Diversified Royalty Corp. Announces First Quarter Results

Vancouver, BC, May 14, 2020 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ended March 31, 2020 ("Q1 2020").

Highlights

- Revenues of $7.3 million and adjusted revenues of $8.5 million for Q1 2020.
- Acquired the trademarks and certain other intellectual property rights (collectively, the "Oxford Rights") related to franchised supplemental education business of Oxford Learning Centres, Inc. ("Oxford") on February 20, 2020.
- Completed bought-deal public offering of 10,810,000 common shares at $3.20 per share on March 5, 2020 for gross proceeds of $34.6 million.

First Quarter Results

In Q1 2020, DIV generated $7.3 million of revenue compared to $6.4 million in the three months ended March 31, 2019 ("Q1 2019"). The increase in revenue between periods was primarily driven by the acquisition of the trademarks and certain other intellectual property rights (collectively, the "MRM Rights") used in the business of Mr. Mikes Restaurants Corporation ("Mr. Mikes") in May 2019, the acquisition of the Oxford Rights in February 2020, and the increase in royalty income from the AIR MILES® licenses. These items were partially offset by the impact of the COVID-19 pandemic and related government restrictions, which included negative same-store-sales-growth ("SSSG") at Mr. Lube Canada Limited Partnership ("Mr. Lube") as well as royalty and management fee waivers for Sutton Group Realty Services Ltd. ("Sutton") and Mr. Mikes for certain portions of Q1 2020.

After taking into account the DIV Royalty Entitlement (defined below) of $1.2 million related to DIV's royalty arrangements with Nurse Next Door Homecare Professional Services Inc. ("Nurse Next Door"), DIV's adjusted revenue (defined below) was $8.5 million for Q1 2020.

Royalty Partner Business Updates

Mr. Lube: SSSG for the Mr. Lube stores in the royalty pool was -7.2% in Q1 2020, and was negatively 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. SSSG for the 133 Mr. Lube flagship locations (122 of which are in the Mr. Lube royalty pool) was -26% in April 2020 year-over-year and has begun to trend positively in recent weeks.

AIR MILES®: According to Alliance Data Systems Inc.'s ("ADS") news release dated April 23, 2020, the number of AIR MILES® reward miles issued increased by 4.6% in Q1 2020 due to increased sponsor promotions early in Q1 2020 and that the number of AIR MILES® reward miles redeemed decreased by 8.7% in Q1 2020 reflecting the impact of COVID-19 on travel related redemptions in March. The AIR MILES payment received in Q1 2020 was 7.9% higher than Q1 2019.

Nurse Next Door: Nurse Next Door's home health care services were considered an essential service across all its markets where such determinations were made by government authorities and all of Nurse Next Door's franchisees were open for business. Nurse Next Door management has noted that certain clients are requesting to hold or cancel services as a result of COVID-19. However, they are also seeing increases in demand in other areas such as government contracts or facilities. In addition, its first quarter year-over-year new franchise sales were lower, as anticipated.

Sutton: As disclosed in DIV's news release dated April 23, 2020, DIV has waived 50% of Sutton's March 2020 royalty and management fees (that were payable in April 2020) and 75% of Sutton's April and May royalty and management fee obligations (that are payable in May and June 2020, respectively) in connection with the impact on Sutton's business of the dramatic slow-down of residential real estate activity due to COVID-19. Sutton has likewise provided its franchisees with a similar waiver over three months to help them manage through this difficult period. In April 2020, Sutton's business was negatively impacted by the decline in sales volumes. According to the Real Estate Board of Greater Vancouver and the Toronto Regional Real Estate Board, sales volumes were down 39% and 67%, respectively, in Vancouver and Toronto in the month of April. DIV will continue to assess the impact of COVID-19 on Sutton's business and liquidity to determine if any further royalty relief is necessary.

Oxford: SSSG for Oxford locations in the royalty pool on a constant currency basis was -2.4% for the period from February 20, 2020 to March 31, 2020 (after the impact of foreign currency translation, SSSG was -2.2%). Although Oxford has suspended in-person tutoring services for all its locations due to COVID-19, Oxford management has pivoted its business over the last two weeks of March to provide online tutoring with over 95% of its locations able to provide this service. With the quick pivot to online tutoring in its early stages of implementation, Oxford reported materially weaker system sales in April 2020 compared to April 2019 with SSSG for Oxford locations in the royalty pool on a constant currency basis of -47% (after the impact of foreign currency translation, SSSG was -46%).

Mr. Mikes: With all Mr. Mikes restaurants temporarily closed for in-restaurant dining and only a few locations providing take-out, Mr. Mikes is generating minimal revenue and advised DIV that Mr. Mikes will 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. As a result, DIV waived the Mr. Mikes royalty and management fees for such period, and has waived the fixed royalty and management fee payment for the March 23, 2020 to April 19, 2020 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. It is anticipated that Mr. Mikes will require additional royalty relief for an extended period of time.

First Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "DIV had a strong start to 2020 with the acquisition of the Oxford Rights in February and the completion of a bought deal public offering in early March. However, in mid-March, governments in North America began enacting emergency measures to combat the spread of COVID-19, which triggered significant disruptions to businesses. While our royalty partners have had, and are generally expecting to have significant business interruption in the months ahead, the full extent of such disruptions going forward or the timeline for returning to normal operations cannot be predicted at this time. With a strong balance sheet in place, we are focused on navigating this challenging period to preserve shareholder value and best position the Corporation and its royalty partners for success in the long term."

Distributable Cash and Dividends Declared

In Q1 2020, distributable cash was $5.5 million ($0.0486 per share), an increase of $0.7 million ($0.004 per share) compared to Q1 2019. The increase was primarily due to the increase in adjusted revenues on account of the reasons discussed above, partially offset by the impacts of COVID-19 on the performance of DIV's royalty partners, higher current tax expense, lower interest income and higher interest expense.

In Q1 2020, dividends declared exceeded distributable cash by $1.1 million, and the Corporation's payout ratio was 119.2%. 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 101.5% in Q1 2020. The shortfall in distributable cash was funded by $3.8 million GST refund related to the acquisition of the Nurse Next Door trademarks.

As announced on March 31, 2020, given the economic uncertainty facing DIV and its royalty partners as a result of the COVID-19 pandemic, the Board of Directors of the Corporation approved changing the monthly dividend from $0.01958 per share per month ($0.2350 per share on an annualized basis) to $0.01667 per share per month ($0.20 per share on an annualized basis) effective with the dividend declared in the month of April 2020. The Board of Directors believes the reduction of the monthly dividend is a prudent measure to preserve capital and maintain liquidity in the current market environment. In addition, starting with the April 2020 monthly dividend, the Board approved the temporary suspension of the dividend reinvestment plan ("DRIP") until further notice as the Board does not believe it is in the best interests of the Company or its shareholders to issue shares at current prices.

Net Loss

Net loss for Q1 2020 was $11.7 million, compared to net income of $2.5 million in Q1 2019. The net loss in Q1 2020 was primarily due to a non-cash impairment related to the MRM Rights. In connection with the COVID-19 pandemic, Mr. Mikes is generating minimal revenue and has advised DIV that they will likely be unable to pay its fixed royalty payments to DIV. In light of these developments, the Corporation recorded a non-cash impairment of $19.8 million ($14.5 million net of tax) related to the Mr. Mikes trademarks, which is discussed in more detail in the notes to the Corporation's consolidated financial statements for Q1 2020. The net loss in Q1 2020 was also due to the fair value adjustment on financial instruments, higher interest expense, which were slightly offset by an increase in other finance income and a tax recovery.

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 currently 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 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 involves 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 contains these identifying words. Specifically, forward-looking *information in this news release includes, but is not limited to, statements made in relation to: DIV's expectation that it and its royalty partners will have significant business interruption in the months ahead, the full extent of such disruptions going forward or the timeline for returning to normal operations cannot be predicted at this time; DIV being focussed on navigating this challenging period to preserve shareholder value and best position the Corporation and its royalty partners for success in the long term; DIV continuing to assess the impact of COVID-19 on Sutton's business to determine if any further royalty relief is necessary; Mr. Mikes having advised DIV that Mr. Mikes will 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; DIV continuing its discussions with its lenders and Mr. Mikes about whether additional royalty relief is required in subsequent periods, given the expectation that Mr. Mikes will experience a slow recovery and constrained cash flow when in-restaurant dining resumes; DIV currently anticipating that Mr. Mikes will require additional royalty relief for an extended period of time 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, 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 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 any of its corporate objectives; 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; that DIV's royalty partners will not request further royalty relief; DIV's lenders may not agree to provide covenant relief, at all or only on terms that are disadvantageous to DIV; the royalty partners; respective lenders may not agree to provide covenant relief, at all or only on terms that are disadvantageous to the royalty partners; 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; or DIV and its royalty partners will not continue to be adversely impacted directly, or indirectly, by economic or socioeconomic conditions related to the COVID-19 pandemic, which impacts include, without limitation, reduced willingness of the general population to travel, government restrictions on travel and hours and manner of store operations (including required closures in certain jurisdictions) and other increased government regulations, reduced customer traffic and sales, supply shortages, staff shortages, all of which may, and in certain cases have, and may continue to, negatively impact the business, financial condition and results of operations of DIV and its royalty partners (including their respective franchisees) and thus the ability of the royalty partners to satisfy their financial obligations including their obligations to make royalty and other payments to DIV, which in turn may adversely impact DIV's ability to satisfy its financial obligations to its lenders and trade creditors and its ability to pay dividends to shareholders and make interest and principal payments to holders of DIV's convertible debentures, and may cause DIV and its royalty partners to be in non-compliance with one or more of their covenants under their respective credit facilities. 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 18, 2020, which is available under DIV's profile on SEDAR at www.sedar.com.*

In formulating the forward-looking information 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; lenders will provide any necessary covenant waivers to DIV and its royalty partners; 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; and DIV and its royalty partners will be able to reasonably manage the impacts of the

COVID-19 pandemic and related government regulations on their respective businesses;. 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 months ended March 31, 2020 are consistent with the preliminary results for such period reported in DIV's news release dated April 23, 2020.

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.

"Adjusted Revenues", "DIV Royalty Entitlement", "Distributable Cash", "Same Store Sales Growth", and "payout ratio" are used as non-IFRS measures in this news release. Adjusted Revenues and DIV Royalty Entitlement have not previously been reported by DIV and are 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 measures to Adjusted Revenues and DIV Royalty Entitlement are revenues and royalty income; however, Adjusted Revenues and DIV Royalty Entitlement should not be considered substitute for those IFRS measures. 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 ended March 31, 2020, 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

The information in this news release should be read in conjunction with DIV's audited consolidated financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2020, which are available on SEDAR at www.sedar.com.

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

Contact:
Sean Morrison, President and Chief Executive Officer
Diversified Royalty Corp.
(604) 235-3146

Greg Gutmanis, Chief Financial Officer and VP Acquisitions
Diversified Royalty Corp.
(604) 235-3146