Management's Discussion and Analysis

For the three and six months ended June 30, 2020

August 7, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

BASIS OF PRESENTATION

This management's discussion and analysis ("MD&A") in respect of the results of operations of Diversified Royalty Corp. ("DIV" or the "Company") for the three and six months ended June 30, 2020 should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2020 (the "Q2 2020 Financial Statements"). The financial statements of the Company are presented in thousands of Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information related to the Company, including its Annual Information Form dated March 18, 2020 for the year ended December 31, 2019, is available on SEDAR at www.sedar.com.

Statements made in this MD&A and in the Q2 2020 Financial Statements are subject to the risks and uncertainties identified in the "Risks Factors" and "Forward Looking Statements" sections of this document. The Company has included the non-IFRS measures of EBITDA, normalized EBITDA, distributable cash, same stores sales growth or SSSG, payout ratio, DIV Royalty Entitlement, adjusted royalty income and adjusted revenue in this MD&A. For further information on these measures, see the "Description of Non-IFRS and Additional IFRS Measures" section of this MD&A.

Readers are referred to the condensed consolidated interim financial statements and MD&A of Mr. Lube Canada Limited Partnership ("Mr. Lube") for the three and six months ended June 30, 2020, copies of which are available on SEDAR at www.sedar.com.

OVERVIEW

DIV is a multi-royalty corporation, engaged in the business of acquiring royalties from well-managed multi-location businesses and franchisors in North America ("Royalty Partners"). The Company believes that its royalty structure provides a strong incentive for a Royalty Partner to continue growing its business while retaining control of its business.

The Company's primary objectives are to (i) purchase stable and growing royalty streams from Royalty Partners, and (ii) increase distributable cash per share by making accretive royalty purchases. These objectives are intended to allow the Company to pay a dividend to shareholders, while increasing the dividend as distributable cash per share allows.

The Company's revenue for the three and six months ended June 30, 2020 consists of royalties and management fees that are contractually agreed to between the Company and its Royalty Partners:

- Mr. Lube: royalties are based on the top-line system sales of Mr. Lube stores in the royalty pool (the "Mr. Lube Royalty Pool"). As at June 30, 2020, Mr. Lube had 177 locations, of which 122 were in the Mr. Lube Royalty Pool. In addition to the royalty, Mr. Lube pays the Company a management fee of approximately $0.2 million per year for strategic and other services. See "Mr. Lube" below for further information.
- Sutton Group Realty Services Ltd. ("Sutton"): royalties are based on the number of Sutton agents in the royalty pool (the "Sutton Royalty Pool"). As at June 30, 2020, there were 5,400 agents in the Sutton Royalty Pool. In addition to the royalty, Sutton pays the Company a management fee of approximately $0.1 million per year for strategic and other services. See "Sutton" below for further information.
- AIR MILES: royalties are based on gross billings generated by LoyaltyOne, Co. ("LoyaltyOne") through its operation of the AIR MILES® reward program in Canada (the "AIR MILES® Reward Program"). See "AIR MILES® Reward Program" below for further information.
- Mr. Mikes Restaurants Corporation ("Mr. Mikes"): royalties are based on the notional system sales of Mr. Mikes restaurants in the royalty pool (the "Mr. Mikes Royalty Pool"). As at June 30, 2020, Mr. Mikes had 45 restaurants, of which 38 were in the Mr. Mikes Royalty Pool. In addition to the royalty, Mr. Mikes pays the Company a management fee of approximately $0.04 million per year for strategic and other services. See "Mr. Mikes" below for further information.
- Nurse Next Door Homecare Professional Services Inc. ("Nurse Next Door"): DIV's royalty entitlement from Nurse Next Door (the "DIV Royalty Entitlement") is equal to approximately $4.8 million per annum, and grows at a fixed rate of 2.0% per annum. The DIV Royalty Entitlement is not reported as revenue under IFRS. See "Non-IFRS Measures" below for further information. In addition to the royalty, Nurse Next Door pays the Company a management fee of approximately $0.075 million per year for strategic and other services, prorated for partial years. See "Nurse Next Door" below for further information.
- Oxford Learning Centres, Inc. ("Oxford"): royalties are based on the system sales of Oxford locations in the royalty pool (the "Oxford Royalty Pool"). As at June 30, 2020, Oxford had 154 locations, of which 146 were in the Oxford Royalty Pool. In addition, Oxford pays the Company a management fee of approximately $0.04 million per year for strategic and other services. See "Oxford" below for further information.

The Company's ongoing cash expenditures are comprised of salaries and benefits, general and administration (including public company costs), professional fees, and interest on credit facilities. The success of the Company currently depends largely on the ability of Mr. Lube, Sutton, Mr. Mikes, Nurse Next Door and Oxford to maintain and increase the sales or number of agents in the respective royalty pools, and, in the case of LoyaltyOne, the gross billings generated through the AIR MILES® Reward Program. See "Risk Factors" for further information.

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, our business and the respective businesses of our Royalty Partners are not known at this time. Governments worldwide, including the Canadian federal and provincial governments, enacted emergency measures to combat the spread of the virus, which have included, among others, the temporary closure of all non-essential businesses (in most jurisdictions), restrictions on business operations, bans on public gatherings over certain sizes and travel advisories to avoid non-essential travel. These measures have triggered significant disruptions to businesses worldwide, resulting in a sharp global economic downturn.

DIV's Royalty Partners have had, and may continue to have, significant interruptions to their respective businesses in the months ahead (see "Royalty Pools" below for further details), including material declines on system sales on which certain royalties are based and on the Royalty Partner's revenues on which they rely to pay royalties to DIV. Although certain governments have started easing the restrictions put in place to fight the COVID-19 pandemic, DIV does not know the full extent of the financial impact of such interruptions going forward or what the timeline will be for restoring normal operations for its Royalty Partners. Current improvement trends being experienced by certain of DIV's royalty partners may not continue and may regress. Moreover, recently eased government restrictions may be reinforced at any time. Certain government support programs which have been helpful to DIV's Royalty Partners, their franchisees and the general population may be terminated at any time. Following the termination of such programs, or the reduction of amounts available under such programs, Royalty Partners and franchisees currently receiving support under those programs may need to find alternative sources of financial support and may make requests for such support from, among other parties, DIV and its Royalty Partners, as applicable. There is also a risk that certain Royalty Partner franchise locations that are currently temporarily closed may not reopen, and those that are open may be required to close again in the future. The ongoing effects of COVID-19 could impact DIV's and its Royalty Partners' (as well as their respective franchisees') ability to obtain debt and equity financing, and result in an impairment in the value of long-lived assets, or decreases in revenue or the profitability of ongoing operations.

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 Company (the "Board" or the "Board of Directors") approved changing the monthly dividend from $0.01958 per share ($0.2350 per share on an annualized basis) to $0.01667 per share ($0.20 per share on an annualized basis) effective with the dividend declared in the month of April 2020. The Board 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. See "Dividends to Shareholders", below for further discussion.

Further discussion is included throughout this MD&A with respect to specific impacts of COVID-19 on the respective businesses of DIV's Royalty Partners. In addition, please see "Risk Factors", for further information.

FINANCIAL HIGHLIGHTS

(000's except per share amounts)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Consolidated:				
Revenue[1, 2]	$ 6,294	$ 7,549	$ 13,558	$ 13,952
Adjusted revenue[1, 2, 3, 4]	7,497	7,549	15,964	13,952
Royalty income[1, 2]	6,198	7,466	13,358	13,791
Adjusted royalty income[1, 2, 3, 4]	7,401	7,466	15,764	13,791
Normalized EBITDA[4]	6,767	6,821	14,554	12,637
Distributable cash[4]	4,898	5,471	10,376	10,284
Income (loss) from operations[5]	5,177	6,446	(8,386)	11,871
Net income (loss)[5]	2,881	3,435	(8,850)	5,919
Dividends declared	5,999	6,015	12,571	12,015
Basic and diluted earnings per share (loss)[5]	$ 0.02	$ 0.03	$ (0.08)	$ 0.05
Distributable cash flow per share[4]	0.04	0.05	0.09	0.10
Dividends declared per share	0.05	0.06	0.11	0.11
Total assets[6]	$ 371,341	$ 335,310	$ 371,341	$ 335,310
Total non-current financial liabilities[6]	159,271	129,578	159,271	129,578
Adjusted Revenue [4] by Royalty Partner				
Mr. Lube	$ 3,570	$ 4,127	$ 7,087	$ 7,843
Sutton	506	992	1,349	1,984
AIR MILES	1,529	1,970	3,358	3,665
Mr. Mikes[2]	-	460	591	460
Nurse Next Door[3]	1,222	-	2,444	-
Oxford[1]	670	-	1,135	-
Mr. Lube SSSG[4]	-12.5%	4.2%	-10.0%	4.3%
Oxford SSSG[4, 7]	-41.4%	n / a	-29.9%	n / a

1) 2020 figures include royalties and management fees from Oxford from the date of the Oxford Rights (defined below) acquisition on February 20, 2020.
2) 2020 figures include royalties and management fees from Mr. Mikes. The acquisition of the MRM Rights (defined below) closed on May 20, 2019.
3) 2020 figures include the impact of the DIV Royalty Entitlement and management fees received from Nurse Next Door. The acquisition of the NND Rights (defined below) closed on November 15, 2019.
4) Adjusted revenue, adjusted royalty income, normalized EBITDA, distributable cash, distributable cash flow per share, and SSSG are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, refer to the sections "Royalty Pools", "EBITDA, Normalized EBITDA and Distributable Cash" and "Description of Non-IFRS and Additional IFRS Measures" in this MD&A.
5) A non-cash impairment of $19.8 million was recorded during the six months ended June 30, 2020 in connection with the MRM Rights (defined below). For additional information see "Results of Operations – Impairment of Intangible Asset".
6) At period end.
7) After the impact of foreign currency translation, SSSG was -40.7% for the three months and -29.3% for the six months ended June 30, 2020.

ROYALTY POOLS

(000's)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Mr. Lube	$ 3,516	$ 4,074	$ 6,979	$ 7,737
AIR MILES®	1,529	1,970	3,358	3,665
Sutton	493	967	1,315	1,934
Mr. Mikes[1]	-	455	585	455
Oxford[2]	660	-	1,121	-
Royalty income	**$ 6,198**	**$ 7,466**	**$ 13,358**	**$ 13,791**
DIV Royalty Entitlement[3]	1,203	-	2,406	-
Adjusted royalty income[4]	**$ 7,401**	**$ 7,466**	**$ 15,764**	**$ 13,791**
Management fees	96	83	200	161
Adjusted revenue[4]	**$ 7,497**	**$ 7,549**	**$ 15,964**	**$ 13,952**

1) 2020 figures include the impact of the acquisition of the MRM Rights (defined below), which closed on May 20, 2019.
2) 2020 figures include the impact of the acquisition of the Oxford Rights (defined below), which closed on February 20, 2020
3) 2020 figures includes the impact of the DIV Royalty Entitlement received from Nurse Next Door. The acquisition of the NND Rights closed on November 15, 2019.
4) Adjusted royalty income and adjusted revenue are non-IFRS measures and as such, do not have standardized meetings under IFRS. For additional information regarding these financial metrics, refer to "Description of Non-IFRS and Additional IFRS Measures" in this MD&A.

Mr. Lube

ML Royalties Limited Partnership ("ML LP"), an entity controlled by the Company, owns all the trademarks and certain other intellectual property rights utilized by Mr. Lube (the "ML Rights") in its business of franchising automotive maintenance businesses.

On August 19, 2015, ML LP licensed the ML Rights to Mr. Lube for 99 years, in exchange for an initial royalty payment equal to 6.95% of the system sales, with the exception of system sales on tires and rims ("Tire Sales") that are subject to a royalty rate of 2.5% (collectively, the "Mr. Lube Royalty Rate") of flagship Mr. Lube locations in the Mr. Lube Royalty Pool.

Mr. Lube has the option, subject to meeting certain performance criteria, to increase the Mr. Lube Royalty Rate on non-Tire Sales in four 0.5% increments. On May 1, 2018, the royalty rate paid by Mr. Lube on non-Tire Sales was increased by 0.5% from 6.95% to 7.45%. The royalty rate on Tire Sales remains unchanged at 2.5%.

Subject to certain performance criteria being met, the Mr. Lube Royalty Pool is adjusted annually on May 1 (the "Adjustment Date") to include new Mr. Lube locations and to remove Mr. Lube locations that have been permanently closed during the previous year. On May 1, 2019 (the "2019 Adjustment Date"), the Mr. Lube Royalty Pool was adjusted to include the royalties from four new Mr. Lube locations. With the adjustment for these four openings, the Mr. Lube Royalty Pool had 122 locations on May 1, 2019. The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue was $2.7 million, representing 80% of the total estimated consideration. The remaining consideration payable 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. Accordingly, at Mr. Lube's request, DIV has agreed to defer the payment of the remaining consideration owing to Mr. Lube to a subsequent adjustment date being no earlier than May 1, 2021.

Given the uncertainty of the current economic environment due to COVID-19, Mr. Lube elected not to add any eligible Mr. Lube Locations to the Mr. Lube Royalty Pool on May 1, 2020.

For Mr. Lube, changes in system sales are derived from both SSSG from existing locations in the Mr. Lube Royalty Pool and from the addition of new Mr. Lube locations to the Mr. Lube Royalty Pool.

If a Mr. Lube location is permanently closed, Mr. Lube is required to pay a make-whole payment (the "Mr. Lube Make-Whole Payment"), which is based on the gross system sales of the location for the first 12-month period in which it was included in the Mr. Lube Royalty Pool, multiplied by the Mr. Lube Royalty Rate and pro-rated for the number of days in the royalty period that the location was permanently closed.

Second Quarter

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $49.4 million for the second quarter of 2020, compared to $56.0 million in the second quarter of 2019. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as -12.5% for the second quarter of 2020 compared to 4.2% in the second quarter of 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 Q2 2020.

Royalty income decreased to $3.5 million in the second quarter of 2020, compared to $4.1 million in the second quarter of 2019. The decrease in royalty income was due to the negative SSSG related to the COVID-19 pandemic.

Mr. Lube management believes that the broader impact of the COVID-19 pandemic on future operations and financial performance remains uncertain. However, Mr. Lube management has been proactive in enacting measures to support franchisee cash flow, including negotiating rent deferrals and concessions, suspending marketing contributions, arranging for improved payment terms with suppliers and promoting government sponsored initiatives. In addition, as certain provinces started easing the restrictions put in place to fight the COVID-19 pandemic and Canadians started driving more, Mr. Lube's business has stabilized with June 2020 SSSG for the Mr. Lube locations in the Mr. Lube Royalty Pool up 0.4% year-over-year (compared to SSSG of -27% in April 2020 and -11% in May 2020). In July 2020, SSSG for the 135 Mr. Lube flagship locations (122 of which are in the Mr. Lube Royalty Pool) was approximately 1.6% year-over-year.

Year-To-Date

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $96.8 million for the six months ended June 30, 2020, compared to $105.7 million in the prior period. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as -10.0% for the six months ended June 30, 2020 compared to 4.3% for the six months ended June 30, 2019. The decrease in royalty income was due to the negative SSSG related to the COVID-19 pandemic.

Royalty income decreased to $7.0 million for the six months ended June 30, 2020, compared to $7.7 million for the six months ended June 30, 2019. The decrease in royalty income was due to the negative SSSG related to the COVID-19 pandemic, partially offset by the additional royalty income from the four Mr. Lube locations added to the Royalty Pool on May 1, 2019. As at June 30, 2020, Mr. Lube had $1.5 million of debt outstanding.

As reported by Mr. Lube in its Q1 2020 and Q2 2020 MD&A, on April 1, 2020, Mr. Lube entered into a new term sheet with its lender. To manage cash flow during these challenging economic times, Mr. Lube amended the term sheet to defer principal payments on its term loan facility for the months of March, April and May, and has received an exemption on covenant tests for Q1 2020 and Q2 2020. Mr. Lube was in compliance with all financial covenants as of March 31, 2020 and June 30, 2020 despite the exemption.

AIR MILES® Reward Program

AM Royalties Limited Partnership ("AM LP"), a wholly owned subsidiary of the Company, owns the Canadian AIR MILES® trademarks and certain related Canadian intellectual property rights (collectively, the "AIR MILES® Rights"). In accordance with the terms of two license agreements with LoyaltyOne (collectively, the "AIR MILES® Licenses") acquired by AM LP as part of the acquisition of the AIR MILES® Rights, LoyaltyOne has an exclusive right to use the AIR MILES® Rights for purposes of operating the AIR MILES® Reward Program in Canada for an indefinite term in exchange for a royalty payment equal to 1% of "gross billings" from the AIR MILES® Reward Program. Gross billings for the AIR MILES® Reward Program 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. Variations in these metrics collectively affect DIV's royalty income under the AIR MILES® Licences. LoyaltyOne is a subsidiary of Alliance Data Systems Inc. ("ADS"), a NYSE listed company.

Second Quarter and Year-To-Date

Royalty income from the AIR MILES® Licenses decreased by $0.4 million to $1.5 million in the three months and by $0.3 million to $3.4 million in the six months ended June 30, 2020 compared to the same prior periods.

According to ADS' news release dated April 23, 2020, the AIR MILES® reward miles issued decreased by 26% for the three months and 12% for the six months ended June 30, 2020, reflecting a decline in discretionary spending, including credit card spend and delays in promotions by sponsors. In addition, ADS announced that AIR MILES® reward miles redeemed decreased by 42% for the three months and 25% for the six months ended June 30, 2020, reflecting the impact of the COVID-19 pandemic on travel-related categories, partially offset by strength from merchandise redemptions. According to ADS, LoyaltyOne is supporting collectors and sponsors by pivoting the reward portfolio to reflect more non-travel options. ADS also noted that the AIR MILES® business continues to renew with sponsors, including a multi-year national renewal with Shell Canada Products, as LoyaltyOne focuses on driving collector engagement in key categories such as gasoline, grocery and liquor, which are deemed essential services.

Sutton

SGRS Royalties Limited Partnership ("SGRS LP"), an entity controlled by the Company, owns all the Canadian and U.S. trademarks and certain other intellectual property rights utilized by Sutton in its residential real estate franchise business (the "SGRS Rights").

On June 19, 2015, SGRS LP licensed the SGRS Rights to Sutton for 99 years in exchange for a monthly royalty payment (the "Sutton Royalty Rate"), based on the number of agents in the Sutton Royalty Pool. The Sutton Royalty Rate grows by 2.0% per year, effective July 1st of each year. On July 1, 2020, the monthly Sutton Royalty Rate was increased from $60.887 per agent to $62.105 per agent. There are currently 5,400 agents in the Sutton Royalty Pool.

Second Quarter and Year-To-Date

With the dramatic slow-down of residential real estate activity due to COVID-19, DIV waived 50% of Sutton's March 2020 royalty and management fees that were due in April. In addition, DIV has waived 75% of Sutton's April and May 2020 royalty and management fees (due in May and June 2020, respectively). Sutton has likewise provided its franchisees with a similar waiver over three months to help them manage through this difficult period.

Royalty income decreased by $0.5 million to $0.5 million for the three months and by $0.6 million to $1.3 million for the six months ended June 30, 2020 compared to the same prior periods. The decreases in royalty income were due to the above noted royalty waivers granted to Sutton. The June 2020 royalty payment was not subject to a waiver and was received in full and on time in July 2020. According to the Real Estate Board of Greater Vancouver and the Toronto Regional Real Estate Board, June 2020 sales volumes were up 18% and down 1%, respectively, in Metro Vancouver and Toronto, two of Sutton's primary markets. 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. As at June 30, 2020, Sutton had less than $0.1 million of debt outstanding.

Mr. Mikes

MRM Royalties Limited Partnership ("MRM LP"), an entity controlled by the Company, owns the trademarks and certain related other intellectual property rights utilized by Mr. Mikes in its restaurant business (the "MRM Rights").

On May 20, 2019, MRM LP licensed the MRM Rights to Mr. Mikes for 99 years, in exchange for an initial royalty payment equal to 4.35% of notional system sales of the Mr. Mikes restaurants in the Mr. Mikes Royalty Pool. The royalty has been structured to grow at a fixed rate of 2% per annum for the first four years and thereafter will fluctuate based on the same-store-sales growth of the Mr. Mikes locations in the Mr. Mikes Royalty Pool.

Second Quarter and Year-to-Date

On March 18, 2020, in response to the evolving circumstances relating to the COVID-19 pandemic, Mr. Mikes proactively closed all of its dining rooms and bars across Canada on a temporary basis. Shortly thereafter, Mr. Mikes 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 waived Mr. Mikes' fixed royalty and management fee payment for such period, as well as for the period from March 23, 2020 to July 12, 2020.

Although certain provinces have started easing the restrictions put in place to fight the COVID-19 pandemic, or have announced their intention to do so in the near future, restaurants are taking additional measures to ensure the health and safety of their employees and customers to comply with new regulations. These new regulations may be prohibitive, and customers may be discouraged with long wait times if dining rooms operate at reduced capacity and staff must undertake extensive cleaning procedures in between customers.

As of early June 2020, 33 of 45 Mr. Mikes restaurants had re-opened for in-restaurant or patio dining, which has now increased to 43 of 45 Mr. Mikes restaurants. Overall SSSG for Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic was approximately -28% in June 2020. SSSG for Mr. Mikes restaurants in the Mr. Mikes royalty pool that have re-opened for in-restaurant and patio dining was approximately -19% in June 2020. Notwithstanding the partial re-opening of such Mr. Mikes restaurants, DIV expects that Mr. Mikes will experience a slow recovery and constrained cash flows. DIV is continuing its discussions with its lenders and Mr. Mikes about whether additional royalty relief is required for subsequent periods. It is anticipated that Mr. Mikes will require additional royalty relief for an extended period of time.

Royalty income from Mr. Mikes was $nil for the three months and $0.6 million for the six months ended June 30, 2020, which reflects the royalty waivers provided for the period from February 24, 2020 to July 12, 2020. As at the end of Mr. Mikes second fiscal quarter of 2020, Mr. Mikes had positive working capital and $0.2 million of debt on its operating line of credit. Mr. Mikes has advised DIV that Mr. Mikes was in compliance with the financial covenants under its operating line of credit at the end of its second quarter, and currently expects to be in compliance with such covenants at the end of its third quarter, with such compliance being based in part on the waivers provided by DIV to date and the nature of the calculation of such covenants.

While DIV does not know the full extent of the impact of COVID-19 on the Mr. Mikes business, or the pace of economic recovery, DIV expects COVID-19 to continue to have a negative impact on Mr. Mikes' operations for the three months ending September 30, 2020. In light of the aforementioned developments related to the COVID-19 pandemic, the Company recorded a non-cash impairment charge of $19.8 million during the six months ended June 30, 2020 related to the MRM Rights. See "Results of Operations – Impairment of Intangible Asset" below for further information.

Nurse Next Door

On November 15, 2019, NND Royalties Limited Partnership ("NND Royalties LP") licensed the trademarks and certain other intellectual property rights utilized by Nurse Next Door in its premium home care business (the "NND Rights") to Nurse Next Door for 99 years in exchange for a gross royalty (the "Gross Royalty") equal to the greater of (i) 6% of gross sales from

Nurse Next Door franchises and corporate stores in Canada and the United States, and (ii) approximately $4.8 million per year, which amount shall increase at a fixed rate of 2% per annum (being the DIV Royalty Entitlement). To the extent the Gross Royalty is greater than the DIV Royalty Entitlement, Nurse Next Door will be entitled to receive the excess amount in the form of a cash distribution paid by NND Royalties LP on the NND Exchangeable Units held by Nurse Next Door (the "Nurse Next Door Distribution Entitlement").

Subject to certain royalty coverage tests being met, Nurse Next Door is able to sell incremental royalties to NND Royalties LP commencing on February 1, 2021. In consideration for the incremental royalty, Nurse Next Door will be entitled, subject to TSX approval, to indirectly exchange certain of the limited partnership units of NND Royalties LP held by Nurse Next Door for common shares of DIV, or cash at DIV's election, based on a formula that is intended to be accretive to DIV shareholders.

Nurse Next Door has the ability to repurchase the NND Rights from NND Royalties LP (the "NND Buy-Out Option") at any time after November 15, 2026. Due to the NND Buy-Out Option, NND Royalties LP does not satisfy the tests under IFRS to establish control over the NND Rights; accordingly, the Company cannot recognize the NND Rights as an intangible asset on its consolidated statement of financial position and the transaction is accounted for as a financing arrangement. Under IFRS, DIV is required to record its investment in NND Royalties LP 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. 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, the Company reports the DIV Royalty Entitlement as a Non-IFRS measure. See "Description of Non-IFRS and Additional IFRS Measures".

Second Quarter and Year-To-Date

The DIV Royalty Entitlement was $1.2 million for the three months and $2.4 for the six months ended June 30, 2020. As at June 30, 2020, Nurse Next Door had positive working capital and no debt outstanding.

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 system sales in North America were relatively flat for the three and six months ended June 30, 2020 compared to prior year.

As previously disclosed, on February 14, 2020, St. Joseph Health Personal Care Services, LLC ("St. Joseph") delivered notice of termination to Nurse Next Door, with the intent of terminating its master license agreement, which covers 42 Nurse Next Door franchise locations in California, effective August 14, 2020. Nurse Next Door has advised DIV that this termination will occur on August 14, 2020 as originally contemplated and will result in the payment of a termination fee of approximately US$1.1 million by St. Joseph to Nurse Next Door. This amount is expected to be paid in September 2020 and will be required to be held in a segregated bank account by Nurse Next Door until such time as certain conditions for its release set forth in the governance agreement between DIV, NND Royalties LP, Nurse Next Door and certain other parties are met. Nurse Next Door has advised DIV that Nurse Next Door expects to have other opportunities to grow in California as a result of this termination. Specifically, Nurse Next Door will have the opportunity to sell new franchises in the territories currently covered by the master licence agreement, following a 12-month restricted period post termination. These new franchises, once sold, are expected to be subject to Nurse Next Door's standard franchise fees and other charges, which are higher than the discounted rates paid by St. Joseph under the master licence agreement, and are expected by Nurse Next Door to achieve higher sales volumes than the St. Joseph's franchises.

In Q2 2020, Nurse Next Door did not add any new franchisees to its network, and received notices from 3 franchisees of their purported termination of their respective franchise agreements. In Q3 to date, Nurse Next Door has entered into agreements with 4 new franchisees (2 of which are operational) with at least 8 in the pipeline and received notices from 15 franchisees of their purported termination of their respective franchise agreements. The 18 franchisees seeking termination have ceased paying franchise fees and have, in some cases, started competing businesses. DIV understands that Nurse Next Door has not accepted the purported terminations and is still determining its next steps.

These 18 franchisees represented approximately 28% of Nurse Next Door's 2019 recurring franchise revenues (being Nurse Next Door's revenues excluding initial franchise fees and corporate store revenue). After adjusting for St. Joseph's lost revenue, these 18 franchisees represented approximately 31% of 2019 residual recurring franchise revenues. As a result, DIV expects that the termination of the St. Joseph's contract and the purported terminations by the 18 franchisees noted above, may cause Nurse Next Door to temporarily generate less than full royalty coverage in the short term. However, as at June 30, 2020, Nurse Next Door had $9.6 million of cash on its balance sheet, $8.6 million of positive working capital and no debt. In addition, Nurse Next Door will receive the termination payment of approximately US$1.1 million from St. Joseph in September 2020. According to Nurse Next Door, its plan is to corporately run 3 of these franchises immediately, which is expected by Nurse Next Door to generate significantly higher net margins to Nurse Next Door. Nurse Next Door has advised DIV that Nurse Next Door intends to re-sell the franchises of the other 15 franchisees to new or existing franchisees, generating incremental initial franchise fees in addition to replacing the lost recurring franchise revenues. The largest of these franchises (based on recurring franchise revenues) being re-sold are in premium markets that Nurse Next Door is confident will be operational before year-end. Furthermore, Nurse Next Door expects that the incremental revenues from the 4 new franchises and at least 8 in the pipeline will further enhance Nurse Next Door's profitability once operational. Accordingly, DIV currently expects Nurse Next Door to continue to make its royalty payments.

Oxford

On February 20, 2020, DIV acquired through OX Royalties Limited Partnership ("OX LP"), an entity controlled by DIV, the trademarks and certain other intellectual property rights utilized by Oxford in its franchised supplementary education services business (the "Oxford Rights") for a purchase price of $44.0 million, plus a retained interest issued to Oxford of 10,493 Ordinary LP units, 100,000,000 Class B, 100,000,000 Class C, 100,000,000 Class D, 100,000,000 Class E, 100,000,000 Class F, 100,000,000 Class G, and 100,000,000 Class H limited partner units of OX LP having an agreed aggregate value of approximately $33,000. The cash purchase price of $44.0 million was financed by $37.0 million drawn from DIV's Acquisition Facility (defined below) and DIV's cash on hand following the drawdown of the remaining $7.0 million of available capacity under the existing credit facility of NND Holdings LP.

OX LP licensed the Oxford Rights to Oxford for 99 years in exchange for a royalty equal to 7.67% of the gross sales (the "Oxford Royalty Rate") from Oxford's 146 franchise and corporate locations in Canada and the United States included in the royalty pool (the "Oxford Royalty Pool"). So long as certain royalty coverage tests are met, Oxford will be able to add eligible new Oxford locations to the Oxford Royalty Pool on May 1st of each year during the life of the royalty commencing on May 1, 2021. In consideration for the addition of net new Oxford locations into the Oxford Royalty Pool, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX LP held by Oxford for common shares of DIV (or cash, at DIV's election).

Oxford will also, subject to meeting certain performance criteria, be provided opportunities to increase the Oxford Royalty Rate in six 0.25% increments during the life of the royalty. In consideration for each incremental Oxford Royalty Rate increase, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX LP for common shares of DIV (or cash, at DIV's election).

Second Quarter

System sales for the Oxford locations within the Oxford Royalty Pool was $8.6 million for the three months ended June 30, 2020. Oxford locations in the Oxford Royalty Pool generated SSSG on a constant currency basis of -41.4% for the three months ended June 30, 2020 (after the impact of foreign currency translation, SSSG was -40.7%). SSSG was negatively impacted by the COVID-19 pandemic, which resulted in the temporary suspension of in-centre services.

In mid-March, Oxford management pivoted its business to provide online tutoring with over 95% of its locations currently able to provide this service. Oxford sales are improving with June 2020 SSSG on a constant currency basis of -33% for the Oxford locations in the Oxford Royalty Pool (compared to -47% in April 2020 and -44% in May 2020). In early July, in accordance with regional guidelines, certain Oxford locations have started transitioning back to in-centre services at a reduced capacity. Oxford is in the process of making the necessary changes in their locations to ensure that every parent, student and staff member will have the safest possible experience at their locations. Currently, approximately 50% of Oxford's 154 locations are open for in-centre services at a reduced capacity.

Royalty income from Oxford was $0.7 million for the three months ended June 30, 2020.

Year-To-Date

System sales for the Oxford locations within the Oxford Royalty Pool was $14.6 million for the period from February 20, 2020 to June 30, 2020. Oxford locations in the Oxford Royalty Pool generated SSSG on a constant currency basis of -29.9% for the period from February 20, 2020 to June 30, 2020 (after the impact of foreign currency translation, SSSG was -29.3%). Oxford's SSSG was negatively impacted by the COVID-19 pandemic starting in mid-March and which impacts are continuing.

Royalty income from Oxford was $1.1 million for the period from February 20, 2020 to June 30, 2020. As at June 30, 2020, Oxford had no debt outstanding.

EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

The following table reconciles EBITDA, normalized EBITDA, and distributable cash to net income:

(000's)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income (loss)	**$ 2,881**	**$ 3,435**	**$ (8,850)**	**$ 5,919**
Interest expense on credit facilities	1,749	1,454	3,558	2,900
Income tax expense (recovery)	1,439	1,408	(2,967)	2,472
EBITDA[1]	6,069	6,297	(8,259)	11,291
Adjustments:				
Share-based compensation	391	375	711	766
Impairment of intangible asset	-	-	19,841	-
Other finance income (costs), net	442	34	(525)	(71)
Fair value adjustment on financial instruments	(1,334)	115	398	651
DIV Royalty Entitlement, net of NND Royalties LP expenses	1,199	-	2,388	-
Normalized EBITDA[1]	6,767	6,821	14,554	12,637
Less: interest expense on credit facilities	(1,749)	(1,454)	(3,558)	(2,900)
Less: distributions on MRM units	-	-	(33)	-
Less: current tax expense	(135)	(232)	(624)	(232)
Add: interest income	15	336	37	779
Distributable cash[1]	**$ 4,898**	**$ 5,471**	**$ 10,376**	**$ 10,284**
Distributable cash per share[1]	$ 0.0405	$ 0.0505	$ 0.0889	$ 0.0952
Dividends declared per share	0.0500	0.0556	0.1079	0.1112
Payout Ratio[1]	**123.4%**	**110.0%**	**121.5%**	**116.9%**

1) EBITDA, normalized EBITDA, distributable cash, distributable cash per share and payout ratio are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, refer to the "Non-IFRS Measures" and "Additional IFRS Measures" in this MD&A.

The following table reconciles distributable cash to cash from operating activities:

(000's)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Cash from operating activities	$ 5,676	$ 2,425	$ 9,857	$ 8,134
Changes in w orking capital	(1,535)	2,287	304	2,142
Accrued interest on convertible debentures	755	755	-	-
Foreign exchange loss (gain)	6	4	(8)	8
Accrued DIV Royalty Entitlement, net of distributions	-	-	241	-
NND LP expenses	(4)	-	(18)	-
Distributable cash[1]	**$ 4,898**	**$ 5,471**	**$ 10,376**	**$ 10,284**

1) Distributable cash is a non-IFRS measure and as such, does not have a standardized meaning under IFRS. For additional information, refer to the "Non-IFRS Measures" and "Additional IFRS Measures" in this MD&A.

Distributable Cash

For the three months ended June 30, 2020, distributable cash decreased by $0.6 million (decrease of $0.01 per share) compared to the prior period. The decrease was primarily due to lower adjusted revenue, which were negatively impacted by the COVID-19 pandemic, higher interest expense, and lower interest income.

For the six months ended June 30, 2020, distributable cash increased by $0.1 million (decrease of $0.0063 per share) compared to the prior period. The increase in distributable cash was due to higher adjusted revenue, largely offset by higher interest expense, lower interest income and higher current tax expense. The decrease in distributable cash per share was primarily due to a higher weighted average number of common shares outstanding for the six months ended June 30, 2020.

Dividends Declared

For the three months ended June 30, 2020, the Company declared dividends in the aggregate amount of $6.0 million ($0.0500 per share), compared to $6.0 million ($0.0556 per share) for the three months ended June 30, 2019. The total amount of dividends declared was flat compared to the prior period due to the decrease in the monthly dividend rate, offset by a higher weighted average number of common shares outstanding.

For the six months ended June 30, 2020, the Company declared dividends in the aggregate amount of $12.6 million ($0.1079 per share), compared to $12.0 million ($0.1112 per share) in the prior period. The increase was due to a higher weighted average number of common shares outstanding, partially offset by a decrease in the monthly dividend rate.

Payout Ratio

The payout ratio is calculated by dividing the total dividends declared during the period by the distributable cash generated in that period.

For the three months ended June 30, 2020, the payout ratio was 123.4%, an increase when compared to the payout ratio for the three months ended June 30, 2019 of 110.0%. The increase was primarily due to lower distributable cash in the current period. Dividends declared exceeded distributable cash by $1.1 million, which was funded by a GST refund received in March 2020 in relation to the acquisition of the NND Rights that was completed in November 2019.

For the six months ended June 30, 2020, the payout ratio was 121.5%, an increase when compared to the payout ratio for the six months ended June 30, 2019 of 116.9%. The increase was primarily due to higher dividends declared, slightly offset by higher distributable cash. Dividends declared exceeded distributable cash by $2.2 million. However, the Company's dividend reinvestment plan ("DRIP") was open for participation during the three months ended March 31, 2020, as described under the section "Dividends to Shareholders – Dividend Reinvestment Plan". As the dividends declared during the first quarter of 2020 were settled through a reinvestment in the Company's shares for participants in the DRIP, the payout ratio on a cash basis was 111.4% for the six months ended June 30, 2020. The shortfall in distributable cash was funded by a GST refund received in March 2020 in relation to the acquisition of the NND Rights that was completed in November 2019.

As announced on March 31, 2020, starting with the April 2020 monthly dividend, the Board approved the temporary suspension of the 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.

RESULTS OF OPERATIONS

The following table sets out select information from the financial statements of the Company together with other data and should be read in conjunction with the Q2 2020 Financial Statements of the Company.

(000's)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Royalty income	$ 6,198	$ 7,466	$ 13,358	$ 13,791
Management fees	96	83	200	161
Revenues	6,294	7,549	13,558	13,952
Expenses				
Salaries and benefits	382	466	777	875
Share-based compensation	391	375	711	766
General and administration	220	184	348	309
Professional fees	124	78	267	131
Impairment of intangible asset	-	-	19,841	-
Income (Loss) from operations	5,177	6,446	(8,386)	11,871
Interest expense on credit facilities	(1,749)	(1,454)	(3,558)	(2,900)
Other finance (costs) income, net	(442)	(34)	525	71
Fair value adjustment on financial instruments	1,334	(115)	(398)	(651)
Income (Loss) before income taxes	4,320	4,843	(11,817)	8,391
Income tax expense (recovery)	1,439	1,408	(2,967)	2,472
Net income (loss) and comprehensive income (loss)	$ 2,881	$ 3,435	$ (8,850)	$ 5,919

Revenue

Second Quarter

Revenue for the three months ended June 30, 2020 was $6.3 million compared to $7.5 million in the prior year. After taking into account the DIV Royalty Entitlement related to Nurse Next Door, adjusted revenue was $7.5 million for the three months ended June 30, 2020 and $7.5 million in the prior year. Adjusted revenue was flat in the second quarter due to a number of factors including: the impact of the COVID-19 pandemic, which included negative SSSG at Mr. Lube, lower royalty income from the AIR MILES® Licenses, as well as royalty and management fee waivers for Sutton and Mr. Mikes, offset by incremental revenues related to the Nurse Next Door transaction in November 2019 and the acquisition of the Oxford Rights in February 2020.

Year-To-Date

Revenue for the six months ended June 30, 2020 was $13.6 million compared to $14.0 million in the prior year. After taking into account the DIV Royalty Entitlement related to Nurse Next Door, adjusted revenue was $16.0 million for the six months ended June 30, 2020 and $14.0 million in the prior year. The increase in adjusted revenue was due to the incremental revenues related to the Nurse Next Door transaction, the acquisition of the Oxford Rights and the acquisition of the MRM Rights. The increase was partially offset by the impact of the COVID-19 pandemic as noted above.

Salaries and Benefits

Second Quarter and Year-To-Date

Salaries and benefits expense decreased by $0.1 million for the three and six months ended June 30, 2020, when compared to the same prior periods. The decrease was due to the Company's President and CEO receiving 50% of his incentive compensation in restricted share units ("RSUs") in lieu of cash. The compensation received in RSUs is recognized as share-based compensation.

Share-based Compensation

Second Quarter and Year-To-Date

Share-based compensation for the three and six months ended June 30, 2020 were comparable to the same prior periods.

General and Administration

Second Quarter and Year-To-Date

General and administration expense for the three and six months ended June 30, 2020 were comparable to the same prior periods.

Professional Fees

Second Quarter and Year-To-Date

Professional fees are comprised of legal, audit, tax, and advisory services. The increase in professional fees for the three and six months ended June 30, 2020 were due to higher legal and audit fees.

Impairment of Intangible Asset

Year-To-Date

In connection with the COVID-19 pandemic, on March 18, 2020, all Mr. Mikes restaurants were temporarily closed for in-restaurant dining. Notwithstanding the partial re-opening of certain Mr. Mikes restaurants, Mr. Mikes is currently experiencing constrained cash flows and has advised DIV that they will likely be unable to pay its fixed royalty payments to DIV. In light of these developments, the Company performed an impairment assessment to determine if the carrying value of the MRM Rights is greater than its recoverable amount. Based on the assessment performed, the Company recorded a non-cash impairment of $19.8 million related to the MRM Rights. The significant estimates and assumptions used in the impairment tests performed are disclosed in the Q2 2020 Financial Statements.

Interest Expense on Credit Facilities

Second Quarter and Year-To-Date

Interest expense on credit facilities increased by $0.3 million for the three months and $0.7 million for the six months ended June 30, 2020, when compared to the same prior periods. The increase was primarily due to the increase in the term loan facilities outstanding related to MRM LP, NND Holdings Limited Partnership (“NND Holdings LP”) and OX LP, as well as the drawdown on DIV’s acquisition facility.

Other Finance (Costs) Income, Net

The following table summarizes other finance costs, net of income, for the three and six months ended June 30, 2020 and 2019.

	Three months ended June 30,		Six months ended June 30,	
(000's)	2020	2019	2020	2019
Finance income	$ 15	$ 336	$ 37	$ 779
Foreign exchange (loss) gain	(6)	(4)	8	(8)
Distributions on MRM units	-	-	(33)	-
Amortization of deferred financing fees	(205)	(148)	(400)	(292)
Accretion expense and other	(246)	(218)	913	(408)
	$ (442)	$ (34)	$ 525	$ 71

Second Quarter

Other finance costs, net of income, increased by $0.4 million for the three months ended June 30, 2020, compared to the same prior period. The decrease was primarily due to lower interest income and higher amortization expense of deferred financing fees.

Year-To-Date

Other finance income, net of costs, increased by $0.4 million for the six months ended June 30, 2020, compared to the same prior period. The increase was primarily due to the $1.4 million gain related to the Mr. Mikes promissory note, which was calculated as the difference between the carrying value of the promissory note and the revised present value. This gain was partially offset by lower interest income and higher amortization expense of deferred financing fees.

Fair Value Adjustment on Financial Instruments

The fair value adjustment on financial instruments consists of fair value changes on the Company’s interest rate swaps, the Company’s investment in NND Royalties LP, and the MRM exchangeable units. The fair value of interest rate swaps are calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve.

Second Quarter

The fair value gain on financial instruments for the three months ended June 30, 2020 consists of a $1.4 million gain on the Company's investment in NND Royalties LP, partially offset by a $0.1 million loss on the MRM LP exchangeable units.

The fair value loss on financial instruments for the three months ended June 30, 2019 was related to a $0.2 million loss on the Company's interest rate swaps, partially offset by a $0.1 million gain on the MRM exchangeable units.

Year-To-Date

The fair value loss on financial instruments for the six months ended June 30, 2020 consists of a $2.4 million loss on interest rate swaps, partially offset by a $1.5 million gain on the Company's investment in NND Royalties LP and a $0.5 million gain on the MRM LP exchangeable units.

The fair value loss on financial instruments for the six months ended June 30, 2019 was related to a $0.7 million loss on the Company's interest rate swaps, partially offset by a $0.1 million gain on the MRM exchangeable units.

Income Tax Expense

Second Quarter

Income tax expense for the three months ended June 30, 2020 was comparable to the prior period.

Year-To-Date

Income tax expense decreased by $5.4 million during the six months ended June 30, 2020 compared to the prior period. The decrease was primarily due to lower income before taxes related to the non-cash impairment of the MRM Rights.

Undepreciated Capital Cost Allowance

The Company has intangible assets related to the SGRS Rights, ML Rights, AIR MILES® Rights, MRM Rights and Oxford Rights, which have an undepreciated capital cost allowance of approximately $218.6 million at June 30, 2020. In addition, pursuant to NND Royalties LP's limited partnership agreement, its undepreciated capital cost allowance of approximately $50.3 million at June 30, 2020 is allocated to the Company for tax purposes.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters.

(000's except per share amounts)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	$ 6,294	$ 7,264	$ 8,408	$ 8,103	$ 7,549	$ 6,403	$ 7,170	$ 6,742
Net income (loss)	$ 2,881	$(11,731)	$ 4,189	$ 3,936	$ 3,435	$ 2,484	$ 1,053	$ 3,397
Earnings (Loss) per common share								
Basic	$ 0.02	$ (0.10)	$ 0.04	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03
Diluted	$ 0.02	$ (0.10)	$ 0.04	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03

Revenue

The second quarter of 2020 reflects impact of the COVID-19 pandemic, which resulted in negative SSSG for Mr. Lube, lower royalty income from the AIR MILES® Licences, the waiver of 100% of the Mr. Mikes' royalty and management fees for the quarter and the waiver of 75% of Sutton's April and May 2020 royalty and management fees. This was partially offset by incremental revenue contribution from Oxford.

The first quarter is impacted by seasonality in both AIR MILES® and Mr. Lube, as both businesses typically see lower sales in the first quarter of the year. The first quarter of 2020 reflects the incremental revenue contribution from Mr. Mikes and Oxford and higher revenue from the AIR MILES® Licenses partially offset by the impact of the COVID-19 pandemic. The COVID-19 pandemic resulted in negative SSSG for Mr. Lube, the waiver of 100% of the Mr. Mikes' royalty and management fees for the period from February 24 to March 31, 2020 and the waiver of 50% of Sutton's March 2020 royalty and management fees.

On May 1, 2019, Mr. Lube added four new locations to the Mr. Lube Royalty Pool. On May 20, 2019, the Company acquired the MRM Rights. These additions resulted in an increase in revenues during the second quarter of 2019 and subsequent quarters.

Net Income (Loss)

Net income (loss) reflects the trend in quarterly revenue, offset by fluctuations associated with the impairment of the MRM Rights (see “Results of Operation – Impairment of Intangible Asset”), litigation, fair value adjustments and income tax expense.

FINANCIAL AND OTHER INSTRUMENTS

In the normal course of business, the Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, and interest risk. The Board of Directors of the Company has responsibility for the oversight of the Company’s risk management framework and closely monitor the Company’s internal controls and ability to pay future dividends.

Credit risk

Credit risk is associated with the Company’s cash and cash equivalents, royalties and management fees receivable, amounts receivable and investment in NND Royalties LP. Credit risk on the Company’s cash and cash equivalents is mitigated by holding these amounts with Canadian chartered banks of high creditworthiness. Credit risk on the royalties and management fees receivable and the investment in NND Royalties LP is monitored through regular review of the Company’s Royalty Partners.

DIV’s Royalty Partners have had, and may continue to have, significant interruptions to their respective businesses in the months ahead. In response to the financial difficulty that Mr. Mikes and Sutton experienced, DIV waived certain royalty and management fee payment obligations of each of Mr. Mikes and Sutton during the six months ended June 30, 2020 (see “Royalty Pools”). 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. As at June 30, 2020, DIV’s Royalty Partners had minimal to no senior debt on their balance sheets and have minimal capital expenditure obligations. Current improvement trends being experienced by certain of DIV’s royalty partners may not continue and may regress. In this regard, Mr. Lube has received an exemption on covenant tests Q2 2020 (See “Royalty Pools – Mr. Lube”). Mr. Lube was in compliance with all financial covenants as of June 30, 2020 despite the exemption.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities and other contractual obligations. The Company monitors its consolidated cash flow to ensure that there is sufficient liquidity to meet liabilities when due. In addition, the Company manages its liquidity risk by preparing rolling cash flow forecasts, taking into consideration various scenarios and assumptions, monitoring the business operations of its Royalty Partners, and monitoring compliance with the terms of financing arrangements. Given the economic uncertainty facing DIV and its Royalty Partners as a result of the COVID-19 pandemic, the Company decreased the monthly dividend from $0.01958 per share to $0.01667 per share effective with dividend declared in the month of April 2020.

As at June 30, 2020, the Company had a cash and cash equivalents balance of $9.1 million (December 31, 2019 - $3.0 million) and working capital of $11.2 million (December 31, 2019 - working capital of $9.3 million).

As at June 30, 2020, the following table summarizes the contractual maturities of financial liabilities, including estimated interest payments and the interest rate swap arrangements on a consolidated basis.

(000's)	Carrying amount	Contractual cash flow	2020	2021	2022	2023	Thereafter
Accounts payable and accrued liabilities	$ 1,377	$ 1,377	$ 716	$ 661	$ -	$ -	$ -
Promissory note	3,481	4,952	-	-	-	-	4,952
Long-term bank loans[1]	98,455	109,149	1,838	3,676	67,910	1,066	34,659
Convertible debentures	53,853	65,048	1,510	3,019	60,519	-	-
Total contractual obligations	$ 157,166	$ 180,526	$ 4,064	$ 7,356	$128,429	$ 1,066	$ 39,611

1) Includes the impact of interest rate swap agreements.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As at June 30, 2020, the Company was in compliance with all financial covenants associated with its Acquisition Facility and other credit facilities. The Company negotiated a covenant amendment to the MRM LP credit facility, which includes a suspension to its financial covenants for the quarters ended June 30, 2020 and ending September 30, 2020. If MRM LP did not enter into a covenant amendment for the quarter ended June 30, 2020, MRM LP would have been in breach of its financial covenants. DIV is in regular discussions with its lending partners about the impact of COVID-19 on its business including covenant relief, which may be required in the months ahead, dependent on the third quarter results of several of DIV’s royalty partners.

Currency risk

Currency risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. During the six months ended June 30, 2020, the Company was exposed to currency risk arising from cash denominated in U.S. dollars. As at June 30, 2020, cash denominated in U.S. dollars was less than US$0.1 million.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company has long-term bank loans that are subject to floating interest rates. The interest rate risk related to long-term bank loans is mitigated by interest rate swap arrangements that fix the interest rates on $74.4 million of the Company's $99.1 million floating rate term loan facilities. The interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. For the six months ended June 30, 2020, the Company recorded a $2.4 million loss related to the interest rate swaps.

The investment in NND Royalties LP is a financial asset measured at fair value. The valuation of this financial asset includes an estimate of the discounted cash flow receivable from Nurse Next Door and takes into consideration the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the NND Exchange Mechanism. The NND Buy-Out Option and NND Exchange Mechanism are embedded derivatives with a negligible value at June 30, 2020. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 12.1%. Although the cash flows are fixed and contractual, the fair value of the investment in NND Royalties LP will fluctuate because of changes in interest rates. As at June 30, 2020, the investment in NND Royalties LP was valued at $51.2 million and a fair value increase of $1.5 million was recorded during the six months ended June 30, 2020.

CASH FLOWS

	Six months ended June 30,			
(000's)		**2020**		**2019**
Cash from operating activities	$	9,857	$	8,134
Cash from financing activities		40,563		420
Cash used in investing activities		(44,321)		(40,255)
Increase (decrease) in cash		6,099		(31,701)
Cash, beginning of period		2,968		78,342
Cash, end of period	$	9,067	$	46,641

Cash From Operating Activities

Cash from operating activities for the six months ended June 30, 2020 increased by $1.7 million compared to the prior period. The increase was primarily due to higher income from operations after adjusting for the non-cash impairment charge and fluctuations in working capital.

Cash Used in Financing Activities

Cash from financing activities for the six months ended June 30, 2020 was related to proceeds from the public offering of common shares (see "Common Shares"), the issuance of debt and the receipt of a related party receivable from NND Royalties LP, which received the GST refund related to the NND Rights transaction in March 2020. These items were partially offset by the repayment of debt, dividends paid net of DRIP, equity issuance costs and debt financing costs.

Cash from financing activities for the six months ended June 30, 2019 was related to proceeds from the issuance of debt, largely offset by dividends paid net of DRIP and debt financing costs.

Cash Used in Investing Activities

Cash used in investing activities for the six months ended June 30, 2020 was related to the acquisition of the Oxford Rights.

Cash used in investing activities for the six months ended June 30, 2019 was related to the acquisition of the MRM Rights.

CAPITAL RESOURCES

The Company's capital includes shareholders' equity, the Company's acquisition facility, long-term debt and the Convertible Debentures, net of cash and cash equivalents. In managing its capital, the Company may issue new common shares, issue warrants, issue new debt, draw on its operating line of credit, purchase common shares for cancellation pursuant to normal course issuer bids, or reduce debt.

Long-Term Debt

As at June 30, 2020, the Company's subsidiaries had term loan facilities with a total drawn amount of $99.1 million. These term loan facilities have floating interest rates equal to the Bankers' Acceptance Rate plus a credit spread ranging from 1.90% to 2.25%. The Company has interest rate swap arrangements that fix the interest rates on $74.4 million of the Company's $99.1 million floating rate term loan facilities with interest rates ranging from 3.88% to 4.64%.

The Company's subsidiaries also have operating lines of credit with a total value of $5.5 million that were undrawn at June 30, 2020 and August 7, 2020.

On April 27, 2020, DIV and OX LP entered into a credit agreement with a Canadian chartered bank for a senior credit facility (the "OX Credit Facility") that comprises of a term loan facility of $9.0 million and a revolving facility of $0.5 million. The OX Credit Facility has a term of 60 months and a floating interest rate equal to the Bankers' Acceptance Rate plus 1.95% per annum. The proceeds from the OX Credit Facility was used to repay the remaining balance outstanding under DIV's acquisition facility of $9.0 million.

Management expects to refinance the non-amortizing loans as they become due, and has sufficient cash resources to settle other contractual liabilities as they become payable.

It is the Company's intention to acquire future royalty streams in separate legal entities without cross-collateralization so that, to the maximum extent possible, any liability exposure in one legal entity does not affect the balance sheet of any other legal entity. However, there can be no assurance that this will be achieved.

Convertible Debentures

DIV has convertible unsecured subordinated debentures with an aggregate principal amount of $57.5 million (the "Convertible Debentures"). The Convertible Debentures mature on December 31, 2022 and bear interest at 5.25% per annum, payable on June 30th and December 31st of each year. As at August 7, 2020, there was $57.5 million aggregate principal amount of Convertible Debentures issued and outstanding, which are convertible by their terms for an aggregate of 12,637,362 common shares at a conversion price of $4.55 per share as of such date.

Acquisition Facility

DIV has a $50.0 million senior secured credit facility (the "Acquisition Facility") with a Canadian chartered bank that matures on November 30, 2022. The Acquisition Facility has a term of three years, and each draw is interest only for the first six months and then amortizes over sixty months. The Acquisition Facility is subject to a customary annual standby fee, and draws under the facility are subject to prevailing market interest rates at the time of the draw. The Acquisition Facility is secured by a general security interest over the assets of the Company and, if requested by the lender, may be secured by specific assignments of certain material agreements entered into by the Company from time to time.

As at June 30, 2020 and August 7, 2020, the Acquisition Facility was undrawn.

Common Shares

On March 5, 2020, the Company completed a bought-deal public offering of 10,810,000 of common shares (the "Offering"), including 1,410,000 common shares issued pursuant to the full exercise of the over-allotment option, at a price of $3.20 per share, for gross proceeds of approximately $34.6 million. On March 10, 2020, the Company used approximately $30.7 million of the net proceeds from the Offering to repay approximately $30.7 million of the amount outstanding under the Acquisition Facility.

The table below compares the estimated and actual use of proceeds from the Offering for the specific uses identified in the final prospectus. DIV elected to apply a greater portion of the proceeds from the Offering to pay down the Acquisition Facility due to a delay in completing the Ox Credit Facility.

Item	Estimated Use of Proceeds ($000s)	Actual Use of Proceeds ($000s)	Variance ($000)
Equity proceeds to repay outstanding amounts under the Acquisition Facility	$ 28,700	$ 30,700	$ (2,000)
Equity issuance costs	2,130	2,129	1
Equity proceeds to fund working capital	3,762	1,763	1,999
Total gross proceeds	$ 34,592	$ 34,592	$ -

As at August 7, 2020, there were 120,825,785 common shares issued and outstanding.

Share Options

As at August 7, 2020, there were 2,300,000 options outstanding, which may be exercised to purchase an equivalent number of common shares at exercise prices ranging between $3.22 per share to $3.53 per share.

Restricted Share Units

As at August 7, 2020, there were 1,115,551 RSUs outstanding, which may be settled for an equivalent number of common shares upon vesting.

DIVIDENDS TO SHAREHOLDERS

The Company currently has a dividend policy providing for the payment of a monthly dividend, subject to the approval of the Board of Directors of the Company.

The determination to declare and pay dividends is at the discretion of the Company's Board of Directors, and until declared payable, the Company has no requirement to pay cash dividends to its shareholders. The Company's Board of Directors reviews this dividend policy on an ongoing basis, and may amend the policy at any time in light of the Company's then current financial position, profitability, cash flow, applicable legal requirements and other factors considered relevant by the Company's Board of Directors. In addition, the Company is prohibited from paying dividends or making other distributions to its shareholders pursuant to the terms of the Acquisition Facility agreement if the Company is not in compliance with certain financial covenants set forth therein. The Company monitors the financial covenants under its and its subsidiaries' credit facilities closely in order to ensure compliance therewith prior to the payment of any distributions by its subsidiaries to the Company and the payment of any dividends by the Company to its shareholders.

The Company's dividends are deemed eligible dividends for Canadian tax purposes. Dividends declared in 2020 are as follows:

Month	Payment date	Dividend / share
August 2020	August 31, 2020	$ 0.01667
July 2020	July 31, 2020	$ 0.01667
June 2020	June 30, 2020	$ 0.01667
May 2020	May 29, 2020	$ 0.01667
April 2020	April 30, 2020	$ 0.01667
March 2020	March 31, 2020	$ 0.01958
February 2020	February 28, 2020	$ 0.01917
January 2020	January 31, 2020	$ 0.01917

On December 1, 2019, the amount payable under Company's annual dividend policy was increased from $0.2225 per share to $0.23 per share, in connection with the acquisition of the NND Rights. On March 1, 2020, the amount payable under Company's annual dividend policy was increased from $0.23 per share to $0.235 per share, in connection with the acquisition of the Oxford Rights. 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 Company approved changing the monthly dividend from $0.01958 per share per month ($0.235 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.

Dividend Reinvestment Plan

When active, the DRIP allows eligible holders of the Company's common shares to reinvest some or all cash dividends paid in respect of their common shares in additional common shares of the Company. At the Company's election, these additional common shares may be issued from treasury or purchased on the open market. If the Company elects to issue common shares from treasury, the common shares will be purchased under the DRIP at a 3% discount to the volume weighted average of the closing price for the common shares on the TSX for the five trading days immediately preceding the relevant dividend payment date. The Company may, from time to time, change or eliminate the discount applicable to common shares issued from treasury.

As announced on March 31, 2020, starting with the April 2020 monthly dividend, the Board approved the temporary suspension of the 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. During the three months ended March 31, 2020, there were 465,780 common shares issued under the DRIP.

TRANSACTIONS WITH RELATED PARTIES

In addition to information disclosed elsewhere in this MD&A, the Company had the following related party transactions during the six months ended June 30, 2020. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Maxam Services Agreement

The Company's President and CEO, Sean Morrison, and one of the Company's directors, Johnny Ciampi, are co-founders and managing partners of Maxam Capital Corp. ("Maxam"). The Company has a services agreement with Maxam whereby Maxam provides office space and administrative services to the Company for a fee of approximately $0.1 million per annum.

Related Party Receivable

As at December 31, 2019, DIV had a promissory note receivable of $3.8 million from NND Royalties LP, which was repaid during the six months ended June 30, 2020, upon receipt of the GST refund from the CRA.

SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements accompanying this MD&A have been prepared using the same accounting principles and policies as the Company's annual financial statements for the three and six months ended June 30, 2020.

CRITICAL JUDGMENTS AND KEY ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors, and the industries that the Company's Royalty Partners operate in, along with various other assumptions that are believed to be reasonable under the circumstances.

Significant estimates and judgments made by management in the application of IFRS that have a significant effect on the amounts recognized in its consolidated financial statements are as follows:

Critical Judgments

Consolidation

In applying the criteria outlined in IFRS 10, *Consolidated Financial Statements,* judgment is required in determining whether DIV controls SGRS LP, ML LP, MRM LP and NND Royalties LP. Making this judgment involves taking into consideration the concepts of power over these entities, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of these entities to generate economic returns.

Using these criteria, management has determined that DIV ultimately controls SGRS LP, ML LP and MRM LP through its majority ownership of the respective general partners.

Although DIV has 99% ownership over the general partner of NND Royalties LP, management has determined that the definition of control pursuant to IFRS 10 is not met with respect to NND Royalties LP as DIV does not have the ability to direct the activities that most significantly affect the returns of NND Royalties LP for the reasons stated below.

Control of NND Rights

In determining whether the Company controls an asset, the Company takes into consideration the control model in IFRS 15, *Revenues* ("IFRS 15"), and if there is an agreement to repurchase the asset. If an entity has a right to repurchase the asset, the buyer does not obtain control of the asset because the buyer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the assets even though the buyer may have physical possession of the asset.

Nurse Next Door has the ability to repurchase the NND Rights from NND Royalties LP at any time after November 15, 2026 pursuant to the NND Buy-Out Option. Due to the NND Buy-Out Option, in accordance with IFRS 15, NND Royalties LP does not have control over the NND Rights and the Company cannot recognize the NND Rights as an intangible asset on its consolidated statement of financial position. Instead, the transaction is accounted for as a financing arrangement.

Capitalization of Acquisition Costs

At the time of acquisition, the Company considers whether or not it represents a business combination or an asset acquisition. This requires the Company to make certain judgments as to whether or not the assets acquired include the inputs, processes and outputs necessary to constitute a business. Under a business combination, acquisition-related costs are recognized as an expense. When the acquisition does not represent a business combination, it is accounted as an asset acquisition, where the costs are capitalized to the respective asset.

Key Estimates and Assumptions

Intangible Assets

The Company carries the intangible assets at cost and are not amortized as they have an indefinite life.

The Company tests intangible assets for impairment annually or when there is any indication that an asset may be impaired. This requires the Company to use a valuation technique to determine if impairment exists. This valuation technique that is dependent on a number of different variables that requires management to exercise judgment. As a result, the estimated cash flows the intangible assets are expected to generate could differ materially from actual results. The significant estimates and assumptions used in the impairment tests are disclosed in the Q2 2020 Financial Statements.

Valuation of the Investment in NND Royalties LP

The Company's investment in NND Royalties LP is a financial instrument recorded at fair value. The valuation of NND Royalties LP includes an estimate of the discounted cash flows receivable from Nurse Next Door and takes into consideration a number of different variables that requires management to exercise judgment. These judgments include the interest rate used to discount the cash contractual cash flows received, the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the likelihood of Nurse Next Door exercising its right to exchange NND Royalties LP Class B units for common shares of DIV, subject to meeting certain criteria (the "NND Exchange Mechanism"). As a result, the estimated cash flows that the investment in NND Royalties LP are expected to generate could differ materially from actual results.

Fair Value of Exchangeable Partnership Units in SGRS LP and ML LP ("Exchangeable Partnership Units")

The Company does not assign any value to the Exchangeable Partnership Units if they do not currently meet the relevant criteria for exchange into common shares of DIV (see note 8 in the Company's 2019 Financial Statements for further information).

Classification of Exchangeable MRM Units

In connection with the acquisition of MRM Rights, MRM LP issued Class B and Class C units of MRM LP (the "Exchangeable MRM Units") to Mr. Mikes. These units are exchangeable into common shares of DIV upon satisfaction of certain performance criteria. On June 30, 2020, the maximum number of common shares that may be issued in exchange for the Class B and Class C units of MRM LP is 355,032, subject to DIV's approval and the approval of the TSX. The Exchangeable MRM Units are recorded as a liability and measured at fair value in the Company's financial statements.

Deferred Taxes

Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. In recognizing a deferred tax asset, management makes estimates related to expectations of future taxable income, and the expected timing of reversals of existing temporary differences.

Convertible Debentures

The Company exercises judgment in determining the allocation of the equity and liability component of the Convertible Debenture. The liability allocation is based on the estimated fair value of a similar liability that does not have an equity conversion option and the residual amount is allocated to the equity component.

DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Company's financial performance and its ability to pay dividends and the performance of its Royalty Partners. 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 Company 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 net income or cash flows from operating activities as determined in accordance with IFRS.

In addition to financial measures prescribed by IFRS, "DIV Royalty Entitlement", "adjusted royalty income", "adjusted revenue", "EBITDA", "normalized EBITDA", "distributable cash", "same store sales growth" and "payout ratio" are used as non-IFRS measures in this MD&A.

DIV Royalty Entitlement, Adjusted Royalty Income and Adjusted Revenue

DIV Royalty Entitlement, adjusted royalty income and adjusted revenue are reported to allow readers to assess the performance of DIV's royalty arrangement 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 NND Royalties LP 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. Adjusted royalty income is calculated as royalty income, plus the DIV Royalty Entitlement received by NND Royalties LP from Nurse Next Door. Adjusted revenue is calculated as adjusted royalty income plus management fees received by NND Royalties LP from Nurse Next Door. The table under the section "Royalty Pools" provides a reconciliation of royalty income to adjusted royalty income and adjusted revenue.

EBITDA and Normalized EBITDA

EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is calculated as EBITDA before certain items including: share-based compensation, litigation expense, impairment of intangible asset (including the existing impairment with respect to the MRM Rights), other finance income (costs), and the fair value adjustment on financial instruments, but including the DIV Royalty Entitlement net of expenses related to NND Royalties LP. While EBITDA and normalized EBITDA are not recognized measures under IFRS, management of the Company believes that, in addition to net income, EBITDA and normalized EBITDA are useful supplemental measures as they provide investors with an indication of cash available for distribution prior to debt service needs, litigation expenditures and interest income, as applicable. The methodologies used by the Company to determine EBITDA and normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, EBITDA and normalized EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that EBITDA and normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The table under the section "EBITDA, Normalized EBITDA, and Distributable Cash" provides a reconciliation from these non-IFRS financial measures to net income.

Distributable Cash

Distributable cash is defined as Normalized EBITDA less interest expense on the credit facilities, less distributions on MRM Units held by Mr. Mikes, less current income tax expense, plus interest income. Distributable cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that distributable cash provides investors with useful information about the amount of cash the Company has generated to cover dividends on its common shares during the applicable period. Readers should be cautioned, however, that distributable cash should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Company. The Company's method of calculating distributable cash may differ from that of other issuers and companies and, accordingly, distributable cash may not be comparable to similar measures used by other issuers or companies. The table under the section "EBITDA, Normalized EBITDA, and Distributable Cash" provides a reconciliation from this non-IFRS financial measure to net income and cash flows from operating activities.

Same Store Sales Growth or SSSG

Same store sales growth or SSSG is the percentage increase in store sales over the prior comparable period for locations that are included in the Mr. Lube Royalty Pool, the Oxford Royalty Pool, or Mr. Mikes Royalty Pool, as applicable, and 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 Company believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Lube locations included in the Mr. Lube Royalty Pool, Oxford locations in the Oxford Royalty Pool and Mr. Mikes Restaurants in the Mr. Mikes Royalty Pool, as applicable. The Company'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.

Payout Ratio

The payout ratio is calculated by dividing the total dividends declared during the period by the distributable cash generated in that period. The payout ratio is not a recognized measure under IFRS, however, management of the Company believes that it provides supplemental information regarding the extent to which the Company distributes cash as dividends, when compared to its cash flow capacity. Payout ratio as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the issuer's financial position or performance. IFRS also requires that notes to the financial statements provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such financial measures outside the minimum mandated line items are considered additional IFRS measures. The Q2 2020 Financial Statements include certain additional IFRS measures where management considers such information to be useful to understanding the Company's financial results.

RISK FACTORS

On March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic. In response, federal, state, provincial and municipal governments and health authorities in North America legislated numerous measures to combat the spread of COVID-19. DIV and its Royalty Partners (including their respective franchisees) have, and are expected to continue to, experience material short/medium term negative impacts from the COVID-19 outbreak; however, the full extent of such future impacts is currently unquantifiable. Such impacts include, without limitation, reduced willingness of the general population to travel, government restrictions on travel and hours and manner of store operations (including, among other things, required closures in certain jurisdictions, maximum customer capacities, physical distancing requirements and increased sanitation requirements) 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 the 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. Further discussion with respect to the impacts of COVID-19 on DIV and its Royalty Partners is included throughout this MD&A, including under "COVID-19" above.

Investing in securities of DIV involves a high degree of risk. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Company and its business, identified in the Company's Annual Information Form dated March 18, 2020, a copy of which is available on SEDAR at www.sedar.com. The occurrence of any of such risks, or other risks not presently known to DIV or that DIV currently believes are immaterial, could materially and adversely affect DIV's investments, prospects, cash flows, results of operations or financial condition, DIV's ability to pay cash dividends to its shareholders and DIV's ability to make principal and interest payments to holders of Convertible Debentures. In that event, the value of DIV's common shares, Convertible Debentures and any other securities it may have issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has adopted the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission for the three months ended June 30, 2020.

As required by NI 52-109, the Company's CEO and CFO have evaluated the effectiveness of the Company's DC&P and ICFR. Based on such evaluations, they have concluded that the design and operation of the Company's DC&P and ICFR, as applicable, are adequately designed and effective, as at June 30, 2020. No changes were made in the Company's design of ICFR during the three months ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A, and documents referred to herein, may constitute “forward-looking information” within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is generally identified by the use of terms and phrases such as “anticipate”, “continue”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, “should” and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and DIV’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding DIV’s future economic performance. DIV has based these forward-looking statements on DIV’s current expectations about future events. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to: DIV’s objective to purchase additional stable and growing royalty streams from growing multi-location businesses and franchisors; DIV’s objective to increase distributable cash per share by making accretive royalty purchases; DIV’s Royalty Partners may continue to have significant interruptions to their respective businesses in the months ahead; DIV does not know the full extent of the financial impact of such interruptions going forward or what the timeline will be for restoring normal operations for its Royalty Partners; current improvement trends being experienced by certain of DIV’s royalty partners may not continue and may regress; recently eased government restrictions that were implemented to combat the spread of COVID-19 may be reinforced in the future; certain government support programs that have been helpful to DIV’s Royalty Partners, their franchisees and the general population may be terminated at any time; if such programs were terminated, or if the amounts available such programs were reduced, then Royalty Partners and franchisees currently receiving support under those programs may need to find alternative sources of financial support and may make requests for such support from, among other parties, DIV and its Royalty Partners, as applicable; the risk that certain Royalty Partner franchise locations that are currently temporarily closed may not reopen, and those that are open may be forced to close again in the future; the ongoing effects of COVID-19 could impact DIV’s and its Royalty Partners’ (as well as their respective franchisees’) ability to obtain debt and equity financing, and result in an impairment in the value of long-lived assets, or decreases in revenue or the profitability of ongoing operations; the deferment of payment of the remaining consideration owing to Mr. Lube in respect of the addition of four new locations to the Mr. Lube Royalty Pool on May 1, 2019, to no earlier than May 1, 2021; Mr. Lube management’s belief that the broader impact of the COVID-19 pandemic on future operations and financial performance remains uncertain; ADS noting that the AIR MILES® business continues to renew with sponsors, including a multi-year national renewal with Shell Canada Products, as LoyaltyOne focuses on driving collector engagement in key categories such as gasoline, grocery and liquor, which are deemed essential services; DIV continuing to assess the impact of COVID-19 on Sutton’s business to determine if any further royalty relief is necessary; new regulations imposed in respect of the operation of the Mr. Mikes restaurants may be prohibitive, and customers may be discouraged with long wait times if dining rooms operate at reduced capacity and staff must undertake extensive cleaning procedures in between customers; the expectation that Mr. Mikes will experience a slow recovery and constrained cash flows; DIV continuing its discussions with its lenders and Mr. Mikes about whether additional royalty relief is required in subsequent periods, with DIV currently anticipating that Mr. Mikes will require additional royalty relief for an extended period of time; Mr. Mikes’ current expectation that it will be in compliance with the financial covenants under its operating line of credit at the end of its third fiscal quarter of 2020; Mr. Mikes is currently experiencing constrained cash flows and has advised DIV that they will likely be unable to pay its fixed royalty payments to DIV; DIV’s expectation that COVID-19 will continue to have a negative impact on Mr. Mikes’ operations for the three months ending September 30, 2020; the termination of the master licence agreement by St. Joseph and the timing thereof and payment of the termination fee by St. Joseph to Nurse Next Door and the details thereof; Nurse Next Door’s expectation that it will have other opportunities to grow in California as a result of the termination of the master licence agreement, including the opportunity to sell new franchises in the territories currently covered by the master licence agreement, following a 12-month restricted period post termination; Nurse Next Door’s expectation that these new franchises, once sold, will be subject to Nurse Next Door’s standard franchise fees and other charges, which are higher than the discounted rates paid by St. Joseph under the master licence agreement and will achieve higher sales volumes than the St. Joseph’s franchises; Nurse Next Door having at least 8 new franchise agreements in its pipeline; Nurse Next Door determining its next steps with respect to the 18 franchisees that have purported to terminate their respective franchise agreements; DIV’s expectation that the termination of the St. Joseph’s contract and the purported terminations by the 18 franchisees noted above, may cause Nurse Next Door to temporarily generate less than full royalty coverage in the short term; Nurse Next Door’s plan to corporately run 3 of these previously franchised locations immediately, which is expected by Nurse Next Door to generate significantly higher net margins to Nurse Next Door; Nurse Next Door’s intention to re-sell the franchises of the other 15 franchisees to new or existing franchisees, generating incremental initial franchise fees in addition to replacing the lost recurring franchise revenues; Nurse Next Door being confident that the largest of these franchises (based on recurring franchise revenues), which are being re-sold are in premium markets, will be operational before year-end; Nurse Next Door’s expectation that the incremental revenues from the 4 new franchises and at least 8 in its the pipeline will further enhance Nurse Next Door’s profitability once operational; DIV’s expectation that Nurse Next Door will continue to make its royalty payments; Oxford is in the process of making the necessary changes in their locations to ensure that every parent, student and staff member will have the safest possible experience at their locations; management, in consultation with the Board, continues to monitor developments and the impact on DIV and its Royalty Partners' businesses; DIV being in regular discussions with its lending partners about the impact of COVID-19 on its business, including covenant relief which may be required in the months ahead, dependent on the third quarter results of several of DIV's royalty partners; DIV's intention to pay regular monthly cash dividends to shareholders; the Company's Board of Directors reviewing the Company's dividend on an ongoing basis and the possibility that the DIV Board of Directors may amend the dividend policy at any time; when the DRIP is in place, DIV may, from time to time, change or eliminate the discount applicable to common shares issued from treasury under the DRIP; DIV's intention to acquire future royalty streams in separate legal entities without cross-collateralization; management's expectation that it will refinance its non-amortizing loans as they become due; the expected implications of new and proposed accounting standards and practices on DIV and the dates of such proposed standards and practices are expected to come into effect; the expected tax treatment of DIV's dividends to shareholders; DIV's access to available sources of debt and equity financing; the possibility of future increases in the royalty payments made by DIV's Royalty Partners to DIV; the expectation that the cash flows included in the maturity analysis in the table under the heading "Liquidity Risk" would not occur significantly earlier than as presented or in significantly different amounts than as presented; and DIV may in managing its capital to issue new common shares, issue new debt, adjust the amount of dividends paid to its shareholders or pursue a normal course issuer bid.

Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Company, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties and management fees from Sutton, Mr. Lube, Mr. Mikes, Nurse Next Door and Oxford and adjustments thereto; the payment of royalties from LoyaltyOne; the ability to acquire and effect of additional royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company, Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford; COVID-19 will have a material impact on DIV's royalty partners in the short to medium term; the impact of the termination by St. Joseph of its master licence agreement on Nurse Next Door's business will be consistent with DIV's current expectations; Nurse Next Door will be successful in selling new franchises in the territories covered by the St. Joseph master licence agreement and those territories covered by the franchisees that have purported to terminate their franchise agreements, which sales will be completed in accordance with Nurse Next Door's currently estimated timing, and such locations will achieve Nurse Next Door's financial targets and have a positive financial impact on Nurse Next Door; Nurse Next Door will continue to make its royalty payments to DIV in full and will not request royalty relief in relation to such events; 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; 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; the ability to receive equity and/or debt financing on acceptable terms; tax laws not being changed so as to adversely affect DIV's financing capability, operations, activities, structure or dividends; the ability to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's operations; and competition for acquisitions, will be consistent with the economic climate. Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Company's management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Company's high dependency on the operations of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance of DIV and its Royalty Partners and may be reduced or suspended at any time; the unpredictability and volatility of prices of the Company's common shares and convertible debentures; leverage and restrictive covenants; current economic conditions; failure to access financing; credit facilities risk; the financial health of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford cash flows; DIV and its Royalty Partners may continue to be adversely impacted directly, or indirectly by economic or socioeconomic conditions related to the spread or perceived risk of the spread of COVID-19 (see "Risk Factors" and "COVID-19" above); DIV's Royalty Partners may 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; current improvement trends being experienced by certain of DIV's royalty partners may not continue and may regress; recently re-opened royalty partner locations may be required to temporarily close in the future; royalty partner locations that are temporarily closed may not reopen; franchisee support provided by DIV's Royalty Partners to their respective franchisees may be reduced or terminated at any time, which may negatively impact the franchisees and the royalties payable to DIV; DIV's lenders may not agree to provide, or continue to provide, as applicable, covenant relief, at all or only on terms that are disadvantageous to DIV; the Royalty Partners; respective lenders may not agree to provide, or continue to provide, as applicable, covenant relief, at all or only on terms that are disadvantageous to the Royalty Partners; Mr. Mikes may not make its fixed royalty payments to DIV, in whole or in part, while it is generating minimal revenue; Mr. Lube may become liable for the lease obligations of certain of its franchisees, if such franchisees default on their leases, and such obligations may be significant and Mr. Lube may be unsuccessful in seeking recovery from such franchisees, all of which may adversely affect

Mr. Lube's investments, results of operations and financial condition; LoyaltyOne may not be successful in continuing to renew sponsor contracts, and such contracts, if renewed, may be renewed on less advantageous terms than existing contracts; the rate of sales of new franchises by Nurse Next Door may be slow to recover, and new franchises in its pipeline may not complete; the impact of the termination by St. Joseph of the master licence agreement on Nurse Next Door's business could be greater than expected; Nurse Next Door may not be successful in selling new franchises in the territories currently covered by the St. Joseph master licence agreement or those territories covered by the franchisees that have recently purported to terminate their franchise agreements, or may be delayed in completing such sales or may not complete such sales on terms currently contemplated; Nurse Next Door may not realize the expected financial benefits of re-selling franchises in such locations or from operating any of such locations corporately; Nurse Next Door may not reach a satisfactory resolution in respect of the 18 franchisees that have purported to terminate their respective franchise agreements and may not recover any costs it incurs in pursuing legal action against the such franchisees, which may be significant; certain of such franchisees may operate competing businesses to the detriment of other Nurse Next Door locations and Nurse Next Door; as a result of the termination by St. Joseph of the master licence agreement and the termination of the franchise agreements by certain other franchisors, Nurse Next Door may experience constrained cash flows and could potentially request some form of royalty relief from DIV in the future, or fail to make all or a portion of its royalty payments and/or draw on its credit facilities in order to fund its royalty payments to DIV; the termination by St. Joseph of the master licence agreement and the termination of the franchise agreements by certain other franchisors may, in future periods, result in a reduction in the fair value of DIV's investment in NND LP recorded on DIV's consolidated statement of financial position, resulting in a non-cash loss in the period where any such reduction is recorded; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; failure to complete further royalty acquisitions or future royalty acquisitions not being accretive; dependence on the business of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford to fund dividends; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; and foreign exchange exposure. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under "*Risk Factors*" and elsewhere in this MD&A. The information contained in this MD&A, including the documents referred to herein, identifies additional factors that could affect the operating results and performance of the Company. Readers are urged to carefully consider those factors.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by this cautionary statement. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. The forward-looking information is made as of the date of this MD&A (or in the case of information contained in a document referred to herein, as of the date of such document), and the Company assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law.

Third Party Information

This MD&A 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 MD&A nor ascertained the underlying assumptions relied upon by such sources.