DIVERSIFIED

DIV

ROYALTY CORP.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2019

November 7, 2019

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, 2019 should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 (the "Q3 2019 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 11, 2019 for the year ended December 31, 2018, is available on SEDAR at www.sedar.com.

Statements made in this MD&A and in the Q3 2019 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, 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") for the three and nine months ended September 30, 2019. As DIV no longer views the royalty revenues received from Sutton Group Realty Services Ltd. ("Sutton") to be significant, subsequent to the 2017 annual financial statements and management's discussion and analysis filed on SEDAR, Sutton ceased filing these documents and will not recommence filing such documents unless the royalty revenues received from Sutton become significant to DIV in the future.

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, 2019 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 flagship stores in the royalty pool (the "Mr. Lube Royalty Pool"). As at September 30, 2019, Mr. Lube had 182 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;
- Sutton: royalties are based on the number of Sutton agents in the royalty pool (the "Sutton Royalty Pool"). As at September 30, 2019, 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; and
- 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"); and
- 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 September 30, 2019, Mr. Mikes had 43 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.

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 and Mr. Mikes 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.

FINANCIAL HIGHLIGHTS

(000's except per share amounts and number of agents and locations)	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Consolidated:				
Revenue[1, 2]	$ 8,103	$ 6,742	$ 22,055	$ 19,539
Royalty income[1, 2]	8,014	6,664	21,805	19,307
Normalized EBITDA[3]	7,515	6,145	20,152	17,736
Distributable cash[3]	5,446	5,149	15,730	14,928
Income from operations	7,152	5,691	19,023	16,142
Net income	3,936	3,397	9,855	9,067
Dividends declared	6,060	5,976	18,075	17,868
Basic and diluted earnings per share	$ 0.04	$ 0.03	$ 0.09	$ 0.08
Distributable cash flow per share[3]	0.05	0.05	0.15	0.14
Dividends declared per share	0.06	0.06	0.17	0.17
Total assets[4]	$ 337,132	$ 321,830	$ 337,132	$ 321,830
Total non-current financial liabilities[4]	129,840	116,466	129,840	116,466
Mr. Lube Royalty Pool:				
Number of locations[4]	122	118	122	118
System sales	$ 55,678	$ 51,401	$ 161,398	$ 151,147
Royalty income and management fees[1]	4,139	3,833	11,982	10,981
SSSG[3]	5.9%	1.6%	4.8%	3.0%
Sutton Royalty Pool:				
Number of agents[4]	5,400	5,400	5,400	5,400
Royalty income and management fees	$ 1,011	$ 992	$ 2,995	$ 2,938
AIR MILES® Reward Program:				
Gross billings	$ 194,635	$ 191,737	$ 561,137	$ 562,104
Royalty income	1,946	1,917	5,611	5,620
Mr. Mikes Royalty Pool:				
Number of locations[4]	38	n / a	38	n / a
Notional system sales	$ 22,908	n / a	$ 33,366	n / a
Royalty income and management fees[2]	1,007	n / a	1,467	n / a

1) Royalty income from Mr. Lube includes make-whole payments of $0.02 million for the nine months ended September 30, 2018 on lost system sales of $0.3 million. Effective May 1, 2018, with the net addition of one Mr. Lube location to the Mr. Lube Royalty Pool, the Company ceased to receive make-whole payments from Mr. Lube.
2) Represents royalties or management fees received from Mr. Mikes from the date of the MRM Rights (defined below) acquisition on May 20, 2019.
3) 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.
4) 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, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Number of locations[1]	122	118	122	118
System sales	$ 55,678	$ 51,401	$ 161,398	$ 151,147
Royalty income[2]	$ 4,085	$ 3,780	$ 11,822	$ 10,824
Management fees	$ 54	$ 53	$ 160	$ 157

1) At period end.
2) For the nine months ended September 30, 2018, royalty income from Mr. Lube includes make-whole payments of $0.02 million on lost system sales of $0.3 million. Effective May 1, 2018, with the net addition of one Mr. Lube location to the Mr. Lube Royalty Pool, the Company ceased to receive make-whole payments from Mr. Lube.

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 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 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%. The total consideration paid to Mr. Lube for the increase in the Mr. Lube Royalty Rate was $9.2 million. DIV elected to pay for this consideration in cash, which was partially financed by an increase in the term loan facility of ML LP.

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, 2018 (the "2018 Adjustment Date"), the Mr. Lube Royalty Pool was adjusted to include the royalties from two new Mr. Lube locations and to remove one Mr. Lube location that was permanently closed. With the adjustment for these two openings and one closure, the Mr. Lube Royalty Pool had 118 locations on May 1, 2018. The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue was $0.9 million, representing 80% of the total estimated consideration of $1.2 million. DIV elected to pay the initial consideration to Mr. Lube in cash, which was partially financed by an increase in the term loan facility of ML LP. Based on the actual system sales of the two new locations added to the Mr. Lube Royalty Pool on the 2018 Adjustment Date, the total consideration for the net additional royalty revenue is $1.1 million. After taking into account the $0.9 million previously paid to Mr. Lube on May 1, 2018, Mr. Lube received an additional $0.2 million of cash consideration on May 1, 2019.

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 of $3.4 million. DIV elected to pay the initial consideration to Mr. Lube in cash. The remaining consideration payable will be paid to Mr. Lube on May 1, 2020, the next Adjustment Date, and will be adjusted to reflect the actual system sales of the four new locations added to the Mr. Lube Royalty Pool for the year ending December 31, 2019.

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 $55.7 million for the third quarter of 2019, compared to $51.4 million in the same period last year. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as 5.9% for the third quarter of 2019 compared to 1.6% in the third quarter of 2018. Mr. Lube's SSSG was driven by continued strong store-level execution and expansion of the tire business.

Royalty income increased to $4.1 million for the third quarter of 2019, compared to $3.8 million in the prior period. The increase was due to the addition of four Mr. Lube locations to the Mr. Lube Royalty Pool on May 1, 2019 and positive SSSG.

Year-To-Date

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $161.4 million for the nine months ended September 30, 2019, compared to $151.1 million in the prior period. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as 4.8% for the nine months ended September 30, 2019 compared to 3.0% for the nine months ended September 30, 2018.

Royalty income increased to $11.8 million for the nine months ended September 30, 2019, compared to $10.8 million in the prior period. The increase was due to the addition of four Mr. Lube locations to the Mr. Lube Royalty Pool on May 1, 2019, the increase in the Mr. Lube Royalty Rate on May 1, 2018, the net addition of one additional Mr. Lube location to the Mr. Lube Royalty Pool on May 1, 2018, and positive SSSG.

Sutton

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

	Three months ended September 30,		Nine months ended September 30,	
(000's, except number of agents)	**2019**	**2018**	**2019**	**2018**
Number of agents[1]	5,400	5,400	5,400	5,400
Royalty income	$ 986	$ 967	$ 2,920	$ 2,863
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, 2019, the monthly Sutton Royalty Rate was increased from $59.693 per agent to $60.887 per agent.

Third Quarter and Year-To-Date

Sutton made its scheduled fixed monthly royalty and management fee payments during three and nine months ended September 30, 2019. Sutton's results were in line with expectations.

Royalty income from Sutton for the three and nine months ended September 30, 2019 reflects the contractual 2.0% increase compared to the same prior periods in 2018.

AIR MILES® Reward Program

The following table sets out the royalty income received from LoyaltyOne for the periods indicated below:

(000's)	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
Gross billings	$ 194,635	$ 191,737	$ 561,137	$ 562,104
Royalty income	$ 1,946	$ 1,917	$ 5,611	$ 5,620

AIR MILES® Rights

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, including the issuance and redemption of AIR MILES®, 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.

Third Quarter and Year-To-Date

Royalty income from the AIR MILES® Licenses increased by 1.5% for the three months and was flat for the nine months ended September 30, 2019 compared to the same prior periods in 2018.

According to ADS' news release dated October 24, 2019, the AIR MILES® reward miles issued decreased by 1% for the three months and was flat for the nine months ended September 30, 2019. ADS also disclosed that AIR MILES® reward miles redeemed was flat for the three months and decreased by 3% for the nine months ended September 30, 2019.

Mr. Mikes

On May 20, 2019, the Company acquired, through MRM Royalties Limited Partnership ("MRM LP"), an entity controlled by the Company, the trademarks and certain related other intellectual property rights utilized by Mr. Mikes in its restaurant business (the "MRM Rights") for $43.2 million. The purchase price was satisfied by a cash payment of $37.1 million, the issuance of 1,000,000,000 Class B and Class C units of MRM LP having an agreed value of $1.15 million to Mr. Mikes, and deferred compensation in the form of a promissory note of $4.95 million, payable subject to certain conditions being met. The cash payment was financed by cash on hand of $37.1 million, which was subsequently partially refinanced by the issuance of $10.3 million of debt (see "Capital Resources Below"). In addition, $0.2 million in costs incurred for the acquisition of the MRM Rights were capitalized as part of the purchase.

The promissory note is payable on the later of May 20, 2020 and the date Mr. Mikes has opened the five locations earmarked to be opened in 2019, subject to Mr. Mikes meeting the required royalty coverage test. Once these five locations are open and Mr. Mikes has met the required royalty coverage test, these locations will be added to the Mr. Mikes Royalty Pool (with an incremental $0.5 million of annual royalty added to the Mr. Mikes Royalty Pool).

The Class B and Class C units are exchangeable into common shares of the Company based on formulas that are accretive to DIV shareholders through certain agreements among Mr. Mikes, MRM Royalties GP Inc. and the Company, in each case, upon satisfaction of certain performance criteria and the approval of the TSX. The Class B units become exchangeable into common shares of the Company upon adding eligible Mr. Mikes locations to the MRM Royalty Pool (other than the five locations subject to the promissory note). The Class C units become exchangeable into common shares of the Company upon increases in the MRM Royalty Rate, which may be done in increments of 0.25% six times during the life of the royalty. On May 20, 2019, the maximum number of DIV shares that may be issued in exchange for the Class B and Class C units of ML LP is 355,032 (the "Exchangeable MRM Units"). The Exchangeable MRM Units represents a retained interest in MRM LP (the "Initial Retained Interest") of approximately 4.1%. Mr. Mikes is entitled to receive distributions from MRM LP on the Initial Retained Interest; however, the Initial Retained Interest must be held in perpetuity and cannot be exchanged by Mr. Mikes for common shares of DIV without DIV's prior written approval and the approval of the TSX.

MRM Rights

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.

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

	Three months ended September 30,		Nine months ended September 30,	
(000's, except number of locations)	**2019**	**2018**	**2019**	**2018**
Number of restaurants[1]	38	n / a	38	n / a
Notional system sales	$ 22,908	n / a	$ 33,366	n / a
Royalty income[2]	$ 997	n / a	$ 1,452	n / a
Management fees[2]	$ 10	n / a	$ 15	n / a

1) At period end.
2) Represents royalties or management fees received from Mr. Mikes from the date of the MRM Rights acquisition on May 20, 2019.

Third Quarter and Year-To-Date

Royalty income from Mr. Mikes was $1.0 million for the third quarter and $1.5 million for the period from May 20, 2019, the date of the MRM Rights acquisition, to September 30, 2019.

Mr. Mikes is entitled to receive distributions from MRM LP on the Initial Retained Interest. During the third quarter of 2019 and the period from May 20, 2019 to September 30, 2019, MRM LP made distributions of $0.02 million to Mr. Mikes.

Nurse Next Door

On November 1, 2019, DIV and its wholly-owned subsidiary NND Royalties Limited Partnership ("NND LP") entered into an acquisition agreement with Nurse Next Door Professional Homecare Services Inc. ("Nurse Next Door") to acquire the trademarks and certain other intellectual property rights utilized by Nurse Next Door in its premium home care business (the "NND Rights") for a purchase price of $52.0 million (the "Acquisition"), excluding a retained interest to be provided to Nurse Next Door through the issuance of limited partnership units of NND LP having an agreed value of $23.0 million (the "NND Exchangeable Units").

Immediately following the closing of the Acquisition, DIV will license the NND Rights back to Nurse Next Door for 99 years. Under the term of the license and royalty agreement that will be entered into upon closing of the Acquisition, Nurse Next Door will pay NND LP 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) $4.8 million per year that increases at a fixed rate of 2% per annum (the "Royalty"). To the extent the Gross Royalty is greater than the contractual Royalty, Nurse Next Door will be entitled to receive the excess amount in the form of a cash distribution paid by NND LP on the NND Exchangeable Units held by Nurse Next Door (the "Nurse Next Door Distribution Entitlement").

EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

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

	Three months ended September 30,				Nine months ended September 30,			
(000's)		**2019**		**2018**		**2019**		**2018**
Net income	**$**	**3,936**	**$**	**3,397**	**$**	**9,855**	**$**	**9,067**
Interest expense on credit facilities		1,557		1,400		4,457		3,937
Income tax expense		1,591		1,312		4,063		3,738
EBITDA[1]		7,084		6,109		18,375		16,742
Adjustments:								
Share-based compensation		363		340		1,129		1,008
Litigation		-		114		-		586
Other finance income (costs), net		152		(80)		81		(190)
Fair value adjustment on financial instruments		(84)		(338)		567		(410)
Normalized EBITDA[1]		7,515		6,145		20,152		17,736
Less: interest expense on credit facilities		(1,557)		(1,400)		(4,457)		(3,937)
Less: distributions on MRM units		(22)		-		(22)		-
Less: current tax expense		(764)		-		(996)		-
Add: interest income		274		404		1,053		1,129
Distributable cash[1]	**$**	**5,446**	**$**	**5,149**	**$**	**15,730**	**$**	**14,928**
Distributable cash flow per share[1]	$	0.0501	$	0.0479	$	0.1453	$	0.1394
Dividends declared per share		0.0556		0.0556		0.1669		0.1669
Payout Ratio[1]		**111.1%**		**116.0%**		**114.9%**		**119.7%**

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:

	Three months ended September 30,				Nine months ended September 30,			
(000's)		**2019**		**2018**		**2019**		**2018**
Cash from operating activities	$	6,786	$	5,768	$	14,920	$	14,552
Changes in working capital		(582)		23		1,560		107
Accrued interest on convertible debentures		(755)		(755)		(755)		(304)
Litigation expense		-		114		-		586
Foreign exchange loss (gain)		(3)		(1)		5		(13)
Distributable cash[1]	**$**	**5,446**	**$**	**5,149**	**$**	**15,730**	**$**	**14,928**

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 September 30, 2019, distributable cash increased by $0.3 million ($0.0022 per share) compared to the prior period. The increase was due to: (i) the acquisition of the MRM Rights on May 20, 2019; (ii) the addition for four new locations to the Mr. Lube Royalty Rate on May 1, 2019; (iii) positive SSSG at Mr. Lube; and (iv) the annual contractual 2.0% increase in the Sutton Royalty Rate, effective as of July 1st of each year. This was partially offset by higher current tax expense of $0.8 million.

For the nine months ended September 30, 2019, distributable cash increased by $0.8 million ($0.0059 per share) compared to the prior period. These increases were due to: (i) the acquisition of the MRM Rights on May 20, 2019; (ii) the addition for four new locations to the Mr. Lube Royalty Rate on May 1, 2019; (iii) the increase in the Mr. Lube Royalty Rate and the net addition of one store to the Mr. Lube Royalty Pool on May 1, 2018; (iv) positive SSSG at Mr. Lube; and (v) the annual contractual 2.0% increase in the Sutton Royalty Rate, effective as of July 1st of each year. These items were partially offset by higher interest expense related to the $7.0 million increase in ML LP's term loan facility on May 1, 2018 and current tax expense of $1.0 million.

Dividends Declared

For the three months ended September 30, 2019, the Company declared dividends in the aggregate amount of $6.1 million ($0.0556 per share), compared to $6.0 million in the prior period. For the nine months ended September 30, 2019, the Company declared dividends in the aggregate amount of $18.1 million ($0.1669 per share), compared to $17.9 million ($0.1669 per share) in the prior period. The increase in the aggregate amount of dividends declared was due to a higher number of weighted average shares outstanding during the current periods.

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 months ended September 30, 2019 of 111.1% decreased, when compared to the payout ratio in the prior period of 116.0%. The payout ratio for the nine months ended September 30, 2019 of 114.9% decreased, when compared to the payout ratio in the prior period of 119.7%. The decrease was due to higher distributable cash during the three and nine months ended September 30, 2019.

For the third quarter of 2019, dividends declared exceeded distributable cash by $0.6 million, which resulted in a payout ratio of 111.1%. However, 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 85.2% for the third quarter of 2019. Accordingly, there was no cash shortfall in making dividend payments for the third quarter of 2019.

For the nine months ended September 30, 2019, dividends declared exceeded distributable cash by $2.3 million, which resulted in a payout ratio of 114.9%. The payout ratio on a cash basis was 91.5%, therefore there was no cash shortfall in making dividend payments for the nine months ended September 30, 2019.

The Company intends to use the remaining proceeds from the convertible debenture offering in November 2017 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 and excess cash has been deployed. The Company's board of directors reviews the dividend policy on an ongoing basis.

As at September 30, 2019, the DRIP participation rate was 23%.

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 2019 Financial Statements of the Company.

(000's)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Royalty income	$ 8,014	$ 6,664	$ 21,805	$ 19,307
Management fees	89	78	250	232
Revenues	8,103	6,742	22,055	19,539
Expenses				
Salaries and benefits	419	391	1,294	1,212
Share-based compensation	363	340	1,129	1,008
General and administration	113	114	422	389
Professional fees	56	92	187	202
Litigation	-	114	-	586
Income from operations	7,152	5,691	19,023	16,142
Interest expense on credit facilities	(1,557)	(1,400)	(4,457)	(3,937)
Other finance income (costs), net	(152)	80	(81)	190
Fair value adjustment on financial instruments	84	338	(567)	410
Income before income taxes	5,527	4,709	13,918	12,805
Income tax expense	1,591	1,312	4,063	3,738
Net income and comprehensive income	$ 3,936	$ 3,397	$ 9,855	$ 9,067

Revenue

Third Quarter

Revenue increased by $1.4 million for the three months ended September 30, 2019, when compared to the same period in 2018. The increase in revenue was primarily driven by: (i) the acquisition of the MRM Rights on May 20, 2019; (ii) the addition of four locations to the Mr. Lube Royalty Pool on May 1, 2019; (iii) positive SSSG at Mr. Lube; and (iv) the annual contractual 2.0% increase in the Sutton Royalty Rate, effective as of July 1st of each year.

Year-To-Date

Revenue increased by $2.5 million for the nine months ended September 30, 2019, when compared to the same period in 2018. The increase in revenue was primarily driven by: (i) the acquisition of the MRM Rights on May 20, 2019; (ii) the addition of four locations to the Mr. Lube Royalty Pool on May 1, 2019; (iii) the increase in the Mr. Lube Royalty Rate and the net addition of one store to the Mr. Lube Royalty Pool on May 1, 2018; (iv) positive SSSG at Mr. Lube; and (v) the annual contractual 2.0% increase in the Sutton Royalty Rate, effective as of July 1st of each year.

Salaries and Benefits

Third Quarter and Year-To-Date

Salaries and benefits expense for the three and nine months ended September 30, 2019 were comparable to the prior periods.

Share-based Compensation

Third Quarter and Year-To-date

Share-based compensation for the three and nine months ended September 30, 2019 were comparable to the prior period.

General and Administration

Third Quarter and Year-To-Date

General and administration expense for the three and nine months ended September 30, 2019 were comparable to the prior periods.

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, 2019 were comparable to the prior periods.

Litigation

Third Quarter and Year-To-Date

Litigation expense for the three and nine months ended September 30, 2018 were related to the counterclaim and defense against a U.S. contractor. As this matter was settled in November 2018, no further litigation costs were incurred by the Company.

Interest Expense on Credit Facilities

Third Quarter and Year-To-Date

Interest expense on credit facilities increased by $0.2 million for the three months and $0.5 million for the nine months ended September 30, 2019, compared to the prior periods. The increase was primarily due to MRM LP's $10.3 million term loan facility, which was funded on June 24, 2019.

Other Finance Income (Costs), Net

The following table summarizes other finance income, net of costs, for the three and nine months ended September 30, 2019 and 2018.

	Three months ended September 30,		Nine months ended September 30,	
(000's)	**2019**	**2018**	**2019**	**2018**
Finance income	$ 274	$ 404	$ 1,053	$ 1,129
Foreign exchange gain (loss)	3	1	(5)	13
Distributions on MRM units	(22)	-	(22)	-
Amortization of deferred financing fees	(155)	(141)	(447)	(412)
Accretion expense	(252)	(184)	(660)	(540)
	$ (152)	$ 80	$ (81)	$ 190

Third Quarter

Other finance costs, net of income, increased by $0.2 million for the three months ended September 30, 2019 compared to the prior period. The decrease was primarily due to lower interest income and higher accretion expense.

Year-To-Date

Other finance costs, net of income, increased by $0.3 million for the nine months ended September 30, 2019 compared to the prior period. The decrease was primarily related to higher accretion expense, higher deferred financing fees amortization and lower interest income.

Income Tax Expense

Third Quarter and Year-To-Date

Income tax expense increased by $0.3 million for the three months and nine months ended September 30, 2019, compared to the prior periods. The increase was primarily due to higher income before taxes.

Non-Capital Loss Carry-Forwards and Eligible Capital Expenditures

As at December 31, 2018, the Company had non-capital losses of $3.8 million. As at September 30, 2019, these non-capital losses were fully utilized.

In addition, the Company has intangible assets related to the SGRS Rights, ML Rights, AIR MILES® Rights and MRM Rights, which have an undepreciated capital cost allowance of approximately $185.0 million at September 30, 2019, compared to $150.3 million at December 31, 2018.

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 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenue	$ 8,103	$ 7,549	$ 6,403	$ 7,170	$ 6,742	$ 6,781	$ 6,016	$ 6,865
Net income	$ 3,936	$ 3,435	$ 2,484	$ 1,053	$ 3,397	$ 3,040	$ 2,630	$ 3,468
Earnings per common share								
Basic	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ 0.03	$ 0.02	$ 0.03
Diluted	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ 0.03	$ 0.02	$ 0.03

Revenue

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.

On May 1, 2018, Mr. Lube elected to increase the Mr. Lube Royalty Rate from 6.95% to 7.45% and added one net new location to the Mr. Lube Royalty Pool, which resulted in an increase in revenues during the second quarter of 2018 and subsequent periods.

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 and third quarter of 2019.

The annual contractual 2.0% increase in the Sutton Royalty Rate is effective on July 1st of each year, which increases contribute additional revenues in subsequent periods.

Net Income

Net income reflects the trend in quarterly revenue, offset by fluctuations associated with litigation 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 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 Canadian chartered banks 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, 2019, the Company had cash and cash equivalents balance of $48.8 million (December 31, 2018 - $78.3 million) and working capital of $48.0 million (December 31, 2018 - working capital of $81.7 million).

As at September 30, 2019, 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	2019	2020	2021	2022	Thereafter
Accounts payable and accrued liabilities	$ 1,521	$ 1,521	$ 1,521	$ -	$ -	$ -	$ -
Promissory note	4,789	4,925	-	4,925	-	-	-
Long-term bank loans[1]	75,115	85,372	789	3,155	3,155	67,355	10,918
Convertible debentures	52,873	67,312	755	3,019	3,019	60,519	-
Total contractual obligations	$ 134,298	$ 159,130	$ 3,065	$ 11,099	$ 6,174	$ 127,874	$ 10,918

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.

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, 2019, the Company was exposed to currency risk arising from cash denominated in U.S. dollars. As at September 30, 2019, cash denominated in U.S. dollars was less than US$0.2 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, 2019, interest rate risk is mitigated by interest rate swap arrangements that fix the interest rates on $59.9 million of the Company's $75.6 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, 2019, the Company recorded a $0.7 million expense related to the interest rate swaps.

CASH FLOWS

	Nine months ended September 30,	
(000's)	**2019**	**2018**
Cash from operating activities	$ 14,920	$ 14,552
Cash used in financing activities	(4,225)	(8,610)
Cash used in investing activities	(40,255)	(10,199)
Decrease in cash	(29,560)	(4,257)
Cash, beginning of period	78,342	85,816
Cash, end of period	$ 48,782	$ 81,559

Cash From Operating Activities

Cash from operating activities for the nine months ended September 30, 2019 increased by $0.4 million compared to the prior period. The increase was primarily due to higher income from operations, partially offset by fluctuations in working capital.

Cash Used in Financing Activities

Cash used in financing activities for the nine months ended September 30, 2019 was related to dividends paid net of DRIP and debt financing costs, partially offset by proceeds on MRM LP's term loan facility.

Cash used in financing activities for the nine months ended September 30, 2018 was primarily related to dividends paid net of DRIP, which was partially offset by the increase in ML LP's term loan facility and proceeds from the exercise of share options.

Cash Used in Investing Activities

Cash used in investing activities for the nine months ended September 30, 2019 was related to the acquisition of the MRM Rights and the addition of four Mr. Lube locations to the Mr. Lube Royalty Pool.

Cash used in investing activities for the nine months ended September 30, 2018 was related to the increase of the Mr. Lube Royalty Rate and the net addition of one Mr. Lube location to the Mr. Lube Royalty Pool.

CAPITAL RESOURCES

The Company's capital includes shareholders' equity, long-term debt and the Convertible Debentures, 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.

Long-Term Debt and Convertible Debentures

As at September 30, 2019, the Company's subsidiaries had the following term loan facilities:

- ML LP: $41.6 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 4.17% for $34.6 million of the term loan facility 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 4.641% for 100% of the term loan facility until June 21, 2021;
- 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 $8.7 million of the term loan facility until August 19, 2022; and
- MRM LP: $10.3 million non-amortizing loan that matures on June 24, 2024 and bears interest at the BA rate plus 1.95%. The Company has interest rate swap arrangement that results in a fixed interest rate of 4.05% for 100% of the term loan facility until June 24, 2024.

In addition, the Company has the following operating lines of credit, which were undrawn at September 30, 2019 and November 7, 2019:

- ML LP: $1.0 million operating line of credit that matures on July 31, 2022, and bears interest at prime plus 0.25%;
- 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%; and
- MRM LP: $0.5 million operating line of credit that matures on June 24, 2024 and bears interest at prime plus 0.25%.

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%. DIV intends to use the net proceeds from the Convertible 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. As at November 7, 2019, 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 shares at a conversion price of $4.55 per share as of such date.

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.

Common Shares

As at November 7, 2019, there were 109,295,286 common shares issued and outstanding.

Share Options

As at November 7, 2019, 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 November 7, 2019, there were 925,746 RSUs outstanding, which may be settled for an equivalent number of 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. The year-to-date dividends declared in 2019 are as follows:

Month	Payment date	Dividend / share
October 2019	October 31, 2019	$ 0.01854
September 2019	September 30, 2019	$ 0.01854
August 2019	August 30, 2019	$ 0.01854
July 2019	July 31, 2019	$ 0.01854
June 2019	June 30, 2019	$ 0.01854
May 2019	May 31, 2019	$ 0.01854
April 2019	April 30, 2019	$ 0.01854
March 2019	March 29, 2019	$ 0.01854
February 2019	February 28, 2019	$ 0.01854
January 2019	January 31, 2019	$ 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, 2019, there were 1,264,792 common shares issued under the DRIP. As at September 30, 2019, the DRIP participation rate was 23%.

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, 2019. 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.

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, 2018, except as described below.

Changes in accounting policies and disclosures

On January 1, 2019, the Company adopted 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 Company does not have any leases within the

scope of IFRS 16, therefore the adoption of IFRS 16 did not have an impact on the Company's accumulated deficit as at January 1, 2019.

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 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 and MRM 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 these entities through its majority ownership of the respective general partners.

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.

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 May 20, 2019, the maximum number of DIV shares that may be issued in exchange for the Class B and Class C units of MRM LP is 355,032. The Exchangeable MRM Units are recorded as a liability and measured at fair in the Company's financial statements.

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.

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 as they do not currently meet the relevant criteria for exchange into common shares of DIV (see note 8 in the Company's annual financial statements for the year ended December 31, 2018 for further information).

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. 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), and the fair value adjustment on financial instruments. 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, litigation expenditures and interest income. 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, less distributions on MRM Units, less current 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 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 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 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. 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 Q3 2019 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 11, 2019 for the year ended December 31, 2018 under the heading "Risk Factors", a copy of which is available on SEDAR at www.sedar.com. All risk factors included in the Company's Annual Information Form which apply to the Company's "Royalty Partners" generally, should be read to include Mr. Mikes as a Royalty Partner. 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 the 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.

The risks related to Mr. Mikes are as follows:

Mr. Mikes faces significant competition from other restaurants and restaurant companies

The restaurant industry in general, and the casual dining segment in particular, is intensely competitive with many well established companies that compete directly and indirectly with Mr. Mikes and its franchisees. Mr. Mikes and its franchisees compete with national, regional and locally-owned restaurants and restaurant companies, including restaurants and restaurant companies that operate in the quick-service, family/midscale dining and casual segments of the restaurant industry, as well as pubs and taverns. These segments are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location and the ambience and condition of each restaurant. Mr. Mikes may also face the risk that new or existing competitors will copy its business model, menu options, presentation or ambiance, among other things.

Any inability to successfully compete with the restaurants in the markets in which Mr. Mikes and its franchisees operate restaurants will place downward pressure on its customer traffic and may prevent Mr. Mikes from increasing or sustaining its revenues and profitability. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and Mr. Mikes' competitors may react more efficiently and effectively to those conditions. Mr. Mikes' and its franchisees' sales could decline due to changes in popular tastes, "fad" food regimens, such as low carbohydrate diets and media attention on new restaurants. If Mr. Mikes is unable to continue to compete effectively, its and its franchisees' traffic, sales and restaurant contribution could decline and its business, financial condition and results of operations would be adversely affected.

Recent reductions in oil and gas prices and related economic impacts could materially affect Mr. Mikes' and its franchisees' ability to maintain or increase sales at existing restaurants in communities with largely oil and gas dependent economies

Several Mr. Mikes restaurants are located in communities with largely oil and gas dependent economies in Western Canada, and in particular in Alberta and Saskatchewan. Reduced oil and gas prices may result in relatively lower levels of economic activity, employment and consumer spending in such communities. Accordingly, reductions in oil and gas prices may have a disproportionate impact on Mr. Mikes' and its franchisees' overall results of operations and result in sales declines or reduced or slower than anticipated growth in sales at Mr. Mikes restaurants, temporary or permanent restaurant closures and delays or reductions in planned expansion.

Changes in economic conditions and adverse weather and other unforeseen conditions could materially affect Mr. Mikes' and its franchisees' ability to maintain or increase sales at existing restaurants or open new restaurants

The restaurant industry depends on consumer discretionary spending. Canada in general, or the specific markets in which Mr. Mikes and its franchisees' operate, may suffer from depressed economic activity, recessionary economic cycles, higher fuel or energy costs, low consumer confidence, high levels of unemployment, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, reduced access to credit or other economic factors that may affect

consumer discretionary spending. Traffic in Mr. Mikes' and its franchisees' restaurants could decline if consumers choose to dine out less frequently or reduce the amount they spend on meals while dining out. Negative economic conditions might cause consumers to make long-term changes to their discretionary spending behavior, including dining out less frequently on a permanent basis. In addition, given the current concentration of Mr. Mikes restaurants in Western Canada, economic conditions in Western Canada could have a disproportionate impact on Mr. Mikes' overall results of operations, and regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, tornadoes, earthquakes, hurricanes, floods, droughts, fires or other natural or man-made disasters could materially adversely affect Mr. Mikes' business, financial condition and results of operations. Adverse weather conditions may also impact customer traffic at Mr. Mikes' and its franchisees' restaurants and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods.

Mr. Mikes' growth is highly dependent on its ability to open new restaurants and is subject to many unpredictable factors

A key aspect of Mr. Mikes' growth strategy is opening new franchised restaurants and those restaurants operating on a profitable basis. This growth strategy involves franchising and developing new restaurants in markets in which Mr. Mikes already has a presence, as well as expanding Mr. Mikes' footprint into adjacent markets and selectively entering into new markets. There are numerous factors involved in identifying appropriate markets including, but not limited to, identification and availability of suitable locations with appropriate population demographics, traffic patterns, local retail and business attractions and infrastructure that will drive high levels of customer traffic and sales per restaurant.

Even if appropriate markets are identified, there are a number of challenges associated with opening new restaurants, including locating and securing an adequate supply of suitable new restaurant sites in Mr. Mikes' target markets and finding qualified and experienced franchisees. Competition for sites is intense, and other restaurant and retail concepts that compete for those sites may have economic models that permit them to bid more aggressively for those sites than Mr. Mikes and its franchisees. There is no guarantee that a sufficient number of suitable sites will be available in desirable areas or on terms that are acceptable to Mr. Mikes or its franchisees in order to achieve its growth plan. Mr. Mikes' and its franchisees' ability to open new restaurants also depends on other factors, including: negotiating leases with acceptable terms; identifying, hiring and training qualified employees in each local market; managing construction and development costs of new restaurants, particularly in competitive markets; obtaining construction materials and labour at acceptable costs, particularly in urban markets; securing required governmental approvals, permits and licences (including construction permits and liquor licences) in a timely manner and responding effectively to any changes in local, provincial or federal laws and regulations that adversely affect Mr. Mikes' or its franchisees' costs or ability to open new restaurants; and avoiding the impact of inclement weather, natural disasters and other calamities.

Mr. Mikes' progress in opening new corporately owned and franchised restaurants from quarter to quarter may occur at an uneven rate. If Mr. Mikes does not open new restaurants in the future according to its current plans, there may be reduced or slower than anticipated growth in sales at Mr. Mikes restaurants and delays or reductions in planned expansion.

Mr. Mikes' expansion into new markets may present increased risks

Restaurants opened in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy or operating costs than existing Mr. Mikes restaurants. New markets may have competitive conditions, consumer tastes and discretionary spending patterns that are more difficult to predict or satisfy than existing markets in which Mr. Mikes operates or franchises restaurants. Mr. Mikes and its franchisees may need to make greater investments than originally planned in advertising and promotional activity in new markets to build brand awareness. Mr. Mikes and its franchisees may find it more difficult in new markets to hire, motivate and keep qualified employees who share its vision, passion and culture. As a result, these new restaurants may be less successful or may achieve target sales at a slower rate. If Mr. Mikes does not successfully execute its plans to enter new markets, its business, financial condition and results of operations could be materially adversely affected.

Mr. Mikes' failure to manage growth effectively could harm its business and operating results

Mr. Mikes' growth plan includes opening a significant number of new franchised restaurants. Mr. Mikes' and its franchisees' existing restaurant management systems, administrative staff, financial and management controls and information systems may be inadequate to support its planned expansion. Those demands on Mr. Mikes' infrastructure and resources may adversely affect its ability to manage existing restaurants. Managing growth effectively will require Mr. Mikes to continue to enhance these systems, procedures and controls and to hire, train and retain managers and team members. Mr. Mikes may not respond quickly enough to the changing demands that its expansion will impose on its management, restaurant teams and existing infrastructure, which could harm its business, financial condition and results of operations.

Closure of Mr. Mikes restaurants may affect Mr. Mikes' ability to pay royalties

Mr. Mikes' ability to make royalty payments to MRM LP will be dependent upon the aggregate system sales it generates at its Mr. Mikes restaurants and the franchise fees it receives from franchised restaurants. Each year, a number of Mr. Mikes restaurants may close and there is no assurance that Mr. Mikes will be able to open sufficient new Mr. Mikes restaurants or franchises to replace the system sales of the Mr. Mikes restaurants that have closed, which will impact Mr. Mikes' ability to make royalty payments to MRM LP.

Mr. Mikes relies heavily on certain vendors, suppliers and distributors

Mr. Mikes' ability to maintain consistent price and quality throughout its restaurants depends in part upon its and its franchisees' ability to acquire specified food products and supplies in sufficient quantities from third-party vendors, suppliers and distributors at a reasonable cost. Mr. Mikes and its franchisees use a limited number of suppliers and distributors in various geographical areas, particularly with respect to its fresh food products. Mr. Mikes does not control the businesses of its vendors, suppliers and distributors, and its efforts to specify and monitor the standards under which they perform may not be successful. Furthermore, certain food items are perishable, and Mr. Mikes and its franchisees have limited control over whether these items will be delivered in appropriate condition for use in their restaurants. If any of Mr. Mikes' and its franchisees' vendors or other suppliers are unable to fulfill their obligations to Mr. Mikes' standards, or if Mr. Mikes is unable to find replacement providers in the event of a supply or service disruption, Mr. Mikes and its franchisees could encounter supply shortages and incur higher costs to secure adequate supplies, which could materially adversely affect their businesses, financial condition and results of operations.

Changes in food and supply costs could adversely affect Mr. Mikes' business

Mr. Mikes' profitability depends in part on its ability to anticipate and react to changes in food and supply costs, and Mr. Mikes' ability to maintain its menu depends in part on its ability to acquire ingredients that meet Mr. Mikes' specifications from reliable suppliers. Shortages or interruptions in the availability of certain supplies caused by unanticipated demand, problems in production or distribution, food contamination, inclement weather, foreign exchange fluctuations or other conditions could adversely affect the availability, quality and cost of Mr. Mikes' ingredients, which could harm Mr. Mikes' and its franchisees' operations. Any increase in the prices of the food products most critical to Mr. Mikes' menu could adversely impact Mr. Mikes' and its franchisees' operations. Although Mr. Mikes tries to manage the impact that these fluctuations have on its operating results, Mr. Mikes and its franchisees remain susceptible to increases in food costs as a result of factors beyond its control, such as general economic conditions, seasonal fluctuations, weather conditions, demand, food safety concerns, generalized infectious diseases, product recalls and government regulations.

Damage to Mr. Mikes' reputation could adversely affect its business

Mr. Mikes' growth and results of operations are dependent in part upon its ability to maintain and enhance the value of the Mr. Mikes brands and consumers' connection to the brand and positive relationships with its franchisees. Mr. Mikes believes it has built the reputation of the brand on the ambience of its restaurants and the high-quality of its food, service and staff. Any incident that erodes consumer affinity for any of these factors could significantly reduce their value and damage Mr. Mikes' business. For example, the value of the Mr. Mikes brand could suffer and Mr. Mikes' business could be adversely affected if customers perceive a reduction in the quality of its food, service or staff, or an adverse change in its culture or ambience, or otherwise believe Mr. Mikes and its franchisees have failed to deliver a consistently positive experience.

For multi-location franchise food service businesses such as Mr. Mikes, the negative impact of adverse publicity relating to one restaurant or a limited number of restaurants may extend far beyond the restaurants or franchises involved to affect some or all of Mr. Mikes' other restaurants or franchises. The risk of negative publicity is particularly great with respect to franchised restaurants because Mr. Mikes is limited in the extent in which such restaurants can be regulated, especially on a real-time basis.

Mr. Mikes' marketing programs may not be successful

Mr. Mikes believes that brand awareness is critical to its business. Mr. Mikes and its franchisees incur costs and expend other resources on marketing efforts to raise brand awareness and attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of Mr. Mikes' competitors have greater financial resources, which enable them to spend significantly more than Mr. Mikes on marketing and advertising. If Mr. Mikes' competitors increase spending on marketing and advertising, or should Mr. Mikes' advertising and promotions be less effective than its competitors, there could be a material adverse effect on its and its franchisees' business, financial condition and results of operations.

Mr. Mikes has limited control over its franchisees

Mr. Mikes' franchisees are independent business operators and Mr. Mikes does not exercise control over their day-to-day operations to the same extent that it is able to exercise control over company-owned Mr. Mikes restaurants. Mr. Mikes conducts a rigorous screening process before awarding franchises, imposes requirements upon Mr. Mikes franchisees pursuant to the terms of the franchise agreement and provides on-going training and support to its franchisees, but the quality of franchised restaurant operations may be diminished by any number of factors beyond Mr. Mikes' control. Mr. Mikes cannot be certain that its franchisees will have the business acumen to operate successful franchises in their franchise areas in a manner consistent with Mr. Mikes' standards and requirements. If its franchisees do not meet Mr. Mikes' standards and requirements, the image and reputation of the Mr. Mikes brand, and the image and reputation of other Mr. Mikes franchisees, may suffer materially and system-wide sales could decline significantly. Any difficulty in collecting royalty payments from Mr. Mikes franchisees could also have an adverse impact on the results of operations or business of Mr. Mikes.

Franchisee concentration

Mr. Mikes is exposed to franchisee concentration risk. If its key franchisees were to have financial or other difficulties, this could have a material adverse impact on Mr. Mikes and on the Company.

Mr. Mikes depends on the services of key executives, the loss of which could materially harm its business

Mr. Mikes' senior executives have been instrumental in setting its strategic direction, operating its business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could materially adversely affect Mr. Mikes' business until a suitable replacement is found. Mr. Mikes believes that these individuals could not easily be replaced with executives of equal experience and capabilities.

Mr. Mikes' business depends on the ability of MRM LP to adequately protect the MRM Rights

The MRM Rights that Mr. Mikes licences from MRM LP pursuant to the Licence and Royalty Agreement dated May 20, 2019 between Mr. Mikes and MRM LP are material to the conduct of Mr. Mikes' business. Mr. Mikes' ability to implement its business plan successfully depends in part on its ability to further build brand recognition using the MRM Rights, including trademarks, names, logos and the unique ambience of Mr. Mikes' restaurants. While MRM LP intends to protect and defend vigorously its rights to the MRM Rights, Mr. Mikes cannot predict whether steps taken by MRM LP to protect the MRM Rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, Mr. Mikes' concepts. It may be difficult for MRM LP to prevent others from copying elements of Mr. Mikes' concepts and any litigation to enforce MRM LP's interest in the MRM Rights will likely be costly and may not be successful. If MRM LP is unable to protect or enforce its interest in the MRM Rights, Mr. Mikes may be prevented from using the MRM Rights in the future and may be liable for damages, which in turn could materially adversely affect its business, financial condition and results of operations.

Governmental regulation may adversely affect Mr. Mikes' business, financial condition and results of operations

Mr. Mikes is subject to various federal, provincial and local regulations, including those relating to building and zoning requirements and those relating to the preparation and sale of food. The development and operation of restaurants depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. Mr. Mikes' restaurants are also subject to provincial and local licensing and regulation by health, alcoholic beverage, sanitation, food and occupational safety and other agencies. Mr. Mikes may experience material difficulties or failures in obtaining the necessary licences, approvals or permits for its restaurants, which could delay planned restaurant openings or affect the operations at its existing restaurants. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

Sales Tax Regulation

The increase in the after-tax price of goods and services as a result of increased sales taxes may have a negative effect on the customer's perception of spending on restaurant dining. Such negative perception can potentially reduce either the frequency of guest visits to restaurants, the total amount which guests spend per restaurant visit, or both. As customer perception of disposable spending is adversely affected by increased after-tax prices, Mr. Mikes and its franchisees sales are at risk of declining if retail sales taxes increase, which could in turn have an adverse effect on Mr. Mikes' and its franchisees' business and results of operations.

Failure to obtain and maintain required licences and permits could lead to the loss of Mr. Mikes' and its franchisees' liquor and food service licences

The restaurant industry is subject to various federal, provincial and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licences, permits and approvals could adversely affect Mr. Mikes' and its franchisees' operating results. Typically, licences must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that Mr. Mikes' or its franchisees conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licences and approvals could adversely affect Mr. Mikes' existing corporately owned and franchised restaurants and delay or result in a decision to cancel the opening of new restaurants, which would adversely affect Mr. Mikes' and its franchisees' businesses.

Alcoholic beverage control regulations generally require restaurants to apply to a provincial authority and, in certain locations or municipal authorities for a licence that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of Mr. Mikes' and its franchisees' restaurants, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. Any future failure to comply with these regulations and obtain or retain licences could adversely affect Mr. Mikes' and its franchisees' businesses, financial condition and results of operations.

Changes in employment laws may adversely affect Mr. Mikes' and its franchisees' businesses

Various federal and provincial employment laws govern the relationship between Mr. Mikes and its employees and Mr. Mikes franchisees and their employees and affect operating costs. These laws include employee classification as exempt/non-exempt for overtime and other purposes, minimum wage requirements, unemployment tax rates, workers' compensation rates, immigration status and other wage and benefit requirements. Significant amendments to requirements with respect to minimum wages, mandatory health benefits, vacation accruals and paid leaves of absence (including paid sick leave) could materially affect Mr. Mikes' and its franchisees' business, financial condition, operating results or cash flow.

If Mr. Mikes or its franchisees face labour shortages or increased labour costs, their growth and operating results could be adversely affected

Labour is a primary component in the cost of operating restaurants. If Mr. Mikes faces labour shortages or increased labour costs because of increased competition for employees, higher employee turnover rates, increases in the federal, provincial or local minimum wage or other employee benefits costs (including costs associated with health insurance coverage), Mr. Mikes' operating expenses could increase and its growth could be adversely affected. In addition, Mr. Mikes' growth depends in part upon its ability to attract, motivate and retain a sufficient number of well-qualified restaurant operators and management personnel, as well as a sufficient number of other qualified employees, including customer service and kitchen staff, to keep pace with its expansion schedule. Qualified individuals needed to fill these positions are in short supply in some geographic areas. In addition, restaurants have traditionally experienced relatively high employee turnover rates. Although Mr. Mikes has not yet experienced significant problems in recruiting or retaining employees, its ability to recruit and retain such individuals may delay the planned openings of new restaurants or result in higher employee turnover in existing restaurants, which could have a material adverse effect on Mr. Mikes' business, financial condition and results of operations.

Franchise Legislation

Mr. Mikes is required to comply with franchise disclosure laws and regulations of the provinces of British Columbia, Alberta, Manitoba and Ontario. Claims arising from any non–compliance with franchise disclosure laws may adversely affect the performance of Mr. Mikes and affect the payment of the royalty to MRM LP. The failure to provide a disclosure document as required by those franchise disclosure laws gives a franchisee a two–year absolute right of rescission. Franchise legislation also provides a franchisee with a statutory right of action to sue if a franchisee suffers a loss because of a misrepresentation contained in a franchise disclosure document, or as a result of the franchisor's failure to comply with its disclosure obligations. These rights are in addition to any rights that might exist at common law.

Food safety and foodborne illness concerns could have an adverse effect on its business

Mr. Mikes cannot guarantee that its or its franchisees' internal controls and training will be fully effective in preventing all food safety issues at Mr. Mikes restaurants, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, Mr. Mikes cannot guarantee that its franchised locations will maintain the high levels of internal controls and training it requires at company-owned restaurants. Furthermore, Mr. Mikes and its franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single restaurant. For example, consumer preferences could be affected by health concerns about the consumption of beef, the primary item served at Mr. Mikes restaurants, or by specific events such as the outbreak of "mad cow disease" or "foot & mouth disease" which occurred in the United Kingdom or a number of cases of "mad cow disease" found in Canadian cattle. Similarly, these events could reduce the available supply of beef or significantly raise the price of beef. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of Mr. Mikes' or its franchisees' control. One or more instances of foodborne illness in any of Mr. Mikes' restaurants could negatively affect its restaurant sales nationwide if highly publicized on national media outlets or through social media. A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had a material adverse effect on their operations. The occurrence of a similar incident at one or more of Mr. Mikes' or its franchisees' restaurants, or negative publicity or public speculation about an incident, could materially adversely affect Mr. Mikes' or its franchisees' business, financial condition and results of operations.

Mr. Mikes could be party to litigation that could have an adverse effect on its business

Mr. Mikes' and its franchisees' customers occasionally file complaints or lawsuits alleging that a Mr. Mikes restaurant has caused an illness or injury they suffered at or after a visit to a Mr. Mikes restaurant. Mr. Mikes and its franchisees are also subject to a variety of other claims arising in the ordinary course of its business, including personal injury claims, contract claims and claims alleging violations of federal or provincial state law regarding workplace and employment matters, equal opportunity, harassment, discrimination and similar matters, and Mr. Mikes could become subject to class action or other lawsuits related to these or different matters in the future. In recent years, a number of restaurant companies have been subject to such claims, and some of these lawsuits have resulted in the payment of substantial damages by the defendants. Regardless of whether any claims against Mr. Mikes or its franchisees are valid, or whether they are ultimately held liable, claims may be expensive to defend and may divert time and money away from operations and hurt Mr. Mikes' or its franchisees' performance. A judgment in excess of Mr. Mikes' or its franchisees' insurance coverage for any claims could materially and adversely affect their financial condition and results of operations. Any adverse publicity resulting from these allegations may also materially and adversely affect Mr. Mikes' reputation or prospects, which in turn could materially adversely affect its and its franchisees' business, financial condition and results of operations.

Mr. Mikes and its franchisees are subject to "dram shop" statutes in certain jurisdictions, which may subject Mr. Mikes and its franchisees to uninsured liabilities. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Because a plaintiff may seek punitive damages, which may not be fully covered by insurance, this type of action could have an adverse impact on Mr. Mikes' or its franchisees financial condition and results of operations. A judgment in such an action significantly in excess of, or not covered by, Mr. Mikes' or its franchisees' insurance coverage could adversely affect their business, financial condition and results of operations. Further, adverse publicity resulting from any such allegations may adversely affect Mr. Mikes and its franchisees.

Mr. Mikes' and its franchisees current insurance may not provide adequate levels of coverage against claims

Mr. Mikes' and its franchisees' current insurance policies may not be adequate to protect them from liabilities they incur in their businesses. Additionally, in the future, Mr. Mikes' and its franchisees insurance premiums may increase and they may not be able to obtain similar levels of insurance on reasonable terms or at all. Any substantial inadequacy of, or inability to obtain insurance coverage could materially adversely affect Mr. Mikes' and its franchisees' business, financial condition and results of operations. Furthermore, there are types of losses Mr. Mikes and its franchisees may incur that cannot be insured against or that are not economically reasonable to insure. Such losses could have a material adverse effect on Mr. Mikes' and its franchisees' business and results of operations.

Mr. Mikes and its franchisees may incur costs resulting from breaches of security of confidential consumer information related to its electronic processing of credit and debit card transactions

The majority of Mr. Mikes corporately owned and franchised restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information has been stolen. Mr. Mikes and its franchisees may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and Mr. Mikes and its franchisees may also be subject to lawsuits or other proceedings relating to these types of incidents. In addition, most provinces and states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim or proceeding could cause Mr. Mikes and its franchisees to incur significant unplanned expenses, which could have an adverse impact on its financial condition and results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on Mr. Mikes and its franchisees and their restaurants.

Mr. Mikes relies heavily on information technology

Mr. Mikes relies heavily on information systems, including point-of-sale processing in its all Mr. Mikes branded restaurants, for management of its supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Mr. Mikes' ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. Mr. Mikes' operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding Mr. Mikes' systems as it grows or a breach in security of these systems could result in delays in customer service and reduce efficiency in Mr. Mikes' and its franchisees' operations. Remediation of such problems could result in significant, unplanned capital investments.

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 September 30, 2019.

No changes were made in the Company's design of ICFR during the three months ended September 30, 2019, 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; the payment of the remaining consideration owing to Mr. Lube in respect of the addition of four new locations to the Mr. Lube Royalty Pool, and the timing thereof; 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; 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 royalty acquisitions are completed and excess cash has been deployed; 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 Convertible Debentures issued, including to complete further royalty acquisitions; 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 Mr. Lube royalty payments made by Mr. Lube 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; DIV may in managing its capital issue new shares, issue new debt, adjust the amount of dividends paid to its shareholders or pursue a normal course issuer bid; and Sutton ceasing to file financial statements and management's discussion and analysis until such time as the Royalty revenues received from Sutton become significant to DIV in the future.

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 and Mr. Mikes 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 and Mr. Mikes; 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 expected use by DIV of the net proceeds from the offering of Convertible Debentures; 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 and Mr. Mikes; 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 and may be reduced or suspended at any time; 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, LoyaltyOne and Mr. Mikes 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; failure to complete further royalty acquisitions or future royalty acquisitions not being accretive; dependence on the business of Sutton, Mr. Lube, LoyaltyOne and Mr. Mikes 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; 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.