



Diversified Royalty Corp. Announces Preliminary Q1 2020 Results for its Royalty Partners

Vancouver, BC, April 23, 2020 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the “Corporation” or “DIV”) is pleased to announce preliminary results for its royalty partners for the three months ended March 31, 2020 (“Q1 2020”).

Mr. Lube First Quarter Results

Mr. Lube Canada Limited Partnership (“Mr. Lube”) generated same-store-sales-growth (“SSSG”) of -7.2% for the Mr. Lube stores in the royalty pool for Q1 2020, compared to SSSG of 4.5% for the three months ended March 31, 2019 (“Q1 2019”). Mr. Lube’s SSSG was impacted by the COVID-19 pandemic, which resulted in a slow-down in consumer activity across the country and recommendations from all levels of government for people to work from home and self-isolate. Although the business of Mr. Lube’s franchisees was classified as an essential service in British Columbia, Ontario and Quebec, a significant decrease in customer visits since mid-March has resulted in negative SSSG for Mr. Lube in Q1 2020.

DIV expects to report that aggregate royalty income and management fees of \$3.5 million were generated from Mr. Lube in Q1 2020, a decrease of \$0.2 million from Q1 2019.

AIR MILES® First Quarter Results

Alliance Data Systems Inc. (“ADS”) issued a news release earlier today announcing that AIR MILES® reward miles issued increased by 4.6% in Q1 2020 benefitting from increased sponsor promotions early in Q1 2020. ADS also disclosed that AIR MILES® reward miles redeemed decreased by 8.7% in Q1 2020 reflecting the impact of COVID-19 on travel related redemptions in March. According to ADS, they are adjusting the timing of significant coalition and sponsor-specific promotions and marketing programs for the AIR MILES® Reward Program to better align with collector needs/relevancy. Additionally, ADS is enhancing efforts on redemption categories that focus on high-demand, non-travel reward options, stay-at-home products and services, and AIR MILES® cash (in-store, online and mobile) redemptions and providing greater variety within those categories in order to simulate collector engagement and drive redemptions.

DIV expects to report that royalty income of \$1.8 million was generated from the AIR MILES® licenses in Q1 2020, an increase of 7.9% compared to Q1 2019. DIV’s royalty payment is derived from several AIR MILES® metrics, with AIR MILES® reward miles issued being the primary metric, and other metrics including AIR MILES® reward miles redeemed, service revenue, commissions and promotional items, all of which affect quarterly variability.

Nurse Next Door First Quarter Results

DIV expects to report that the royalty entitlement to DIV (the “DIV Royalty Entitlement”) from Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”) was \$1.2 million in Q1 2020. The DIV Royalty Entitlement from Nurse Next Door grows at a fixed rate of 2.0% per annum during the term of the license.

Sutton First Quarter Results

As disclosed in DIV’s news release dated March 31, 2020, with the dramatic slow down of residential real estate activity due to COVID-19, DIV has agreed to waive 50% of the March 2020 royalty and management fee payment obligation of Sutton Group Realty Services Ltd. (“Sutton”), due in April. In addition, DIV has agreed to waive 75% of Sutton’s April and May royalty payment and management fee obligations (due in May and June, respectively).



DIV expects to report that royalty income and management fees of \$0.8 million were generated from Sutton in Q1 2020, compared to \$1.0 million in Q1 2019. The decrease in Q1 2020 was due to the 50% waiver of the March 2020 royalty and management fee.

Mr. Mikes Royalty Waiver and First Quarter Results

As stated in our March 31, 2020 news release, Mr. Mikes Restaurants Corporation (“Mr. Mikes”) temporarily closed all its locations for in-restaurant dining on March 18, 2020, with 25 of 45 restaurants now providing takeout and delivery options. With all Mr. Mikes restaurants temporarily closed for in-restaurant dining and many temporarily fully closed, Mr. Mikes is generating minimal revenue and has advised DIV that Mr. Mikes will likely be unable to pay its fixed royalty payments to DIV commencing with the fixed royalty and management fee payment for the February 24, 2020 to March 22, 2020 period. In response, DIV has agreed to waive Mr. Mikes’ fixed royalty and management fee payment for such period. DIV will continue its discussions with its lenders and Mr. Mikes about whether additional royalty relief is required for subsequent periods, given that Mr. Mikes is currently generating minimal revenue, and when in-restaurant dining resumes, a slow recovery and constrained cash flow is likely.

DIV expects to report that royalty income and management fees of \$0.6 million were generated from Mr. Mikes in Q1 2020. The revenue for Q1 2020 represents the amount from January 1, 2020 to February 23, 2020, given that the revenue for the remainder of Q1 2020 was waived; as such, reported revenues from Mr. Mikes were 41% lower than the \$1.0 million of revenues expected.

Oxford Learning Centres First Quarter Results

On February 21, 2020, DIV acquired the trademarks and certain other intellectual property rights utilized by Oxford Learning Centres, Inc. (“Oxford”) in its franchised supplemental education service business (the “Oxford Rights”). DIV expects to report that royalty income and management fees of \$0.5 million were generated from Oxford from February 21, 2020, the date of acquisition, to March 31, 2020.

Oxford locations in the Oxford royalty pool generated SSSG on a constant currency basis of -2.4% for the period from February 21, 2020 to March 31, 2020. After including the impact of foreign currency translation, SSSG was -2.2% for the period from February 21, 2020 to March 31, 2020. Oxford’s SSSG was negatively impacted by the COVID-19 pandemic in mid-March. Had the acquisition of the Oxford trademarks occurred on January 1, 2020, SSSG from January 1, 2020 to March 31, 2020 on a constant currency basis and after the impact of foreign currency translation would have been +4.9%. Although Oxford has suspended in-person tutoring services for all its locations, Oxford management has pivoted its business to provide online tutoring with over 95% of its locations able to provide this service.

First Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “The impact of COVID-19 on the daily lives of Canadians and the Canadian economy is unprecedented. Without a doubt, this is a difficult time for individuals and businesses amidst the social, economic and financial instability ushered in by the COVID-19 pandemic. The management teams of our royalty partners have been doing an excellent job of managing their businesses through these challenging times. DIV’s management is in regular discussions with our royalty partners, and together with the board of directors are monitoring developments with a focus on the long-term success of DIV and its royalty partners.”

The financial information contained in this news release is preliminary, is based upon the estimates and assumptions of the respective management of DIV and its Royalty Partners as applicable, has not yet been approved by their respective Audit Committees or Boards of Directors, and has not been subject to a review by their respective auditors. The final Q1 2020 financial results could differ materially from the above preliminary financial information.



Deferral of Holdback Payment to Mr. Lube

On May 1, 2019, the Mr. Lube royalty pool (the “Mr. Lube Royalty Pool”) was adjusted to include royalties from four new flagship Mr. Lube locations. The consideration previously paid by DIV was \$2.7 million, which represented 80% of the total estimated consideration for those four locations, which estimate was based on the forecast system sales of these four locations for the 2019 fiscal year. The remaining consideration for the additional royalty revenue of the four new flagship Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2019 was originally scheduled to be paid to Mr. Lube on May 1, 2020, based on their actual system sales for the year ended December 31, 2019. The impact of COVID-19 on Mr. Lube and DIV would create an anomalous result in the determination of the remaining consideration payable by DIV to Mr. Lube for the four new flagship locations added to the Royalty Pool on May 1, 2019. Accordingly, at Mr. Lube’s request, DIV has agreed in principle to defer the payment of the remaining consideration owing to Mr. Lube to a subsequent adjustment date being no earlier than May 1, 2021. The deferral remains subject to the completion of binding legal documentation.

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, Nurse Next Door and Oxford Learning Centres trademarks. Mr. Lube is the leading quick lube service business in Canada, with locations across Canada. AIR MILES[®] is Canada’s largest coalition loyalty program with approximately two-thirds of Canadian households actively participating in the AIR MILES[®] Program. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada. Mr. Mikes operates casual steakhouse restaurants primarily in western Canadian communities. Nurse Next Door is one of North America’s fastest growing home care providers with locations across Canada and the United States as well as in Australia. Oxford Learning Centres is one of Canada’s leading franchised supplemental education services in Canada and the United States.

DIV intends to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV intends to pay a monthly 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 and financial outlook in this news release includes, but is not limited to, statements made in relation to: the expected financial results of Mr. Lube, Nurse Next Door, Sutton, Mr. Mikes and Oxford for the three months ended March 31, 2020, as applicable and the amount of royalty income expected to be reported by DIV as having been generated from the AIR MILES licenses during this period; ADS’ strategies to better align sponsor promotions with collector needs/relevancy and providing greater variety of redemption categories to simulate collector engagement and drive redemptions; Mr. Mikes likely being unable to pay its fixed royalty payments to DIV while the Mr. Mikes restaurants are temporarily closed for in-restaurant dining and certain restaurants are temporarily fully closed; DIV continuing its discussions with its lenders and Mr. Mikes about whether additional royalty relief is required in subsequent periods; the expectation that Mr. Mikes will experience a slow recovery and constrained cash flow when in-restaurant dining resumes; the deferral of the determination and payment of the remaining consideration payable by DIV to Mr. Lube for the four Mr. Lube flagship locations added to the Mr. Lube royalty pool on May 1, 2019 until a subsequent adjustment date being no earlier than May 1, 2021, and that such deferral has been agreed in principle, but remains subject to the completion of



binding legal documentation; DIV's intention to pay monthly dividends 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 by such forward-looking information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook included in this news release 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 timing of the re-opening of Mr. Mikes restaurants for in-restaurant dining is unknown and certain restaurants may not re-open at all; Mr. Mikes may not make its fixed royalty payments to DIV, in whole or in part, while its restaurants remain temporarily closed for in-restaurant dining and some remain fully closed temporarily, and potentially thereafter; the financial results of DIV's royalty partners will be consistent with the preliminary results set forth herein; that DIV's Royalty Partners will not request further royalty relief; COVID-19 may have a more significant negative impact on DIV and its royalty partners than currently expected and the businesses of DIV's royalty partners may not fully recover post COVID-19; ADS' strategies to better align sponsor promotions with collector needs/relevancy and providing greater variety of redemption categories to simulate collector engagement and drive redemptions may not be successful; the deferral of the determination and payment of the remaining consideration payable by DIV to Mr. Lube for the four Mr. Lube flagship locations added to the Mr. Lube royalty pool on May 1, 2019 will be completed on May 1, 2021; DIV will be able to make monthly dividend payments to the holders of its common shares; dividends are not guaranteed and may be further reduced, suspended or terminated; 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 18, 2020 a copy of which is 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 DIV will generate sufficient cash flows from its royalties to service its debt and pay dividends to shareholders; lenders will provide any necessary waivers required in order to allow DIV to continue to pay dividends; the impacts of COVID-19 on DIV and its royalty partners will be consistent with DIV's expectations and the expectations of management of each of its Royalty Partners, both in extent and duration; DIV and its royalty partners will be able to reasonably manage the impacts of the COVID-19 pandemic on their respective businesses. 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 investors to ensure they receive timely disclosure of material financial information with respect to the financial performance of the Corporation and its royalty partners prior to the completion of year end audits.

All of the forward-looking information and financial outlook in this news release is qualified in its entirety 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 they will have the expected consequences to, or effects on, DIV. The forward-looking information and financial outlook included in this news release is presented 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 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 and its Royalty Partners 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.

“DIV Royalty Entitlement” and “Same Store Sales Growth” or “SSSG” are used as non-IFRS measures in this news release. The DIV Royalty Entitlement is being reported to allow readers to assess the performance of DIV’s royalty arrangements with Nurse Next Door on a basis consistent with the royalties received from DIV’s other royalty partners. Under IFRS, DIV is required to record its investment in the Nurse Next Door trademarks and other intellectual property as a financial instrument and the income earned from this investment as finance income, which does not allow for a direct comparison of the income received from this investment to the royalties received from DIV’s other royalty partners, which attract different treatment under IFRS. The most closely comparable IFRS measure to DIV Royalty Entitlement is royalty income; however, DIV Royalty Entitlement should not be considered substitute for IFRS measures. References to “same store sales growth” or “SSSG” in this news release are to the percentage increase in store sales over the prior comparable period that were open 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 same store sales growth is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Lube Locations and Oxford 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. 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 months and year ended December 31, 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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