DIVERSIFIED
DIV
ROYALTY CORP.

# Management's Discussion and Analysis

## For the three and nine months ended September 30, 2017

November 9, 2017

## 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 nine months ended September 30, 2017 should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 (the "Q3 2017 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") as applicable to interim financial reports including International Accounting Standards 34, *Interim Financial Reporting*.

Additional information related to the Company, including its Annual Information Form dated March 28, 2017 for the year ended December 31, 2016, is available on SEDAR at www.sedar.com.

Statements made in this MD&A and in the Q3 2017 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, and payout ratio 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") and Sutton Group Realty Services Ltd. ("Sutton") for the three and nine months ended September 30, 2017.

### 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 will 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 nine months ended September 30, 2017 and 2016 consists of royalties and management fees received monthly 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 flagship stores in the royalty pool (the "Mr. Lube Royalty Pool"). As at September 30, 2017, Mr. Lube had 170 locations, of which 117 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;
- Sutton: royalties are based on the number of Sutton agents in the royalty pool (the "Sutton Royalty Pool"). As at September 30, 2017, 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;
- 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 Program"); and
- Franworks: royalties were based on top-line system sales of Franworks Franchise Corp. ("Franworks") restaurants in the royalty pool (the "Franworks Royalty Pool"). On November 27, 2016, the Company completed the sale of the trademarks and other intellectual property rights related to the Franworks business (the "FW Rights"), and terminated the previously existing royalty and other commercial arrangements with Franworks and certain other parties.

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 and Sutton 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 Program in Canada.

## FINANCIAL HIGHLIGHTS

| (000's except per share amounts, agents, and locations) | Three months ended September 30, 2017 | 2016 | Nine months ended September 30, 2017 | 2016 |
|---|---|---|---|---|
| *Consolidated:* | | | | |
| Revenue[1, 2, 3] | $ 5,371 | $ 7,318 | $ 14,054 | $ 21,800 |
| Royalty income[1, 2, 3] | 5,294 | 7,242 | 13,825 | 21,574 |
| Normalized EBITDA[4] | 4,826 | 6,873 | 12,258 | 20,369 |
| Distributable cash[4] | 4,444 | 6,314 | 11,146 | 18,699 |
| Income from operations | 4,388 | 4,913 | 11,528 | 13,635 |
| Net income (loss) | 3,089 | (337) | 8,092 | 5,400 |
| Dividends declared | 5,896 | 6,337 | 17,654 | 18,928 |
| Basic earnings per share | $ 0.03 | 0.00 | $ 0.08 | $ 0.05 |
| Diluted earnings per share | 0.03 | 0.00 | 0.08 | 0.05 |
| Distributable cash flow per share[4] | 0.04 | 0.06 | 0.11 | 0.16 |
| Dividends declared per share | 0.06 | 0.06 | 0.17 | 0.17 |
| Total assets[5] | $ 260,749 | $ 296,642 | $ 260,749 | $ 296,642 |
| Total non-current financial liabilities[5] | 57,737 | 40,851 | 57,737 | 40,851 |
| *Mr. Lube Royalty Pool*: | | | | |
| Number of locations[5] | 117 | 117 | 117 | 117 |
| System sales | $ 49,993 | $ 47,729 | $ 145,614 | $ 139,736 |
| Royalty income and management fees[2] | 3,561 | 3,383 | 10,336 | 9,892 |
| SSSG[4] | 4.7% | 1.4% | 3.9% | 4.4% |
| *Sutton Royalty Pool*: | | | | |
| Number of agents[5] | 5,400 | 5,400 | 5,400 | $ 5,400 |
| Royalty income and management fees | $ 973 | $ 954 | $ 2,881 | 2,754 |
| *AIR MILES Royalty Pool*[3]: | | | | |
| Gross billings | $ 83,678 | n / a | $ 83,678 | n / a |
| Royalty income | $ 837 | n / a | $ 837 | n / a |

1) On November 27, 2016, the Company completed the sale of the FW Rights. The three months and nine months ended September 30, 2016 included $3.0 million and $8.2 million of royalty income from Franworks, respectively.
2) Royalty income from Mr. Lube includes make-whole payments of $0.01 million for the three months and $0.04 million for the nine months ended September 30, 2017 on lost system sales of $0.2 million and $0.6 million, respectively. Royalty income from Mr. Lube includes make-whole payments of $0.01 million for the three months and $0.03 million for the nine months ended September 30, 2016 on lost system sales of $0.2 million and $0.4 million, respectively.
3) The AIR MILES Rights acquisition closed on August 25, 2017. Notwithstanding the August 25, 2017 closing date, AM LP (defined below) was entitled to royalties earned under the AIR MILES Licences commencing effective as of August 22, 2017.
4) 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 “EBITDA, Normalized EBITDA and Distributable Cash” and “Description of Non-IFRS and Additional IFRS Measures” in this MD&A.
5) At period end.

## ROYALTY POOLS

### Mr. Lube

The following table sets out the royalty income and management fees received from Mr. Lube for the periods indicated below:

| (000's, except number of locations) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Number of locations[1] | 117 | 117 | 117 | $ 117 |
| System sales | $ 49,993 | $ 47,729 | $ 145,614 | $ 139,736 |
| Royalty income[2] | $ 3,509 | $ 3,332 | $ 10,182 | $ 9,741 |
| Management fees | $ 52 | $ 51 | $ 154 | $ 151 |

1) At period end.

2) Royalty income includes Mr. Lube Make-Whole Payments of $0.01 million for the three months and $0.04 million for the nine months ended September 30, 2017 on lost system sales of $0.2 million and $0.6 million, respectively. Royalty income includes Mr. Lube Make-Whole Payments of $0.01 million for the three months and $0.03 million for the nine months ended September 30, 2016 on lost system sales of $0.2 million and $0.4 million, respectively.

*ML Rights*

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.

ML LP licensed the ML Rights to Mr. Lube for 99 years, in exchange for a royalty payment equal to 6.95% of the system sales, with the exception of system sales on tires and rims that are subject to a royalty rate of 2.5% (collectively, the “Mr. Lube Royalty Rate”) of Mr. Lube locations in the Mr. Lube Royalty Pool. In addition, Mr. Lube pays DIV a management fee of approximately $0.2 million per year for strategic and other services.

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 trailing 12-month period immediately before it was permanently closed, 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.

*Third Quarter*

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $50.0 million for the third quarter of 2017, compared to $47.7 million in the same prior period. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as 4.7% for the third quarter of 2017 compared to 1.4% in the third quarter of 2016.

*Year-To-Date*

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $145.6 million for the nine months ended September 30, 2017, compared to $139.7 million in the same prior period. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as 3.9% for the nine months ended September 30, 2017 compared to 4.4% in the same prior period.

### Sutton

The following table sets out the royalty income and management fees received from Sutton for the periods indicated below:

| (000's, except number of agents) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Number of agents[1] | 5,400 | 5,400 | 5,400 | 5,400 |
| Royalty income | $ 948 | $ 929 | $ 2,806 | $ 2,679 |
| Management fees | $ 25 | $ 25 | $ 75 | $ 75 |

1) At period end.

*SGRS Rights*

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").

SGRS LP licensed the SGRS Rights to Sutton for 99 years in exchange for a monthly royalty payment (the "Sutton Royalty Rate"), based on a determined 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, 2017, the Sutton Royalty Rate was increased from $57.375 per agent per month to $58.523 per agent per month. In addition, Sutton pays the Company a management fee of approximately $0.1 million per year for strategic and other services.

*Third Quarter and Year-To-Date*

Sutton made its scheduled fixed monthly royalty and management fee payments during the three and nine months ended September 30, 2017. Sutton's third quarter and year-to-date results were in line with expectations.

## AIR MILES

On August 25, 2017, the Company indirectly acquired, through AM Royalties Limited Partnership ("AM LP") (a wholly owned subsidiary of the Company), the Canadian AIR MILES trademarks and certain related Canadian intellectual property rights (collectively, the "AIR MILES Rights") from a subsidiary of Aimia Inc. for $53.75 million, plus additional contingent consideration of up to $13.75 million. 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 Program in Canada for an indefinite term in exchange for a royalty payment equal to 1% of gross billings from the AIR MILES Program. LoyaltyOne is a subsidiary of Alliance Data Systems Inc. ("ADS"), a NYSE listed company. A copy of each of the AIR MILES Licences has been filed on SEDAR and is available at www.sedar.com. In addition, further details with respect to the acquisition of the AIR MILES Rights, the AIR MILES Licences and the risks related thereto are set forth DIV's short form prospectus dated October 30, 2017 under the headings "Recent Developments – Canadian AIR MILES® Acquisition" and "Risk Factors", a copy of which prospectus is available on SEDAR at www.sedar.com.

The following table sets out the royalty income received from LoyaltyOne from August 25, 2017, the date of acquisition, to September 30, 2017:

| (000's) | Three months ended September 30, 2017 | 2016 | Nine months ended September 30, 2017 | 2016 |
|---|---|---|---|---|
| Gross billings | $ 83,678 | n / a | $ 83,678 | n / a |
| Royalty income | $ 837 | n / a | $ 837 | n / a |

Gross billings for the AIR MILES Program is derived from the issuance and redemption of AIR MILES. The AIR MILES reward miles issued decreased by 7% in the third quarter due to reduced promotional activity by certain sponsors, according to ADS' news release dated October 19, 2017. However, ADS noted in that same news release that sponsor and collector engagement has been steadily improving since the negative media attention surrounding the then-planned expiration of AIR MILES reward miles at the end of 2016, and issuance growth is expected by ADS to improve in the fourth quarter.

## EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

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

| (000's) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| **Net income** | **$ 3,089** | **$ (337)** | **$ 8,092** | **$ 5,400** |
| Interest expense on credit facilities | 382 | 559 | 1,112 | 1,670 |
| Income taxes | 1,113 | 4,649 | 2,963 | 6,800 |
| **EBITDA[1]** | **4,584** | **4,871** | **12,167** | **13,870** |
| Adjustments: | | | | |
| Share-based compensation | 249 | 187 | 580 | 507 |
| Litigation | 56 | 325 | 150 | 4,779 |
| Impairment loss | - | 1,448 | - | 1,448 |
| Other finance income, net | (147) | 80 | (466) | (167) |
| Fair value adjustment on interest rate swaps | (49) | (38) | (173) | (68) |
| CEO deferred incentive amount | 133 | - | - | - |
| **Normalized EBITDA[1]** | **4,826** | **6,873** | **12,258** | **20,369** |
| Less: interest expense on credit facilities | 382 | 559 | 1,112 | 1,670 |
| **Distributable cash[1]** | **$ 4,444** | **$ 6,314** | **$ 11,146** | **$ 18,699** |
| Distributable cash flow per share[1] | $ 0.0419 | $ 0.0554 | $ 0.1054 | $ 0.1649 |
| Dividends declared per share | 0.0556 | 0.0556 | 0.1669 | 0.1669 |
| **Payout Ratio[1]** | **132.7%** | **100.3%** | **158.4%** | **101.2%** |

1) EBITDA, normalized EBITDA, distributable cash 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 September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| **Cash from operating activities** | $ 3,882 | $ 7,959 | $ 10,731 | $ 16,461 |
| Changes in working capital | 546 | (1,996) | 831 | (2,214) |
| Litigation expense | 56 | 325 | 150 | 4,779 |
| CEO deferred incentive amount | 133 | - | - | - |
| Interest received | (179) | (8) | (576) | (20) |
| Foreign exchange loss (gain) | 6 | 34 | 10 | (307) |
| **Distributable cash** | **$ 4,444** | **$ 6,314** | **$ 11,146** | **$ 18,699** |

*Distributable Cash*

For the three months ended September 30, 2017, distributable cash decreased by $1.9 million ($0.0135 per share) to $4.4 million ($0.0419 per share), compared to the same prior period. For the nine months ended September 30, 2017, distributable cash decreased by $7.6 million ($0.0595 per share) to $11.1 million ($0.1054 per share), compared to the same prior period. The decreases were due to the sale of the FW Rights on November 27, 2016, partially offset by the acquisition of the AIR MILES Rights on August 25, 2017.

*Dividends Declared*

In the third quarter of 2017, the Company declared dividends in the aggregate amount of $5.9 million ($0.0556 per share), compared to $6.3 million ($0.0556 per share) in the third quarter of 2016. During the nine months ended September 30, 2017, the dividends declared was $17.7 million ($0.1669 per share) compared to $18.9 million ($0.1669 per share) in the same prior period. The decrease in declared dividends was due to the cancellation of 8,992,187 common shares indirectly held by Franworks, in connection with the sale of the FW Rights.

*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 for the three and nine months ended September 30, 2017 increased, when compared to the same prior periods. This increase was largely due to the sale of the FW Rights on November 27, 2016, which negatively impacted distributable cash for the current period, partially offset by the acquisition of the AIR MILES Rights on August 25, 2017. During the three and nine months ended September 30, 2017, the dividends declared were in excess of distributable cash. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Company intends to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time. The Company expects the payout ratio to remain over 100% until such time as further royalty acquisitions are completed. The Company's board of directors reviews the dividend policy on an ongoing basis.

The Company has a dividend reinvestment plan ("DRIP"), as described under the section "Dividends to Shareholders – Dividend Reinvestment Plan". As the dividends may be settled through a reinvestment in the Company's shares, the payout ratio on a cash basis was 119.6% for the three months and 143.2% for the nine months ended September 30, 2017. As at September 30, 2017, the DRIP participation rate was 12.1%.

## 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 Q3 2017 Financial Statements of the Company.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(000's)** | **2017** | **2016** | **2017** | **2016** |
| Royalty income | $ 5,294 | $ 7,242 | $ 13,825 | $ 21,574 |
| Management fees | 77 | 76 | 229 | 226 |
| Revenues | 5,371 | 7,318 | 14,054 | 21,800 |
| Expenses | | | | |
| Salaries and benefits | 539 | 291 | 1,215 | 885 |
| Share-based compensation | 249 | 187 | 580 | 507 |
| General and administration | 104 | 107 | 439 | 361 |
| Professional fees | 35 | 47 | 142 | 185 |
| Litigation | 56 | 325 | 150 | 4,779 |
| Impairment of intangible asset | - | 1,448 | - | 1,448 |
| Income from operations | 4,388 | 4,913 | 11,528 | 13,635 |
| Interest expense on credit facilities | (382) | (559) | (1,112) | (1,670) |
| Other finance income (costs), net | 147 | (80) | 466 | 167 |
| Fair value adjustment on interest rate swaps | 49 | 38 | 173 | 68 |
| Income before income taxes | 4,202 | 4,312 | 11,055 | 12,200 |
| Income tax expense | 1,113 | 4,649 | 2,963 | 6,800 |
| | | - | | |
| Net income (loss) and comprehensive income (loss) | $ 3,089 | $ (337) | $ 8,092 | $ 5,400 |

**Revenue**

*Third Quarter and Year-To-Date*

Revenue decreased by $1.9 million for the three months and $7.7 million for the nine months ended September 30, 2017, when compared to the same prior periods. The decrease in revenue was due to the sale of the FW Rights on November 27, 2016. This was partially offset by incremental revenue generated from the AIR MILES Rights, positive SSSG at Mr. Lube and the annual contractual 2.0% increase in the Sutton Royalty Rate, effective as of July 1$^{st}$ of each year.

**Salaries and Benefits**

*Third Quarter and Year-To-Date*

Salaries and benefits expense increased by $0.2 million for the three months and $0.3 million for the nine months ended September 30, 2017, when compared to the same prior period. The increase was primarily due to the Company's CEO and President electing to receive at least 45% of his 2016 base salary in restricted share units ("RSUs"), which was recorded as share-based compensation. During the nine months ended September 30, 2017, he received 100% of his base salary in cash, which was recorded as salaries and benefits. In addition, the three months ended September 30, 2017 included a deferred incentive bonus adjustment of $0.1 million.

**Share-based Compensation**

*Third Quarter and Year-To-Date*

Share-based compensation for the three and nine months ended September 30, 2017 increased by $0.1 million compared to the same prior periods. The increase was primarily due to fair value adjustment related to the restricted share units ("RSUs") liability, and the issuance of RSUs in 2017.

**General and Administration**

*Third Quarter*

General and administration expense for the three months ended September 30, 2017 was comparable to the same prior period.

*Year-To-Date*

General and administration expense for the nine months ended September 30, 2017 increased when compared to the same prior period. The increase was primarily due to additional exchange and filing fees related to the renewal and amendment of the Company's long-term incentive plan and stock option plan.

**Professional Fees**

*Third Quarter and Year-To-Date*

Professional fees are comprised of legal, audit, tax, and advisory services. Professional fees for the three and nine months ended September 30, 2017 were comparable to the same prior periods.

**Litigation**

*Third Quarter and Year-To-Date*

Litigation expense decreased by $0.3 million for the three months and $4.6 million for the nine months ended September 30, 2017 compared to the same prior periods. The decrease was due to the settlement in December 2016 of both John Bennett's indemnification claim against the Company and the underwriter's claim for repayment for amounts advanced to DIV in respect of Mr. Bennett's past indemnity claim.

**Interest Expense on Credit Facilities**

*Third Quarter and Year-To-Date*

Interest expense on credit facilities decreased by $0.2 million for the three months and $0.6 million for the nine months ended September 30, 2017, compared to the same prior periods. The decrease was due to the repayment of the $15.0 million term loan facility related to the sale of the FW Rights on November 27, 2016. The decrease was partially offset by interest expense incurred on the term loan facility drawn on September 6, 2017 related to the acquisition of the AIR MILES Rights.

### Other Finance Income (Costs), Net

The following table summarizes other finance income, net of costs, for the three and nine months ended September 30, 2017 and 2016.

| (000's) | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Foreign exchange gain (loss) | $ (6) | $ (34) | $ (10) | $ 307 |
| Finance income | 179 | 8 | 576 | 20 |
| Amortization of deferred financing fees | (26) | (54) | (100) | (160) |
| | $ 147 | $ (80) | $ 466 | $ 167 |

*Third Quarter*

In the third quarter of 2017, other finance income of $0.2 million primarily consisted of interest income, slightly offset by the amortization of deferred financing fees. In the third quarter of 2016, other finance costs of $0.1 million primarily consisted of the amortization of deferred financing fees and a foreign exchange loss.

*Year-To-Date*

For the nine months ended September 30, 2017, other finance income of $0.5 million primarily consisted of interest income, partially offset by the amortization of deferred financing fees. For the nine months ended September 30, 2016, other finance income of $0.2 million primarily consisted of a foreign exchange gain on U.S. dollar provisions, offset by the amortization of deferred financing fees.

### Income Tax Expense

*Third Quarter and Year-To-Date*

Income tax expense decreased by $3.5 million for the three months and $3.8 for the nine months ended September 30, 2017, compared to the same prior periods. During the three months and nine months ended September 30, 2016, the Company recorded deferred taxes of $3.7 million related to the FW Rights transaction.

*Non-Capital Loss Carry-Forwards and Eligible Capital Expenditures*

As at September 30, 2017, the Company has approximately $9.8 million of non-capital losses. In addition, the Company has intangible assets related to the SGRS Rights, ML Rights and AIR MILES Rights, which have an undepreciated capital cost allowance of approximately $162.6 million.

## 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) | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $ 5,371 | $ 4,535 | $ 4,148 | $ 6,371 | $ 7,318 | $ 7,493 | $ 6,989 | $ 7,422 |
| Net income (loss) | $ 3,089 | $ 2,690 | $ 2,313 | $ 5,285 | $ (337) | $ 3,692 | $ 2,045 | $ 1,675 |
| Earnings per common share | | | | | | | | |
| Basic | $ 0.03 | $ 0.03 | $ 0.02 | $ 0.05 | $ 0.00 | $ 0.03 | $ 0.02 | $ 0.01 |
| Diluted | $ 0.03 | $ 0.03 | $ 0.02 | $ 0.05 | $ 0.00 | $ 0.03 | $ 0.02 | $ 0.01 |

### Revenue

From the fourth quarter of 2015 to the third quarter of 2016, the Company's Royalty Partners included Franworks, Sutton, and Mr. Lube. On November 27, 2016, the FW Rights were sold, and Franworks ceased to be a Royalty Partner. This resulted in a decrease in revenues from the fourth quarter of 2016 to the second quarter of 2017. On August 25, 2017, the Company acquired the AIR MILES Rights, which contributed $0.8 million of revenue in the third quarter of 2017.

### Net Income

Net income reflects the trend in quarterly revenue, offset by fluctuations associated with litigation expense, the impairment loss on the sale of the FW Rights, and income tax expense related to the sale of the FW Rights.

## 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 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, and amounts receivable. Credit risk on the Company's cash and cash equivalents is mitigated by holding these amounts with a Canadian chartered bank of high creditworthiness. Credit risk on the royalties and management fees receivable is monitored through regular review of the Company's Royalty Partners.

### 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's approach to managing liquidity risk is to monitor consolidated cash flow to ensure that there will always be sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash and cash equivalents balance of $32.6 million (December 31, 2016 - $75.0 million) and working capital of $33.8 million (December 31, 2016 - working capital of $75.6 million). The working capital as at September 30, 2017 reflects the net cash proceeds from the sale of the FW Rights, partially offset by the cash deployed in the acquisition of the AIR MILES Rights.

As at September 30, 2017, 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 | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
|---|---|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 852 | $ 852 | $ 852 | $ - | $ - | $ - | $ - | $ - |
| Long-term bank loans[1] | 57,737 | 69,344 | 491 | 2,090 | 2,333 | 2,333 | 2,333 | 59,764 |
| Total contractual obligations | $ 58,589 | $ 70,196 | $ 1,343 | $ 2,090 | $ 2,333 | $ 2,333 | $ 2,333 | $ 59,764 |

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.

On November 7, 2017, DIV completed the offering of convertible unsecured subordinated debentures with an aggregate principal amount of $57.5 million (the "Debentures"), which included the full exercise of the over-allotment option for an aggregate principal amount $7.5 million. The Debentures mature on December 31, 2022 and bear interest at 5.25%. DIV intends to use the net proceeds from the Debentures to fund potential future acquisitions, and may be used for, among other things, to fund general administration expenses and salaries, payment of deposits for potential acquisitions and to fund working capital.

### 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 nine months ended September 30, 2017, the Company was exposed to currency risk arising from cash denominated in U.S. dollars. As at September 30, 2017, 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's exposure to interest rate risk mainly arises from the long-term bank loans, which are subject to floating interest rates. As at September 30, 2017, interest rate risk is mitigated by interest rate swap arrangements that fix the interest rates on $49.6 million of the Company's $58.3 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 nine months ended September 30, 2017, the Company recorded a $0.2 million gain related to the interest rate swaps.

## CASH FLOWS

| | Nine months ended September 30, | |
|---|---|---|
| **(000's)** | **2017** | **2016** |
| Cash from operating activities | $ 10,731 | $ 16,461 |
| Cash from (used in) financing activities | 823 | (17,396) |
| Cash used in investing activities | (53,961) | - |
| Decrease in cash | (42,407) | (935) |
| Cash, beginning of period | 74,974 | 8,889 |
| Cash, end of period | $ 32,567 | $ 7,954 |

*Cash From Operating Activities*

Cash from operations for the nine months ended September 30, 2017 decreased by $5.7 million compared to the same prior period. The decrease was primarily due to lower income from operations offset by lower interest paid net of interest income received, as well as fluctuations in non-cash working capital.

*Cash From (Used in) Financing Activities*

Cash from financing activities for the nine months ended September 30, 2017 was primarily related to proceeds from the issuance of debt, largely offset by dividends paid and debt refinancing costs. Cash used in financing activities for the nine months ended September 30, 2016 was primarily related to dividends paid, slightly offset by proceeds from the exercise of share options.

*Cash Used in Financing Activities*

Cash used in financing activities for the nine months ended September 30, 2017 was related to acquisition of the AIR MILES Rights on August 25, 2017.

## CAPITAL RESOURCES

The Company's capital includes shareholders' equity, long-term debt, net of cash and cash equivalents. In managing its capital, the Company may issue new shares, issue new debt, adjust the amount of dividends paid to its shareholders, or pursue a normal course issuer bid.

As at September 30, 2017, the Company's subsidiaries had the following term loan facilities:

- ML LP: $34.6 million non-amortizing loan that matures on July 31, 2022 and bears interest at the BA rate plus 1.95%. The Company has an interest rate swap arrangement that results in a fixed interest rate of 3.07% for 100% of the loan facility until August 13, 2018, which increases to 4.17% thereafter until July 31, 2022;
- SGRS LP: $6.3 million non-amortizing loan that matures on June 30, 2022 and bears interest at the BA rate plus 2.0%. The Company has an interest rate swap arrangement that results in a fixed rate of 3.16% for 100% of the loan facility until June 19, 2018.
- AM LP: $17.4 million non-amortizing loan that matures on September 6, 2022 and bears interest at the BA rate plus 2.25%. The Company has an interest rate swap arrangement that results in a fixed interest rate of 4.417% for 50% of the term loan facility until August 19, 2022.

In addition, the Company has the following operating lines of credit, which were undrawn at September 30, 2017 and November 9, 2017:

- ML LP: $1.0 million operating line of credit that matures on July 31, 2022, and bears interest at prime plus 0.75%; and

- SGRS LP: $0.5 million operating line of credit, which matures on June 30, 2022 and bears interest at the BA rate plus 2.0%.
- AM LP: $3.0 million operating line of credit, which matures on September 6, 2022 and bears interest at the BA rate plus 2.25%.

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.

## SHARE CAPITAL

### Common Shares

As at November 9, 2017, there were 106,265,782 common shares issued and outstanding.

### Share Options

As at November 9, 2017, there were 2,232,900 share options outstanding and exchangeable into common shares at exercise prices ranging between $1.50 per share to $3.22 per share.

### Restricted Share Units

As at November 9, 2017, there were 565,125 RSUs outstanding and exchangeable into common shares upon vesting.

## DIVIDENDS TO SHAREHOLDERS

The Company intends to pay monthly dividends to shareholders, and the Company's directors will review dividend levels on an ongoing basis.

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.

The Company's dividends are deemed eligible dividends for Canadian tax purposes. Dividends declared in 2017 are as follows:

| Month | Payment date | Dividend / share |
|---|---|---|
| November 2017 | November 30, 2017 | $ 0.01854 |
| October 2017 | October 31, 2017 | $ 0.01854 |
| September 2017 | September 29, 2017 | $ 0.01854 |
| August 2017 | August 31, 2017 | $ 0.01854 |
| July 2017 | July 31, 2017 | $ 0.01854 |
| June 2017 | June 30, 2017 | $ 0.01854 |
| May 2017 | May 31, 2017 | $ 0.01854 |
| April 2017 | April 28, 2017 | $ 0.01854 |
| March 2017 | March 31, 2017 | $ 0.01854 |
| February 2017 | February 28, 2017 | $ 0.01854 |
| January 2017 | January 31, 2017 | $ 0.01854 |

### Dividend Reinvestment Plan

The DRIP allows eligible holders of the Company's common shares to reinvest their 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.

During the nine months ended September 30, 2017, there were 587,459 common shares issued under the DRIP.

## CONTINGENCIES

The Company's contingencies as at September 30, 2017 are disclosed in note 9 of the Q3 2017 Financial Statements.

## TRANSACTIONS WITH RELATED PARTIES

In addition to information disclosed elsewhere in this MD&A, the Company had the following related party transactions during the nine months ended September 30, 2017. 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 rent and administrative services to the Company for a fee of approximately $0.1 million per annum.

## 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 year ended December 31, 2016, except as described below.

### Changes in accounting policies and disclosures

Effective January 1, 2017, the Company adopted the amendments to IAS 7, *Statement of Cash Flows,* and IAS 12*, Income Taxes*. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

### New Standards Applicable in Future Periods

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The mandatory effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary review to assess the impact of this standard. The Company's primary source of revenue is royalty income, which is recognized on an accrual basis as earned. The Company does not anticipate a material impact to its revenue recognition policies or cash flows as a result of the adoption of this standard.

IFRS 9, *Financial Instruments,* replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

## 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 (real estate, automotive maintenance and consumer loyalty), 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 disclosed in Note 2 of the Company's financial statements for the year ended December 31, 2016.

## 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. 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 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, "EBITDA", "Normalized EBITDA", "Distributable Cash", "Same Store Sales Growth" and "Payout Ratio" are used as non-IFRS measures in this MD&A.

*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 loss, other finance income (costs), fair value adjustment on interest rate swaps, and CEO deferred incentive amount. While Normalized EBITDA is not a recognized measure under IFRS, management of the Company believes that, in addition to net income, Normalized EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service needs and litigation expenditures. The methodologies used by the Company to determine Normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, 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 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 this non-IFRS financial measure to net income.

*Distributable Cash*

Distributable Cash is defined as Normalized EBITDA less interest expense on the credit facilities. 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 distributions on the shares during the period. 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 is the percentage increase in store sales over the prior comparable period for locations that 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. 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, 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 Q3 2017 Financial Statements include certain additional IFRS measures where management considers such information to be useful to understanding the Company's financial results.

## RISK FACTORS

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 28, 2017 for the year ended December 31, 2016 under the heading "Risk Factors", and as identified in the Company's Final Short Form Prospectus dated October 30, 2017 under the heading "Risk Factors" (which disclosure includes a discussion of the risks related to the AIR MILES Program, the AIR MILES Licences and the Debentures not previously discussed in DIV's Annual Information Form), copies of which are 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 and DIV's ability to pay cash dividends to its shareholders. In that event, the value of the DIV's common shares, 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 nine months ended September 30, 2017.

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 September 30, 2017. No changes were made in the Company's design of ICFR during the nine months ended September 30, 2017, 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 intention to purchase additional top-line royalties from growing multi-location businesses and franchisors; DIV's intention to make regular monthly cash dividends; the Company's board of directors reviewing the Company's dividend policy going forward; DIV's intention of achieving a payout ratio that approximates 100% over time; DIV's expectation that the payout ratio will remain over 100% until such time as further accretive royalty acquisitions are completed; DIV's intention to acquire future royalty streams in separate legal entities without cross-collateralization; the expected use by DIV of the cash proceeds from the sale of FW Rights, including the intention to pursue the acquisition of additional royalty streams; the expected use by DIV of the cash proceeds from the Debentures issued; 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 Sutton indirectly to DIV and the issuance of common shares by DIV to Sutton in connection therewith; future increases in the management fee payable by Sutton to DIV; the possibility of future increases in the Mr. Lube royalty payments made by Mr. Lube to DIV and the issuance of common shares by DIV to Mr. Lube in connection therewith; and future increases in the management fee payable by Mr. Lube to DIV.

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 and Mr. Lube and adjustments thereto; the payment of royalties from LoyaltyOne; the ability to acquire and effect of additional top-line royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company, Sutton, Mr. Lube and LoyaltyOne; 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 distributions; the expected use by DIV of the cash proceeds from the sale of the FW Rights; 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 and LoyaltyOne; failure to increase the Company's dividend in the amount or in accordance with the timing expected, or at all; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance; dividends are discretionary; the unpredictability and volatility of prices of the Company's common shares; leverage and restrictive covenants; current economic conditions; failure to access financing; credit facilities risk; the financial health of Sutton, Mr. Lube and LoyaltyOne cash flows; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; dependence on the business of Sutton, Mr. Lube and LoyaltyOne to fund dividends; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; foreign exchange exposure; the litigation with a contractor related to a U.S. Federal Government project, as further described in the Company's Q3 2017 Financial Statements; and any residual liability arising from its former St. Ambroise plant. 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.