the Transaction and the timing therefor; 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; DIV will realize the expected benefits of the Transaction, or that it will be accretive; there will be any future increases in the Royalty payments made by Oxford to DIV; DIV or OX Royalties LP will be able to obtain the Oxford 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; Oxford will meet its business objectives, including its objectives with respect to the future growth; Oxford will make the required royalty payments required under the Licence and Royalty Agreement and otherwise comply with its obligations under the Transaction Agreements; Oxford will not be adversely affected by the other risks facing its business; 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 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 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, all conditions to the draws on the Acquisition Facility and the Nurse Next Door Credit Facility will be satisfied, DIV and OX Royalties LP will be successful in obtaining the Oxford Credit Facility in accordance with the timing currently expected and on the currently contemplated terms, Oxford will be successful in meeting its stated corporate objectives, including its growth targets, DIV will realize the expected benefits of the Transaction, the Oxford business will not suffer any material adverse effect, and the business and economic conditions affecting DIV and Oxford 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, the Oxford Credit Facility and the dividend increase on DIV.

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 DIV's and Oxford's financial performance from management's perspective and the expected financial impact of the Transaction on DIV. 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, "pro-forma payout ratio" (which is derived in part on the non-IFRS measures payout ratio and distributable cash), "pro-forma revenue", "run-rate system sales" and "SSSG" in this news release.

"Pro-forma payout ratio" for DIV is calculated as (i) DIV's annualized current monthly dividend, adjusted to give effect to the increase in the annual dividend expected to occur following completion of the Transaction, divided by (ii) DIV's annualized Q3 2019 distributable cash, adjusted to give effect to: the Transaction; the Nurse Next Door trademarks acquisition and licence and royalty agreement; the Nurse Next Door Credit Facility; the Acquisition Facility; CEO incentive compensation that will cease in 8 months, 50% of the CEO incentive compensation being settled in RSUs, incremental salaries and professional fees, non-recurring director fees, the reversal of interest income earned on excess cash and current taxes. 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 news release may not be comparable to similar measures used by other issuers.

"Pro-forma revenue" is calculated as DIV's annualized Q3 2019 revenues, adjusted to give effect to the Transaction and the Nurse Next Door trademarks acquisition and licence and royalty agreement. Pro-forma revenue is not a recognized measure under IFRS; however, management of the Corporation believes it provides supplemental information regarding the extent to which DIV shareholders have an interest in the consolidated revenues earned by DIV. Pro-forma revenue as used in this news release may not be comparable to similar measures used by other issuers.

"Run-rate system sales" for Oxford means the system sales for the Oxford Learning Centres to be included in the Royalty Pool for a given period, including annualized amounts for any locations not open for the entire period.

"Same store sales growth" or "SSSG" for Oxford means the percentage increase in store sales over the prior comparable period for locations that were open in both the current and applicable 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, DIV believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of Oxford locations. DIV'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.

DIV and its auditor are currently reviewing the application of certain IFRS standards to the contractual relationships between DIV's indirect subsidiary NND Royalties Limited Partnership ("NND Royalties LP") and Nurse Next Door and the impact thereof on DIV's financial reporting. The outcome of this review will determine how DIV reports the royalties NND Royalties LP receives from Nurse Next Door in DIV's consolidated financial statements, which may or may not be as revenue. Given such review is ongoing, for purposes of simplicity, in this news release DIV has included the annualized royalties received by NND Royalties LP from Nurse Next Door in its revenues for purposes of calculating certain of the Non-IFRS measures presented herein, as DIV does for its other royalty partners.

For further details with respect to the calculation of certain of these non-IFRS measures, see Appendix A to the Corporation's investor presentation titled "Diversified Royalty Corp. – Oxford Trademark Acquisition and Royalty – Investor Presentation" dated February 6, 2020, a copy of which is available on the Corporation's website at www.diversifiedroyaltycorp.com and under the Corporation's profile on SEDAR at www.sedar.com. For further details with respect to how DIV calculates distributable cash and payout ratio, see "*Description of Non-IFRS and Additional IFRS Measures"* in the DIV's management's discussion and analysis for the three and nine months ended September 30, 2019, a copy of which is available on SEDAR at www.sedar.com.

Third Party Information

This news release includes market information, industry data and forecasts obtained from independent industry publications, market research and analyst reports, surveys 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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