

# DIVERSIFIED

DIV

ROYALTY CORP.

## Diversified Royalty Corp. Announces Second Quarter Results

For Immediate Release – not for distribution to US news wire services or for US dissemination

Vancouver BC, August 7, 2015 – Diversified Royalty Corp. (TSX: DIV) (the “Company” or “DIV”) is pleased to announce its financial results for the three-month period ended June 30, 2015 (“Second Quarter”). A copy of this news release and DIV’s Unaudited Condensed Consolidated Interim Financial Statements and accompanying Management’s Discussion and Analysis for the Second Quarter are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on DIV’s website at [www.diversifiedroyaltycorp.com](http://www.diversifiedroyaltycorp.com).

### Second Quarter Results

DIV generated \$3.5 million of royalty revenue and management fees in the Second Quarter. \$3.4 million of the royalty revenue was received from Franworks Franchise Corp. (“Franworks”) while \$119,000 of royalty revenue and management fees was received from Sutton Group Realty Services Ltd. (“Sutton”).

The same-store-sales growth (“SSSG”) of Franworks restaurants during the Second Quarter was -0.2%. Excluding the impact of translating U.S. sales into Canadian dollars, SSSG of Franworks restaurants was -1.6%. Sutton made its first fixed royalty and management fee payment for the 12 days from the closing of the Sutton trademark acquisition (the “Sutton Acquisition”) on June 19, 2015 to June 30, 2015.

DIV incurred ongoing cash operating expenses of \$0.4 million and cash interest expense of \$0.2 million for distributable cash of \$2.9 million in the Second Quarter. DIV incurred \$1.2 million of expenses related to the John Bennett litigation and \$0.1 million of non-cash share based compensation expenses and earned \$0.1 million of other income (net of income tax expense). Net income for the Second Quarter was \$0.7 million (\$0.01 per share).

Sean Morrison, President and Chief Executive Officer of DIV stated, “Second quarter same-store-sales growth results for Franworks were as expected given current economic conditions in Alberta coupled with Franworks’ U.S. based restaurants comparing against strong sales occurring in the Second Quarter of 2014 due to the FIFA World Cup. Positive same-store-sales growth gains were generated in BC and Ontario during the second quarter.”

Litigation expenses continued to be incurred in the Second Quarter related to the court-ordered indemnification by the Company of John Bennett’s reasonable legal expenses for his criminal trial, expected to occur in early 2016. DIV has reserved its rights to challenge these expenses to ensure they are reasonable.

The Second Quarter was productive for DIV with the negotiation and closing of the Sutton Acquisition. The completion of the Sutton Acquisition was followed by the announcement of the Mr. Lube trademark and royalty acquisition (the “Mr. Lube Acquisition”) on July 23, 2015. The Sutton Acquisition

and Mr. Lube Acquisition both represent acquisitions of royalties from high quality multi-location and franchisor businesses with strong 30+ year track records. DIV recently announced two dividend increases: the first from \$0.1884 per share to \$0.20 per share effective August 31, 2015 related to the Sutton Acquisition; and the second from \$0.20 per share to \$0.2225 per share effective October 31, 2015 related to the Mr. Lube Acquisition (provided the Mr. Lube Acquisition closes in August 2015).

Upon completion of the Mr. Lube Acquisition, management believes DIV will be well positioned to continue the execution of its business strategy of acquiring trademarks and royalties from high quality multi-location and franchisor businesses. Sean Morrison said, "We are pleased with the traction DIV is getting in the marketplace with respect to its unique royalty financing and we are actively pursuing several additional royalty opportunities."

A more detailed discussion of DIV's Second Quarter results is available in its Unaudited Condensed Consolidated Interim Financial Statements and accompanying Management Discussion and Analysis for the Second Quarter, copies of each of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Mr. Lube Acquisition Update

DIV expects to file its final short form prospectus with respect to its recently announced bought deal offering of subscription receipts related to the Mr. Lube Acquisition on August 11, 2015 and to close the financing and Mr. Lube Acquisition on or about August 18, 2015. Both the offering and the Mr. Lube Acquisition remain subject to the approval of the TSX as well as various other conditions.

#### Amended Bar for the Sutton Acquisition

DIV has filed an amended business acquisition report dated August 7, 2015 (the "Amended BAR"), relating to the Sutton Acquisition. The Amended BAR replaces and supersedes the previous business acquisition report of DIV filed on July 16, 2015 (the "Original BAR").

The unaudited pro forma consolidated statement of operations and comprehensive income of DIV for the year ended December 31, 2014 included in the Original BAR failed to include pro forma adjustments to account for DIV's acquisition of the trademarks, certain other intellectual property rights and a related royalty stream from Franworks on September 26, 2014 (the "Franworks Acquisition") as if such acquisition had been completed on January 1, 2014. This resulted in miscalculated amounts being included in such pro forma statement and in the notes thereto in the Original BAR.

The Amended BAR includes a revised pro forma consolidated statement of operations and comprehensive income of DIV for the year ended December 31, 2014, including the notes thereto, that gives effect to both the Franworks Acquisition and the Sutton Acquisition as if each had occurred on January 1, 2014 thus correcting the above noted miscalculated amounts included in the Original BAR.

The Amended BAR can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

### 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 Franworks and Sutton trademarks and on July 23, 2015 announced the Mr. Lube Acquisition. Franworks operates mid-tier casual neighborhood pub restaurants under the Original Joe's, State & Main, and Elephant & Castle brands across Canada and in select US markets and generates over \$225 million of gross sales annually. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 8,000 agents and 200 offices across the Canada. Mr. Lube is the leading quick lube service business in Canada with 169 locations across Canada and approximately \$200 million of system sales.

DIV is currently paying a dividend and 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 and in certain documents referred to herein may constitute forward-looking statements which 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 statements. 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 statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: management's belief that DIV will be well positioned to continue the execution of its business strategy of acquiring trademarks and royalties from high quality multi-location and franchisor businesses following the completion of the Mr. Lube Acquisition; ongoing litigation with John Bennett; the amount and timing of the increases in DIV's dividend related to the Sutton Acquisition and the Mr. Lube Acquisition; the expected timing of the filing of DIV's final short form prospectus with respect to its recently announced bought deal offering of subscription receipts related to the Mr. Lube Acquisition and the expected timing of the closing of such offering and the Mr. Lube Acquisition; and DIV's corporate objectives and strategies. 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: DIV will be well positioned to continue the execution of its business strategy of acquiring trademarks and royalties from high quality multi-location and franchisor businesses following the completion of the Mr. Lube Acquisition; John Bennett's criminal trial in New Jersey will commence in accordance with the timing currently expected; DIV will increase its dividend in the amount and in accordance with the timing expected or at all the bought deal offering and the Mr. Lube Acquisition will close on the terms or in accordance with the timing currently*

*expected, or at all; DIV will make monthly dividend payments to the holders of its common shares; DIV will complete additional royalty purchases; DIV will achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking statements included in this news release are not guarantees of future performance, and such forward-looking statements should not be unduly relied upon. These statements speak only as of the date of this news release. DIV undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.*

*In formulating the forward-looking statements 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. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.*

*All of the forward-looking statements made in this news release are 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 they will have the expected consequences to, or effects on, DIV.*

**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 Company and other public filings are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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