Diversified Royalty Corp. Provides a Business Update, Adjusts its Dividend Policy and Suspends its Dividend Reinvestment Plan

Vancouver, BC, March 31, 2020 – Diversified Royalty Corp ("**DIV**" or the "**Corporation**") (TSX: DIV and DIV.DB) is providing an update on its business and the businesses of its royalty partners in light of the rapidly evolving global social, health and economic response to the coronavirus disease ("**COVID-19**"), which has had a significant impact on the financial markets, the global economy, DIV's royalty partners and DIV.

Adjustment to Dividend Policy

DIV expects that COVID-19 will have a material impact on DIV's royalty partners in the short to medium term. 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 (the "**Board**") has 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 expected to be declared in the month of April 2020. The Board may consider approving a special dividend to shareholders following the completion of fiscal 2020 if DIV has generated more distributable cash than it has paid out in dividends during the year and the businesses of DIV's royalty partners have stabilized. The dividend of $0.01958 per share previously declared on March 4, 2020, will be paid on March 31, 2020 to shareholders of record as of March 16, 2020 and will not be affected by the adjustment to DIV's dividend policy.

All royalty payments required to be paid by DIV's royalty partners in March 2020 have been received by DIV in full. However, DIV is aware that some of its royalty partners have had, or are expecting to have, significant business interruption in the months ahead (see "Other Corporate Updates" below for further details). This will no doubt lead to Q2 2020 royalty payments received by DIV being materially less than anticipated prior to the COVID-19 outbreak. At this time, DIV does not know the full extent of the financial impact of such interruptions or what the timeline will be for restoring normal operations for its royalty partners. Accordingly, the Board believes the reduction of the monthly dividend is a prudent measure to preserve capital and maintain liquidity in the current market environment.

Sean Morrison, President and Chief Executive Officer of DIV stated, "Our focus during this unprecedented time is to preserve long-term value for shareholders. The change to a $0.01667 monthly dividend acknowledges that we will be operating in a new business environment for an uncertain period. At this reduced monthly dividend we expect our payout ratio to be in excess of 100% for the second quarter, likely the third quarter and potentially the fiscal year. Our Board, in consultation with management, regularly reviews our dividend policy and will continue to do so going forward. We expect the long-term proven business models of our royalty partners and our strong balance sheet will allow us to work through this challenging period."

Suspension of Dividend Reinvestment Plan ("DRIP")

DIV also announced today that the Board has approved the temporary suspension of the DRIP until further notice as the Board does not believe it is in the best interests of the Corporation or its shareholders to issue shares at current prices. Shareholders enrolled in the DRIP will receive dividend payments in cash, instead of common shares, starting with the dividend payable to shareholders in respect of the month of April, 2020. At such time as DIV elects to reinstate the DRIP, shareholders that were enrolled in the DRIP at the time of suspension and remain enrolled at the time of reinstatement will automatically resume participation in the DRIP. The DRIP is subject to reinstatement at the discretion of the Board.

Other Corporate Updates

Mr. Morrison stated, "DIV's business model is predicated on diversification (it's in our name), which we expect to be important in mitigating the impacts of COVID-19. Our royalty partners are diverse both by geography and industry and while several of our royalty partners will be materially impacted by the unprecedented measures taken by businesses and governments in response to COVID-19, as well as the overall slow down in economic activity, we expect that the extent will vary substantially across our portfolio."

As of the date of this release, DIV has the following updates regarding its business and that of its royalty partners:

DIV: DIV has a strong balance sheet and is well capitalized:

- Approximately $9.5 million of cash;
- $4 million of undrawn operating lines;
- Approximately $40 million in available capital on our acquisition facility (solely to fund new acquisitions);
- Total senior debt of $9 million outstanding under the acquisition facility and total unsecured convertible debentures outstanding of $57.5 million. DIV is working with the lender of the acquisition facility to move the $9 million of outstanding senior debt under the acquisition facility into a credit facility for OX Royalties Limited Partnership ("**OX LP**"); and
- Total senior debt of $90 million in our subsidiaries. Each subsidiary is separately financed with limited recourse to DIV through a separate pledge by DIV of its interest in each subsidiary.

DIV has had preliminary discussions with each of DIV's lending partners with respect to the strategies DIV may employ to assist its royalty partners through the current period of economic weakness. In addition, DIV expects to have discussions with each of DIV's lending partners with respect to covenant relief, which is anticipated to be required in the months ahead due to the very weak outlook for the second quarter results of several of DIV's royalty partners.

Mr. Lube Canada Limited Partnership ("Mr. Lube"): Mr. Lube is DIV's largest royalty partner and represented pre-COVID-19 pro-forma annual adjusted revenues of $16.6 million or ~40% of pro-forma annual adjusted revenue. Mr. Lube's business model is relatively COVID-19 safe, with the customer staying in their car throughout the service. In addition, Mr. Lube's car maintenance services have been classified as essential in British Columbia, Ontario and Quebec and its goal is to remain open throughout the COVID-19 outbreak, albeit at reduced hours. The current slow down in consumer activity across the entire country and recommendations from all levels of government for people to work from home and self-isolate has resulted in a significant decrease in customer visits since mid-March. Based on preliminary feedback from Mr. Lube management, the back half of March is trending negatively with store-level revenue decreases of 40% to 50%. Mr. Lube management has been actively working with its franchisees to negotiate more flexible terms with landlords, banks and suppliers as well as to reduce its head office expense. Mr. Lube management believes its business is generally counter-cyclical and expects to be positively impacted in the medium term, following an initial short-term period of weakness.

AIR MILES®: AIR MILES®, operated by Loyalty One, Inc., is DIV's second largest royalty partner, represented pre-COVID-19 pro-forma annual adjusted revenues of $7.8 million or ~18% of pro-forma annual adjusted revenue. AIR MILES® two largest sponsors are the Bank of Montreal, and Sobey's representing approximately 31% of LoyaltyOne, Inc.'s revenues in aggregate. Gross billings for the AIR MILES® Reward Program is derived from several AIR MILES® metrics, primarily from the issuance of AIR MILES as well as redemption of AIR MILES, service revenue, commissions and promotional items. AIR MILES® has approximately 140 sponsors and we expect AIR MILES issued to generally track total Canadian consumer spending during COVID-19 and thereafter. Accordingly, we are expecting a short-term decline in AIR MILES®'s performance.

Nurse Next Door Professional Homecare Service Inc. ("Nurse Next Door"): Nurse Next Door, represented pre-COVID-19 pro-forma annual adjusted revenues of $4.9 million or ~12% of pro-forma annual adjusted revenue. Nurse Next Door's home health care services are expected to be considered an essential service across all its markets and all of Nurse Next Door's franchisees are currently open for business. Nurse Next Door management is seeing steady business across the network and expects the COVID-19 outbreak will have a positive impact on its business (home health care versus senior care facilities) in the medium to long-term.

Sutton Group Realty Services Ltd. ("Sutton"): Sutton represented pre-COVID-19 pro-forma annual adjusted revenues of $4.0 million or ~10% of pro-forma annual adjusted revenue. Sutton's business was very strong to start 2020 with February year-to-date sales volumes in Vancouver and Toronto up 45% and 32%, respectively, according to the Real Estate Board of Greater Vancouver and the Toronto Regional Real Estate Board. During that period, the combination of relaxed mortgage rules and lower interest rates were driving first time home buyer demand. COVID-19 has greatly curtailed the holding of open houses, which has had an immediate negative effect on the signing of new home sale/purchase agreements. With the dramatic slow down of residential real estate activity due to COVID-19, Sutton has agreed to give all Sutton franchisees a 50% waiver of their April franchise fees, 75% of their May franchise fees and 75% of their June franchise fees to help them manage through this difficult period. DIV has also agreed to waive 50% of Sutton's fixed royalty payment obligation in April, 75% in May and 75% in June. Sutton management believes the relaxed mortgage rules and lower interest rates will provide support for the residential housing market post-COVID-19.

Oxford Learning Centres, Inc. ("Oxford"): Oxford represented pre-COVID-19 pro-forma annual adjusted revenues of $4.3 million or ~10% of pro-forma annual adjusted revenue. Oxford had a very strong start to 2020 with same store sales growth (SSSG) in January/February of over 7.5%. School closures in Oxford's largest market, Ontario, started in mid-March ahead of spring break. The primary impact of COVID-19 on Oxford's business is that children are unable to visit Oxford locations for tutoring services. In the past two weeks, Oxford management has pivoted its business to provide online tutoring, with 149 out of 155 locations able to provide this service. Oxford's revenue will be negatively affected during this transition phase but is well positioned to recover and grow post-COVID-19 with both online and in-person tutoring services.

Mr. Mikes Restaurants Corporation ("Mr. Mikes"): Mr. Mikes represented pre-COVID-19 pro-forma annual adjusted revenues of $4.0 million or ~10% of pro-forma annual adjusted revenue. As stated in our March 18, 2020 press release, Mr. Mikes temporarily closed all its locations for in-restaurant dining on March 18, 2020, subsequent to which certain restaurants have temporarily fully closed. Mr. Mikes' management has been actively working with its franchisees to negotiate more flexible terms with landlords, banks and suppliers as well as reduce its head office expense. Currently, it is unknown when Mr. Mikes restaurants will be allowed to re-open for in-restaurant dining and until they do, Mr. Mikes will be generating minimal revenue and therefore will likely be unable to pay its fixed royalty payments to DIV. DIV is in discussions with its lenders and Mr. Mikes with respect to potential royalty relief that may be provided to Mr. Mikes by DIV.

As stated previously, the impact of COVID-19 is evolving rapidly and management, in consultation with the Board, continues to monitor developments and the impact on DIV and its royalty partners' businesses. Management believes that the diversity of DIV's portfolio of royalty partners, DIV's strong balance sheet and its relationships with its lending partners will allow DIV to manage the impacts of the COVID-19 crisis and to continue to perform positively over the long-term upon a return to normal operating levels post COVID-19.

<u>About Diversified Royalty Corp.</u>

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 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" 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. 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 COVID-19 will have a material impact on DIV's royalty partners in the short to medium term; the adjustment of DIV's dividend policy effective with the dividend expected to be declared and paid in April 2020, and the details thereof and the reasons underlying such change; the possibility that a special dividend may be declared following the completion of fiscal 2020; the payment on March 31, 2020 of the dividend declared on March 4, 2020 will be unaffected by the change in DIV's dividend policy; the expectation that DIV's payout ratio will be in excess of 100% for the second quarter, likely third quarter and potentially the 2020 fiscal year; the Board, in consultation with management, will continue to regularly review DIV's dividend policy going forward; the suspension of the DRIP, the timing and other details thereof and the means by which it may be reinstated; Q2 2020 royalty payments received by DIV are expected to be materially less than anticipated; DIV's expectation that the long-term proven business models of our royalty partners and our strong balance sheet will allow us to work through this challenging period and continue to perform positively over the long-term upon a return to normal operating levels post COVID-19; DIV's expectation that the extent of impacts of COVID-19 will vary substantially across its portfolio of royalty partners; the potential to move $9 million of outstanding debt under the acquisition facility into a new credit facility for OX LP; DIV's expectation that it will have discussions with its lenders with respect to covenant relief; the expected continued impacts of COVID-19 on Mr. Lube's business, and Mr. Lube management's belief that its business is counter-cyclical and that it will be positively impacted in the medium term, following an initial short-term period of weakness; DIV's expectation that there will be a short term decline in AIR MILES®'s performance due to reduced consumer spending as a result of COVID-19; the expectation that Nurse Next Door's services will be considered essential in all of its markets; Nurse Next Door management's expectation that COVID-19 will have a positive impact on its business in the medium to long-term; the royalty relief provided by Sutton to its franchisees and by DIV to Sutton; Sutton's belief that relaxed mortgage rules and lower interest rates will provide support for the residential housing market post-COVID-19; Oxford's revenue will be negatively affected during its transition to providing online services, and the related belief that Oxford is well positioned to recover and grow post COVID-19; the timing for the re-opening of Mr. Mikes' restaurants for in-restaurant dining, or otherwise for those that are temporarily fully closed, being unknown; the expectation that Mr. Mikes will generate minimal revenue until its restaurants re-open for in-restaurant dining and that Mr. Mikes will likely be unable to pay its fixed royalty payments to DIV until such time; DIV is in discussions with its lenders and Mr. Mikes respect to the potential royalty relief to be provided to Mr. Mikes; and DIV's intention to pay monthly dividends to shareholders, and DIV's other 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: 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; dividends are not guaranteed and may be further reduced, suspended or terminated; the reduction in the dividend may negatively impact the price of DIV's shares; DIV's payout ratio may be greater than 100% in the second and third quarters of 2020, for fiscal 2020 and beyond; the DRIP may not be reinstated; a special dividend may not be declared after fiscal 2020 regardless of the amount of distributable cash generated by DIV; DIV's lenders may not agree to *provide covenant relief, at all or only on terms that are disadvantageous to DIV; the lender of the acquisition facility may not agree to transfer the outstanding amounts under the acquisition facility into a new facility for OX LP; 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; and 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. 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 a copy 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 COVD-19 will have a material impact on DIV's royalty partners in the short to medium term; 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 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.

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.

Pro-forma annual adjusted revenue is calculated as DIV's annualized adjusted revenues for the three months ended September 30, 2019, adjusted to give effect to the November 15, 2019 Nurse Next Door trademarks acquisition and the February 21, 2020 Oxford trademarks acquisition. Pro-forma annual adjusted 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 annual adjusted revenue as used in this news release may not be comparable to similar measures used by other issuers.

In addition to "pro-forma annual adjusted revenues", "distributable cash", "same store sales growth", and "payout ratio" are used as non-IFRS measures in this news release. For further details with respect to these Non-IFRS Measures, 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.

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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