Diversified Royalty Corp. Announces Fourth Quarter and Year End 2019 Results

Vancouver, BC, March 12, 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 December 31, 2019 ("Q4 2019") and year ended December 31, 2019.

Highlights

- Revenues of $8.4 million for Q4 2019 and $30.5 million for the year ended December 31, 2019.
- Adjusted revenues of $9.0 million for Q4 2019 and $31.1 million for the year ended December 31, 2019.
- Mr. Lube Canada Limited Partnership ("Mr. Lube") added four new stores to the Mr. Lube royalty pool, which increased from 118 to 122 locations on May 1, 2019.
- Acquired the Mr. Mikes Restaurants Corporation ("Mr. Mikes") trademarks and certain other intellectual property rights (the "MRM Rights") on May 20, 2019.
- Acquired the Nurse Next Door Professional Homecare Services Inc. ("Nurse Next Door") trademarks and certain other intellectual property rights (the "NND Rights") on November 15, 2019.
- Annual dividend on DIV's common shares increased 3.4% from 22.25 cents per share to 23 cents per share on December 1, 2019.
- $50 million senior secured credit facility to fund future trademark and royalty acquisitions (the "Acquisition Facility") completed on December 5, 2019.

Fourth Quarter and Year Results

In Q4 2019, DIV generated $8.4 million of revenue compared to $7.2 million in the three months ended December 31, 2018 ("Q4 2018"). The increase in revenue was primarily driven by the acquisition of MRM Rights, the addition of four locations to the Mr. Lube royalty pool, 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. After taking into account the DIV Royalty Entitlement (defined below) of $0.6 million related to DIV's royalty arrangements with Nurse Next Door, DIV's adjusted revenue (defined below) was $9.0 million for Q4 2019.

For the year ended December 31, 2019, DIV generated $30.5 million of revenue compared to $26.7 million in the year ended December 31, 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. After taking into account the DIV Royalty Entitlement of $0.6 million related to DIV's royalty arrangements with Nurse Next Door, DIV's adjusted revenue was $31.1 million for the year ended December 31, 2019.

SSSG for the Mr. Lube stores in the royalty pool was 2.1% in Q4 2019 and 4.1% for the year ended December 31, 2019. Sutton's 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 January 30, 2020, the number of AIR MILES® reward miles issued increased by 1% in Q4 2019 and was flat for the year ended December 31, 2019. ADS also disclosed that AIR MILES® reward miles redeemed increased by 3% in Q4 2019 and decreased by 1% for the year ended December 31, 2019.

Fourth Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "The Company met several of its objectives in 2019 with the completion of two royalty transactions, Mr. Mikes and Nurse Next Door, the deployment of excess cash on our balance sheet, and the increase in the annual dividend from 22.25 cents to 23 cents, while decreasing our pro forma payout ratio to less than 100%. In addition, we secured a $50 million Acquisition Facility to minimize the amount of excess capital on our balance sheet, while providing DIV with additional capital to fund future royalty acquisitions. 2020 is off to a strong start as we further diversified our royalty portfolio with the completion of the transaction with Oxford Learning Centres and the increase in the annual dividend to 23.5 cents."

Mr. Morrison continued, "These recent transactions demonstrate DIV's ability to execute on its business plan of acquiring high quality trademarks and royalty streams on an accretive basis, resulting in greater royalty portfolio diversification and dividend increases."

COVID-19 Commentary

Sean Morrison stated, "DIV has partnered with businesses with proven established track records: Mr. Lube (44 years), Sutton Realty (37 years), Nurse Next Door (19 years), Oxford Learning (36 years), Mr. Mikes (60 years) and Air Miles Canada (28 years). The system sales reported by our royalty partners for the first two months of 2020 were not negatively impacted by the COVID-19 outbreak (excluding Air Miles for which DIV does not receive sales data or other monthly reports). However, on March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic and federal, state, provincial and municipal governments in North America have now begun legislating measures to combat the spread of COVID-19. DIV and its royalty partners may experience some short/medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable."

Mr. Morrison continued, "In a world of dynamic social, economic and financial instability, we believe liquidity is very important to weathering potentially challenging periods. In this regard, DIV is well capitalized. DIV has modest leverage with no debt maturities over the next 24 months, positive working capital of approximately $15M, and is generating significant positive cash flow from operations. Our royalty partners have minimal to no senior debt on their balance sheets and have minimal capital expenditure obligations. We are actively managing this challenge and have been in communication with our royalty partners. DIV's management and its board of directors will be working together to monitor the situation with a focus on DIV's long term success. Our royalty partners have been in business for 19 to 60 years and have encountered many challenges along the way. COVID-19 is the latest, significant challenge and we will work with, and support our royalty partners throughout these uncertain times."

Distributable Cash

In Q4 2019, distributable cash was $6.6 million ($0.0603 per share), an increase of $1.0 million ($0.0086 per share) compared to Q4 2018. The increase was primarily due to the increase in adjusted revenues on account of the reasons discussed above, partially offset by lower interest income, higher current tax expense and higher interest expense.

For the year ended December 31, 2019, distributable cash was $22.3 million ($0.2057 per share), an increase of $1.8 million ($0.0146 per share) compared to the year ended December 31, 2018. The increase was primarily due to the increase in adjusted revenues on account of the reasons discussed above, partially offset by higher current tax and interest expense, as well as lower interest income.

In Q4 2019, distributable cash exceeded dividends by $0.4 million, and the payout ratio was 93.2%. For the year ended December 31, 2019, dividends declared exceeded distributable cash by $1.9 million, and the Company's payout ratio was 108.5%. 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 89.4% for the year ended December 31, 2019. As a result, there was no cash shortfall in making dividend payments for the year ended December 31, 2019.

Net Income

Net income for Q4 2019 was $4.3 million, compared to net income of $1.1 million in Q4 2018. Net income for the year ended December 31, 2019 was $14.2 million compared to net income of $10.1 million for the year ended December 31, 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 months and year ended December 31, 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 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 may experience some short/medium term negative impacts from the COVID-19 outbreak, and the extent of such impacts being unquantifiable; DIV management and its board working together to monitor the impact of the COVID-19 outbreak on DIV and its royalty partners with a focus on DIV's long-term success; DIV's intention to work with and support its royalty partners during uncertain times; 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; or DIV and its royalty partners will not be adversely impacted directly, or indirectly, by economic or socioeconomic conditions related to the spread or perceived risk of the spread of COVID-19, which impacts could include, without limitation, reduced willingness of the general population to travel, government restrictions on travel and hours of store operations and other increased government regulations, reduced customer traffic and sales, supply shortages, staff shortages, all of which may negatively impact the business, financial condition and results of operations of DIV and its royalty partners 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. 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 11, 2019, the "Risk Factors" section of its management's discussion and analysis for the three and nine months ended September 30, 2019, and the "Risk Factors" section of its final short form prospectus dated March 2, 2020, each of 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 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, that DIV will be successful in identifying and completing additional royalty acquisitions; DIV and its royalty partners will be able to reasonably manage the impacts of the COVID-19 outbreak 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 and year ended December 31, 2019 are consistent with the preliminary results for such period reported in DIV's news releases dated January 30, 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 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.

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 and year ended December 31, 2019, 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.

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