DIVERSIFIED
ROYALTY CORP

Management's Discussion and Analysis

For the three months and year ended December 31, 2019

March 12, 2020

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

BASIS OF PRESENTATION

This management's discussion and analysis ("MD&A") in respect of the results of operations of Diversified Royalty Corp. ("DIV" or the "Company") for the three months and year ended December 31, 2019 should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 (the "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 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, payout ratio, DIV Royalty Entitlement, and Adjusted Revenues 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 consolidated financial statements and MD&A of Mr. Lube Canada Limited Partnership ("Mr. Lube") for the year ended December 31, 2019, copies of which are available on SEDAR at www.sedar.com.

OVERVIEW

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

The Company's primary objectives are to (i) purchase stable and growing royalty streams from Royalty Partners, and (ii) increase distributable cash per share by making accretive royalty purchases. These objectives 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 year ended December 31, 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 stores in the royalty pool (the "Mr. Lube Royalty Pool"). As at December 31, 2019, Mr. Lube had 185 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 Group Realty Services Ltd. ("Sutton"): royalties are based on the number of Sutton agents in the royalty pool (the "Sutton Royalty Pool"). As at December 31, 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;
- 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");
- 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 December 31, 2019, Mr. Mikes had 44 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; and
- Nurse Next Door Homecare Professional Services Inc. ("Nurse Next Door"): the royalty entitlement to DIV (the "DIV Royalty Entitlement") is equal to approximately $4.8 million per annum, and grows at a fixed rate of 2.0% per annum. The DIV Royalty Entitlement is not reported as revenue under IFRS. See "Non-IFRS Measures" below for further information. In addition to the royalty, Nurse Next Door pays the Company a management fee of approximately $0.075 million per year for strategic and other services, prorated for partial years.

On February 20, 2020, the Company added Oxford Learning Centres, Inc. ("Oxford") to its Royalty Partners. The royalties from Oxford are based on system sales of the 146 Oxford locations in the royalty pool (the "Oxford Royalty Pool"). In addition, Oxford pays the Company a management fee of approximately $0.04 million per year for strategic and other services.

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

FINANCIAL HIGHLIGHTS

(000's except per share amounts)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Consolidated:				
Revenue[1, 2]	$ 8,408	$ 7,170	$ 30,463	$ 26,709
Adjusted revenue[1, 2, 3, 4]	9,023	7,170	31,078	26,709
Royalty income[1, 2]	8,309	7,092	30,114	26,399
Adjusted royalty income[1, 2, 3, 4]	8,924	7,092	30,729	26,399
Normalized EBITDA[4]	8,276	6,572	28,428	24,308
Distributable cash[4]	6,592	5,560	22,322	20,488
Income from operations	7,325	3,640	26,348	19,782
Net income	4,189	1,053	14,044	10,120
Dividends declared	6,159	5,990	24,234	23,858
Basic and diluted earnings per share	$ 0.04	$ 0.01	$ 0.13	$ 0.09
Distributable cash flow per share[4]	0.06	0.05	0.21	0.19
Dividends declared per share	0.06	0.06	0.22	0.22
Total assets[4]	$ 345,266	$ 318,223	$ 345,266	$ 318,223
Total non-current financial liabilities[5]	141,999	116,933	141,999	116,933
Adjusted Revenues [4] by Royalty Partner				
Mr. Lube[1]	$ 4,240	$ 4,074	$ 16,222	$ 15,055
Sutton	1,011	992	4,006	3,930
AIR MILES	2,140	2,104	7,751	7,724
Mr. Mikes[2]	1,007	n / a	2,474	n / a
Nurse Next Door[3]	625	n / a	625	n / a
Mr. Lube SSSG[4]	2.1%	3.0%	4.1%	3.0%

1) Royalty income from Mr. Lube includes make-whole payments of $0.02 million for the year ended December 31, 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) Includes royalties and management fees received from Mr. Mikes from the date of the MRM Rights (defined below) acquisition on May 20, 2019.
3) Includes the impact of the DIV Royalty Entitlement and management fees received from Nurse Next Door from the date of the NND Rights (defined below) acquisition on November 15, 2019.
4) Adjusted revenue, adjusted royalty income, normalized EBITDA, distributable cash, distributable cash flow per share, and SSSG are non-IFRS measures and as such, do not have standardized meanings under IFRS. For additional information regarding these financial metrics, refer to the sections “Royalty Pools”, “EBITDA, Normalized EBITDA and Distributable Cash” and “Description of Non-IFRS and Additional IFRS Measures” in this MD&A.
5) At period end.

ROYALTY POOLS

(000's)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Mr. Lube	$ 4,186	$ 4,021	$ 16,008	$ 14,845
AIR MILES®	2,140	2,104	7,751	7,724
Sutton	986	967	3,906	3,830
Mr. Mikes[1]	997	n / a	2,449	n / a
Royalty income	**$ 8,309**	**$ 7,092**	**$ 30,114**	**$ 26,399**
DIV Royalty Entitlement[2]	615	n / a	615	n / a
Adjusted royalty income[3]	**$ 8,924**	**$ 7,092**	**$ 30,729**	**$ 26,399**
Management fees	99	78	349	310
Adjusted revenue[3]	**$ 9,023**	**$ 7,170**	**$ 31,078**	**$ 26,709**

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

Mr. Lube

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

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

Mr. Lube has the option, subject to meeting certain performance criteria, to increase the Mr. Lube Royalty Rate on non-Tire Sales in four 0.5% increments. On May 1, 2018, the royalty rate paid by Mr. Lube on non-Tire Sales was increased by 0.5% from 6.95% to 7.45%. The royalty rate on Tire Sales remains unchanged at 2.5%. 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 was $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 using cash on hand. 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 location for the first 12-month period in which it was included in the Mr. Lube Royalty Pool, multiplied by the Mr. Lube Royalty Rate and pro-rated for the number of days in the royalty period that the location was permanently closed.

Fourth Quarter

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $58.0 million for the fourth quarter of 2019, compared to $55.3 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 2.1% for the fourth quarter of 2019 compared to 3.0% in the fourth 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 $4.2 million for the fourth quarter of 2019, compared to $4.0 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

System sales for the Mr. Lube locations within the Mr. Lube Royalty Pool were $219.4 million for the year ended December 31, 2019, compared to $206.5 million in the prior year. SSSG for the Mr. Lube locations within the Mr. Lube Royalty Pool was reported by Mr. Lube as 4.1% for the year ended December 31, 2019 compared to 3.0% in the prior year.

Royalty income increased to $16.0 million for the year ended December 31, 2019, compared to $14.8 million in the year. 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

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").

On June 19, 2015, SGRS LP licensed the SGRS Rights to Sutton for 99 years in exchange for a monthly royalty payment (the "Sutton Royalty Rate"), based on the number of agents in the Sutton Royalty Pool. The Sutton Royalty Rate grows by 2.0% per year, effective July 1st of each year. On July 1, 2019, the monthly Sutton Royalty Rate was increased from $59.693 per agent to $60.887 per agent. There are currently 5,400 agents in the Sutton Royalty Pool.

Fourth Quarter and Year

Sutton made its scheduled fixed monthly royalty and management fee payments during three months and year ended December 31, 2019. Sutton's results were in line with expectations.

Royalty income from Sutton for the three months and year ended December 31, 2019 reflects the contractual 2.0% increase compared to the same prior periods in 2018.

AIR MILES® Reward Program

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.

Fourth Quarter and Year

Royalty income from the AIR MILES® Licenses increased by 1.7% for the three months and was flat for the year ended December 31, 2019 compared to the same prior periods in 2018.

According to ADS' news release dated January 30, 2020, the AIR MILES® reward miles issued increased by 1% for the three months ended December 31, 2019 and was flat for the year ended December 31, 2019. ADS also disclosed that AIR MILES® reward miles redeemed increased by 3% for the three months ended December 31, 2019 and decreased by 1% for the year ended December 31, 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 1,000,000,000 Class C units of MRM LP having an agreed value of $1.15 million, 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 five additional locations, 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 Company currently does not expect the Deferred Amount to be payable until some time after December 31, 2020.

The Class B and Class C units of MRM LP issued to Mr. Mikes are exchangeable into common shares of the Company based on formulas that are intended to be 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. Mr. Mikes has a retained interest in MRM LP (the "Initial Retained Interest") of approximately 4.1% and 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

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

Fourth Quarter and Year

Mr. Mikes generated approximately $91 million of system sales for the year ended December 31, 2019, compared to estimated 2019 system sales of $100 million at the time of DIV's acquisition of the MRM Rights. The difference between actual and estimated system sales was due a decrease in same-store-sales and delays in opening new locations.

Royalty income from Mr. Mikes was $1.0 million for the fourth quarter of 2019 and $2.4 million for the period from May 20, 2019, the date of the MRM Rights acquisition, to December 31, 2019.

Mr. Mikes is entitled to receive distributions from MRM LP on the Initial Retained Interest. MRM LP made distributions of $0.03 million for the three months ended December 31, 2019 and $0.06 million for the period from May 20, 2019 to December 31, 2019 to Mr. Mikes.

Nurse Next Door

On November 15, 2019, DIV acquired, through NND Royalties Limited Partnership ("NND Royalties LP"), 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"), plus a retained interest provided to Nurse Next Door through the issuance of 1,000,000,000 Class B units of NND Royalties LP having an agreed value of $23.0 million (the "NND Exchangeable Units"). The cash purchase price of $52.0 million was financed by cash on hand of $44.5 million and the issuance of $7.5 million of debt by NND Holdings Limited Partnership ("NND Holdings LP") under a credit facility that has a maximum borrowing capacity of $14.5 million.

On November 15, 2019, NND Royalties LP licensed the NND Rights to Nurse Next Door for 99 years in exchange for a gross royalty (the "Gross Royalty") equal to the greater of (i) 6% of gross sales from Nurse Next Door franchises and corporate stores in Canada and the United States, and (ii) approximately $4.8 million per year, which amount shall increase at a fixed rate of 2% per annum (being the DIV Royalty Entitlement). To the extent the Gross Royalty is greater than the DIV Royalty Entitlement, Nurse Next Door will be entitled to receive the excess amount in the form of a cash distribution paid by NND Royalties LP on the NND Exchangeable Units held by Nurse Next Door (the "Nurse Next Door Distribution Entitlement").

Subject to certain royalty coverage tests being met, Nurse Next Door is able to sell incremental royalties to NND Royalties LP commencing on February 1, 2021. In consideration for the incremental royalty, Nurse Next Door will be entitled, subject to

TSX approval, to indirectly exchange its NND Royalties LP Class B Units for common shares of DIV, or cash at DIV's election, based on a formula that is intended to be accretive to DIV shareholders.

Nurse Next Door has the ability to repurchase the NND Rights from NND Royalties LP (the "NND Buy-Out Option") at any time after November 15, 2026. Due to the NND Buy-Out Option, NND Royalties LP does not satisfy the tests under IFRS to establish control over the NND Rights; accordingly, the Company cannot recognize the NND Rights as an intangible asset on its consolidated statement of financial position and the transaction is accounted for as a financing arrangement. Under IFRS, DIV is required to record its investment in NND Royalties LP as a financial instrument and the income earned from this investment as finance income, which does not allow for a direct comparison of the income received from this investment to the royalties received from DIV's other Royalty Partners, which attract different treatment under IFRS. To allow readers to assess the performance of DIV's royalty arrangements with Nurse Next Door on a basis consistent with the royalties received from DIV's other Royalty Partners, the Company reports the DIV Royalty Entitlement as a Non-IFRS measure. See "Description of Non-IFRS and Additional IFRS Measures".

Fourth Quarter and Year

The DIV Royalty Entitlement for the period from November 15, 2019 to December 31, 2019 was $0.6 million.

Oxford

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

On February 20, 2020, OX LP licensed the Oxford Rights to Oxford for 99 years in exchange for a royalty equal to 7.67% of the gross sales (the "Oxford Royalty Rate") from Oxford's 146 franchise and corporate locations in Canada and the United States included in the royalty pool (the "Oxford Royalty Pool"). So long as certain royalty coverage tests are met, Oxford will be able to add eligible new Oxford locations to the Oxford Royalty Pool on May 1st of each year during the life of the royalty commencing on May 1, 2021. In consideration for the addition of net new Oxford locations into the Oxford Royalty Pool, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX LP held by Oxford for common shares of DIV (or cash, at DIV's election).

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

EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

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

(000's)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Net income	**$ 4,189**	**$ 1,053**	**$ 14,044**	**$ 10,120**
Interest expense on credit facilities	1,596	1,458	6,053	5,395
Income tax expense	1,635	537	5,698	4,275
EBITDA[1]	7,420	3,048	25,795	19,790
Adjustments:				
Share-based compensation	347	398	1,476	1,406
Litigation	-	2,534	-	3,120
Other finance income (costs), net	251	(115)	332	(305)
Fair value adjustment on financial instruments	(346)	707	221	297
DIV Royalty Entitlement, net of NND Royalties LP expenses	604	-	604	-
Normalized EBITDA[1]	8,276	6,572	28,428	24,308
Less: interest expense on credit facilities	(1,596)	(1,458)	(6,053)	(5,395)
Less: distributions on MRM units	(33)	-	(55)	-
Less: current tax expense	(227)	-	(1,223)	-
Add: interest income	172	446	1,225	1,575
Distributable cash[1]	**$ 6,592**	**$ 5,560**	**$ 22,322**	**$ 20,488**
Distributable cash per share[1]	$ 0.0603	$ 0.0517	$ 0.2057	$ 0.1911
Dividends declared per share	0.0563	0.0556	0.2231	0.2225
Payout Ratio[1]	**93.2%**	**107.7%**	**108.5%**	**116.4%**

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

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

(000's)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Cash from operating activities	$ 8,039	$ 2,165	$ 22,959	$ 16,717
Changes in working capital	(2,595)	103	(1,035)	210
Accrued interest on convertible debentures	755	757	-	453
Litigation expense	-	2,534	-	3,120
Foreign exchange loss (gain)	3	1	8	(12)
Accrued DIV Royalty Entitlement	401	-	401	-
NND LP expenses	(11)	-	(11)	-
Distributable cash[1]	**$ 6,592**	**$ 5,560**	**$ 22,322**	**$ 20,488**

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 December 31, 2019, distributable cash increased by $1.0 million ($0.0086 per share) compared to the prior period. The increase was primarily due to the increase in adjusted revenues for the reasons stated above, partially offset by lower interest income, higher current tax expense and higher interest expense.

For the year ended December 31, 2019, distributable cash increased by $1.8 million ($0.0146 per share) compared to the prior year. The increase was primarily due to the increase in adjusted revenues for the reasons stated above, partially offset by higher current tax and interest expense and lower interest income.

Dividends Declared

For the three months ended December 31, 2019, the Company declared dividends in the aggregate amount of $6.2 million ($0.0563 per share), compared to $6.0 million in the prior period. For the year ended December 31, 2019, the Company declared dividends in the aggregate amount of $24.2 million ($0.2231 per share), compared to $23.9 million ($0.2225 per share) in the prior period. The increase in the aggregate amount of dividends declared was due to a higher number of weighted average common shares outstanding during the current periods. In addition, effective December 1, 2019, the annual dividend rate was increased from $0.2225 per share to $0.23 per share.

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 December 31, 2019 of 93.2% decreased, when compared to the payout ratio in the prior period of 107.7%. The payout ratio for the year ended December 31, 2019 of 108.5% decreased, when compared to the payout ratio in the prior period of 116.4%. The decrease was due to higher distributable cash during the three months and year ended December 31, 2019 for the reasons stated above.

For the three months ended December 31, 2019, distributable cash exceeded dividends declared by $0.4 million and there was no cash shortfall in making dividend payments for the three months ended December 31, 2019.

For the year ended December 31, 2019, dividends declared exceeded distributable cash by $1.9 million, which resulted in a payout ratio of 108.5%. 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 common shares, the payout ratio on a cash basis was 89.4%, therefore there was no cash shortfall in making dividend payments for the year ended December 31, 2019.

As at December 31, 2019, the DRIP participation rate was 15%.

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 2019 Financial Statements of the Company.

	Three months ended December 31,		Year ended December 31,	
(000's)	**2019**	**2018**	**2019**	**2018**
Royalty income	$ 8,309	$ 7,092	$ 30,114	$ 26,399
Management fees	99	78	349	310
Revenues	8,408	7,170	30,463	26,709
Expenses				
Salaries and benefits	496	415	1,790	1,627
Share-based compensation	347	398	1,476	1,406
General and administration	171	127	593	516
Professional fees	69	56	256	258
Litigation	-	2,534	-	3,120
Income from operations	7,325	3,640	26,348	19,782
Interest expense on credit facilities	(1,596)	(1,458)	(6,053)	(5,395)
Other finance income (costs), net	(251)	115	(332)	305
Fair value adjustment on financial instruments	346	(707)	(221)	(297)
Income before income taxes	5,824	1,590	19,742	14,395
Income tax expense	1,635	537	5,698	4,275
Net income and comprehensive income	$ 4,189	$ 1,053	$ 14,044	$ 10,120

Revenue

Fourth Quarter

Revenue increased by $1.2 million for the three months ended December 31, 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.

After taking into account the DIV Royalty Entitlement related to Nurse Next Door of $0.6 million, the adjusted revenue was $9.0 million for the three months ended December 31, 2019.

Year

Revenue increased by $3.8 million for the year ended December 31, 2019, when compared to the prior year. 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.

After taking into account the DIV Royalty Entitlement related to Nurse Next Door of $0.6 million, the adjusted revenue was $31.1 million for the year ended December 31, 2019.

Salaries and Benefits

Fourth Quarter and Year

Salaries and benefits expense increased by $0.1 million for the three months and $0.2 million for the year ended December 31, 2019 compared to the prior periods. The increase was due to higher compensation paid to the Company's employees.

Share-based Compensation

Fourth Quarter and Year

Share-based compensation for the three months and year ended December 31, 2019 were comparable to the prior periods.

General and Administration

Fourth Quarter and Year

General and administration expense for the three months and year ended December 31, 2019 were comparable to the prior periods.

Professional Fees

Fourth Quarter and Year

Professional fees are comprised of legal, audit, tax, and advisory services. Professional fees for the three months and year ended December 31, 2019 were comparable to the prior periods.

Litigation

Fourth Quarter and Year

Litigation expense for the three months and year ended December 31, 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

Fourth Quarter and Year

Interest expense on credit facilities increased by $0.1 million for the three months and $0.7 million for the year ended December 31, 2019, compared to the prior periods. The increase was primarily due to the $10.3 million term loan facility of MRM LP, which was funded on June 24, 2019 and the $7.5 million drawn on the $14.5 million term loan facility of NND Holdings LP, which was funded on November 15, 2019.

Other Finance Income (Costs), Net

The following table summarizes other finance income, net of costs, for the three months and year ended December 31, 2019 and 2018.

(000's)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Finance income	$ 172	$ 446	$ 1,225	$ 1,575
Foreign exchange gain (loss)	(3)	(1)	(8)	12
Distributions on MRM units	(33)	-	(55)	-
Amortization of deferred financing fees	(170)	(143)	(617)	(555)
Accretion expense	(217)	(187)	(877)	(727)
	$ (251)	$ 115	$ (332)	$ 305

Fourth Quarter

Other finance costs, net of income, increased by $0.4 million for the three months ended December 31, 2019 compared to the prior period. The increase was primarily due to lower interest income, as well as higher accretion and amortization expense.

Year

Other finance costs, net of income, increased by $0.6 million for the year ended December 31, 2019 compared to the prior year. The increase was primarily related to higher accretion and amortization expense, as well as lower interest income.

Fair value adjustment on financial instruments

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

Fourth Quarter

The fair value gain on financial instruments for the three months ended December 31, 2019 consists of a $0.4 million gain on the Company's interest rate swaps, partially offset by a loss of $0.1 million on the MRM exchangeable units.

The fair value loss on financial instruments for the three months ended December 31, 2018 was related to a $0.7 million loss on the Company's interest rate swaps.

Year

The fair value loss on financial instruments for the year ended December 31, 2019 consists of a $0.3 million loss on the Company's interest rate swaps, slightly offset by $0.05 million gain on the Company's investment in NND Royalties LP and the MRM exchangeable units.

The fair value gain on financial instruments for the year ended December 31, 2018 was related to a $0.3 million loss on the Company's interest rate swaps.

Income Tax Expense

Fourth Quarter and Year

Income tax expense increased by $1.1 million for the three months and $1.4 million for the year ended December 31, 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 December 31, 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 $181.0 million at December 31, 2019, compared to $150.3 million at December 31, 2018. In addition, pursuant to NND Royalties LP's limited partnership agreement dated November 15, 2019, its undepreciated capital cost allowance of approximately $51.5 million at December 31, 2019 is allocated to the Company for tax purposes.

SELECTED ANNUAL INFORMATION

	2019	2018	2017
Revenue	$ 30,463	$ 26,709	$ 20,919
Net income	14,044	10,120	11,560
Total assets	345,266	318,223	315,705
Total non-current financial liabilities	141,999	116,933	108,543
Basic earnings per share	$ 0.13	$ 0.09	$ 0.11
Diluted earnings per share	0.13	0.09	0.11
Dividends declared per share	0.22	0.22	0.22

The increase in revenues in 2018 compared to 2017 was driven by: (i) the first full year of revenue from the AIR MILES® Licenses; (ii) 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; (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.

The increase in revenues in 2019 compared to 2018 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.

The fluctuations in net income, basic earnings per share and diluted earnings per share reflect the growth in revenues, offset by fluctuations related to litigation and income tax expense.

The increase in total assets in 2018 compared to 2017 was primarily due to the additions to the ML Rights related to the increase in the Mr. Lube Royalty Rate on May 1, 2018 and the net addition of one store to the Mr. Lube Royalty Pool, partially offset by a lower cash balance.

The increase in total assets in 2019 compared to 2018 was primarily due to: (i) the additions to intangible assets related to the acquisition of the MRM Rights on May 20, 2019; (ii) the addition to intangible assets related to the four locations added to the Mr. Lube Royalty Pool on May 1, 2019; and (iii) the investment in NND Royalties LP. These increases were partially offset by cash deployed on these transactions.

Total non-current financial liabilities increased in 2018 compared to 2017 due to a $7.0 million increase to ML LP's term loan facility, related to the Mr. Lube Royalty Rate increase and the net addition to the Mr. Lube Royalty Pool on May 1, 2018.

Total non-current financial liabilities increased in 2019 compared to 2018 largely due to (i) MRM LP's $10.3 million term loan facility obtained in connection with the acquisition of the MRM Rights; (ii) NND Holdings LP's $14.5 million term loan facility (of which $7.5 million was drawn as of December 31, 2019) in connection with the acquisition of the NND Rights; and (iii) the promissory note issued to Mr. Mikes as partial consideration for the MRM Rights acquisition.

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)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	$ 8,408	$ 8,103	$ 7,549	$ 6,403	$ 7,170	$ 6,742	$ 6,781	$ 6,016
Net income	$ 4,189	$ 3,936	$ 3,435	$ 2,484	$ 1,053	$ 3,397	$ 3,040	$ 2,630
Earnings per common share								
Basic	$ 0.04	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ 0.03	$ 0.02
Diluted	$ 0.04	$ 0.04	$ 0.03	$ 0.02	$ 0.01	$ 0.03	$ 0.03	$ 0.02

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 of 2019 and subsequent quarters.

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, fair value adjustments and income tax expense.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit risk

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

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 December 31, 2019, the Company had cash and cash equivalents balance of $3.0 million (December 31, 2018 - $78.3 million) and working capital of $9.3 million (December 31, 2018 - working capital of $81.7 million).

As at December 31, 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	2020	2021	2022	2023	Thereafter
Accounts payable and accrued liabilities	$ 1,136	$ 1,136	$ 1,136	$ -	$ -	$ -	$ -
Promissory note	4,805	4,952	-	-	4,952	-	-
Long-term bank loans[1]	82,473	93,579	3,474	3,474	67,665	709	18,257
Acquisition Facility[2]	-	-	-	-	-	-	-
Convertible debentures	53,194	66,557	3,019	3,019	60,519	-	-
Total contractual obligations	$ 141,608	$ 166,224	$ 7,629	$ 6,493	$133,136	$ 709	$ 18,257

1) Includes the impact of interest rate swap agreements and excludes the $7.0 million drawn on the NND Holdings LP term loan in February 2020 (see "Capital Resources – Long-Term Debt").
2) Excludes the amount drawn on the Acquisition Facility in February 2020, and partial repayment of such amount in March 2020 (see "Capital Resources – Acquisition Facility").

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 year ended December 31, 2019, the Company was exposed to currency risk arising from cash denominated in U.S. dollars. As at December 31, 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 has long-term bank loans that are subject to floating interest rates. The interest rate risk related to long-term bank loans is mitigated by interest rate swap arrangements that fix the interest rates on $59.9 million of the Company's $83.1 million floating rate term loan facilities. The interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. For the year ended December 31, 2019, the Company recorded a $0.3 million expense related to the interest rate swaps.

The investment in NND Royalties LP is a financial asset measured at fair value. The valuation of this financial asset includes an estimate of the discounted cash flow receivable from Nurse Next Door and takes into consideration the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the NND Exchange Mechanism (defined below). The NND Buy-Out Option and NND Exchange Mechanism are embedded derivatives with a negligible value at December 31, 2019. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 11.9%. Although the cash flows are fixed and contractual, the fair value of the investment in NND Royalties LP will fluctuate because of changes in interest rates. As at December 31, 2019, the investment in NND Royalties LP was valued at $51.8 million and a nominal fair value increase was recorded during the year ended December 31, 2019. A one percentage point increase in the interest rate would decrease the fair value by $4.5 million. A one percentage point decrease in the interest rate would increase the fair value by $5.6 million.

CASH FLOWS

	Year ended December 31,			
(000's)		**2019**		**2018**
Cash from operating activities	$	22,959	$	16,717
Cash used in financing activities		(6,078)		(13,992)
Cash used in investing activities		(92,255)		(10,199)
Decrease in cash		(75,374)		(7,474)
Cash, beginning of year		78,342		85,816
Cash, end of year	$	2,968	$	78,342

Cash From Operating Activities

Cash from operating activities for the year ended December 31, 2019 increased by $6.2 million compared to the prior year. 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 year ended December 31, 2019 was related to dividends paid net of DRIP and debt financing costs, largely offset by proceeds on MRM LP and NND Holdings LP's term loan facilities.

Cash used in financing activities for the year ended December 31, 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 year ended December 31, 2019 was related to the acquisition of the MRM Rights, the addition of four Mr. Lube locations to the Mr. Lube Royalty Pool, and the investment in NND Royalties LP.

Cash used in investing activities for the year ended December 31, 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, the Company's acquisition facility, long-term debt and the Convertible Debentures, net of cash and cash equivalents. In managing its capital, the Company may issue new common shares, issue warrants, issue new debt, draw on its operating line of credit, purchase common shares for cancellation pursuant to normal course issuer bids, or reduce debt.

Long-Term Debt

As at December 31, 2019, the Company's subsidiaries had term loan facilities with a total drawn amount of $83.1 million. These term loan facilities have floating interest rates equal to the Bankers' Acceptance Rate plus a credit spread ranging from 1.90% to 2.25%. The Company has interest rate swap arrangements that fix the interest rates on $59.9 million of the Company's $83.1 million floating rate term loan facilities with interest rates ranging from 4.05% to 4.64%. In addition, NND Holdings LP had $7.0 million undrawn capacity under its term loan facility at December 31, 2019, which was fully drawn in February 2020 in connection with the acquisition of the Oxford Rights.

The Company's subsidiaries also have operating lines of credit with a total value of $5.0 million that were undrawn at December 31, 2019 and March 12, 2020.

Subsequent to December 31, 2019, ML LP entered into an interest rate swap arrangement with an effective date of February 5, 2020 and a maturity date of July 31, 2022 that results in a fixed interest rate of 3.88% for $7.0 million of the ML LP term loan facility. In addition, NND Holdings LP entered into an interest rate swap arrangement with an effective date of February 12, 2020 and a maturity date of November 15, 2024 that results in a fixed interest rate of 3.98% for $7.5 million of the NND Holdings LP term loan facility.

In February 2020, DIV and OX LP entered into a term sheet with a Canadian chartered bank for a senior credit facility (the "Oxford Credit Facility") that comprises of a term loan facility of $11.0 million and a revolving facility of $0.5 million. The Oxford Credit Facility is expected to have a term of 5 years, be non-amortizing and have a floating interest rate equal to the Bankers' Acceptance Rate plus 1.95% per annum. The Oxford Credit Facility will also be guaranteed by DIV on a limited recourse basis through the pledge of DIV's interest in OX LP. The Oxford Credit Facility remains subject to the finalization of definitive legal documents and customary closing conditions.

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

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

Convertible Debentures

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

Acquisition Facility

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

As at December 31, 2019, the Acquisition Facility was undrawn. The Company drew down approximately $39.7 million on the Acquisition Facility in February 2020 in connection with the closing the acquisition of the Oxford Rights, approximately $30.7 million of which was repaid on March 10, 2020 using a portion of the net proceeds of the Offering (defined below).

As at March 12, 2020, the Company had approximately $9.0 million outstanding on this Acquisition Facility. The Company intends to repay the remaining amount outstanding on the Acquisition Facility with the net proceeds from the Oxford Credit Facility once finalized.

Common Shares

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

As at March 12, 2020, there were 120,530,181 common shares issued and outstanding.

Share Options

As at March 12, 2020, there were 2,300,000 options outstanding, which may be exercised to purchase an equivalent number of common shares at exercise prices ranging between $3.22 per share to $3.53 per share.

Restricted Share Units

As at March 12, 2020, there were 959,119 RSUs outstanding, which may be settled for an equivalent number of common shares upon vesting.

DIVIDENDS TO SHAREHOLDERS

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

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

The Company's dividends are deemed eligible dividends for Canadian tax purposes. Dividends declared in 2019 and 2018 are as follows:

2019	Payment date	Dividend / share	2018	Payment date	Dividend / share
December 2019	December 31, 2019	$ 0.01917	December 2018	December 31, 2018	$ 0.01854
November 2019	November 29, 2019	$ 0.01854	November 2018	November 30, 2018	$ 0.01854
October 2019	October 31, 2019	$ 0.01854	October 2018	October 31, 2018	$ 0.01854
September 2019	September 30, 2019	$ 0.01854	September 2018	September 28, 2018	$ 0.01854
August 2019	August 30, 2019	$ 0.01854	August 2018	August 31, 2018	$ 0.01854
July 2019	July 31, 2019	$ 0.01854	July 2018	July 31, 2018	$ 0.01854
June 2019	June 28, 2019	$ 0.01854	June 2018	June 29, 2018	$ 0.01854
May 2019	May 31, 2019	$ 0.01854	May 2018	May 31, 2018	$ 0.01854
April 2019	April 30, 2019	$ 0.01854	April 2018	April 30, 2018	$ 0.01854
March 2019	March 29, 2019	$ 0.01854	March 2018	March 29, 2018	$ 0.01854
February 2019	February 28, 2019	$ 0.01854	February 2018	February 28, 2018	$ 0.01854
January 2019	January 31, 2019	$ 0.01854	January 2018	January 31, 2018	$ 0.01854

Effective December 1, 2019, the amount payable under Company's annual dividend policy was increased from $0.2225 per share to $0.23 per share. Effective March 1, 2020, the amount payable under Company's annual dividend policy was increased from $0.23 per share to $0.235 per share.

Dividend Reinvestment Plan

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

During the year ended December 31, 2019, there were 1,654,472 common shares issued under the DRIP. As at December 31, 2019, the DRIP participation rate was approximately 15%.

TRANSACTIONS WITH RELATED PARTIES

In addition to information disclosed elsewhere in this MD&A, the Company had the following related party transactions during the year ended December 31, 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.

Key Management Compensation

Key management personnel of the Company includes Members of the Board of Directors, the President and CEO, and CFO. The table below summarizes the compensation of key management personnel included in net income.

(000's)		2019		2018
Short-term benefits	$	1,545	$	1,490
Share-based compensation		1,476		1,406
	$	3,021	$	2,896

Related Party Receivable

DIV has a promissory note receivable of $3.8 million from NND Royalties LP. This promissory note receivable is non-interest bearing and will be repaid by NND Royalties LP upon receipt of the GST refund from the CRA related to the purchase of the NND Rights.

SIGNIFICANT ACCOUNTING POLICIES

The Company's 2019 Financial Statements were prepared in accordance with IFRS. The Company's significant accounting policies are described in note 3 of the Company's 2019 Financial Statements.

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, MRM LP and NND Royalties LP. Making this judgment involves taking into consideration the concepts of power over these entities, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of these entities to generate economic returns.

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

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

Control of NND Rights

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

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

Capitalization of Acquisition Costs

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

Key Estimates and Assumptions

Intangible Assets

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

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

Valuation of the Investment in NND Royalties LP

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

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

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

Classification of Exchangeable MRM Units

In connection with the acquisition of MRM Rights, MRM LP issued Class B and Class C units of MRM LP (the "Exchangeable MRM Units") to Mr. Mikes. These units are exchangeable into common shares of DIV upon satisfaction of certain performance criteria. On May 20, 2019 and December 31, 2019, the maximum number of common shares that may be issued in exchange for the Class B and Class C units of MRM LP is 355,032, subject to DIV's approval and the approval of the TSX. The Exchangeable MRM Units are recorded as a liability and measured at fair in the Company's financial statements.

Deferred Taxes

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

Convertible Debentures

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

DESCRIPTION OF NON-IFRS AND ADDITIONAL IFRS MEASURES

Non-IFRS Measures

Management believes that disclosing certain non-IFRS financial measures provides readers of this MD&A with important information regarding the Company's financial performance and its ability to pay dividends. 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, “DIV Royalty Entitlement”, “Adjusted Royalty Income” “Adjusted Revenue”, “EBITDA”, “Normalized EBITDA”, “Distributable Cash”, “Same Store Sales Growth” and “Payout Ratio” are used as non-IFRS measures in this MD&A.

DIV Royalty Entitlement, Adjusted Royalty Income and Adjusted Revenue

DIV Royalty Entitlement, Adjusted Royalty Income and Adjusted Revenue have not previously been reported by DIV and are being reported to allow readers to assess the performance of DIV’s royalty arrangement with Nurse Next Door on a basis consistent with the royalties received from DIV’s other royalty partners. Under IFRS, DIV is required to record its investment in NND Royalties LP as a financial instrument and the income earned from this investment as finance income, which does not allow for a direct comparison of the income received from this investment to the royalties received from DIV’s other royalty partners, which attract different treatment under IFRS. Adjusted Royalty Income is calculated as royalty income, plus the DIV Royalty Entitlement received by NND Royalties LP from Nurse Next Door. Adjusted Revenue is calculated as Adjusted Royalty Income plus management fees received by NND Royalties LP from Nurse Next Door. The table under the section “Royalty Pools” provides a reconciliation of royalty income to Adjusted Royalty Income and Adjusted Revenue.

EBITDA and Normalized EBITDA

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

Distributable Cash

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

Same Store Sales Growth or SSSG

Same store sales growth or SSSG is the percentage increase in store sales over the prior comparable period for locations that are included in the Mr. Lube Royalty Pool 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 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

On March 11, 2020, the World Health Organization expanded its classification of COVID-19 to a worldwide pandemic and federal, state, provincial and municipal governments in North America have now begun legislating measures to combat the spread of COVID-19. DIV and its royalty partners may experience some short/medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable. Such impacts could include, without limitation, reduced willingness of the general population to travel, government restrictions on travel and hours of store operations and other increased government regulations, reduced customer traffic and sales, supply shortages, staff shortages, all of which may negatively impact the business, financial condition and results of operations of DIV and its Royalty Partners and thus the ability of the royalty partners to satisfy their financial obligations including their obligations to make royalty and other payments to DIV, which in turn may adversely impact DIV's ability to satisfy its financial obligations to its lenders and trade creditors and its ability to pay dividends to shareholders and make interest and principal payments to holders of the Convertible Debentures.

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, the "Risk Factors" section of its management's discussion and analysis for the three and nine months ended September 30, 2019, and the "Risk Factors" section of the final short form prospectus dated March 2, 2020, copies of which are available on SEDAR at www.sedar.com. The occurrence of any of such risks, or other risks not presently known to DIV or that DIV currently believes are immaterial, could materially and adversely affect DIV's investments, prospects, cash flows, results of operations or financial condition, DIV's ability to pay cash dividends to its shareholders and DIV's ability to make principal and interest payments to holders of Convertible Debentures. In that event, the value of DIV's common shares, Convertible Debentures and any other securities it may have issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has adopted the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission for the year ended December 31, 2019.

As required by NI 52-109, the Company's CEO and CFO have evaluated the effectiveness of the Company's DC&P and ICFR. Based on such evaluations, they have concluded that the design and operation of the Company's DC&P and ICFR, as applicable, are adequately designed and effective, as at December 31, 2019. No changes were made in the Company's design of ICFR during the three and twelve months ended December 31, 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; the expected terms of the Oxford Credit Facility and the intended use of proceeds therefrom; DIV's intention to acquire future royalty streams in separate legal entities without cross-collateralization; management's expectation that it will refinance its non-amortizing loans as they become due; the expected implications of new and proposed accounting standards and practices on DIV and the dates of such proposed standards and practices are expected to come into effect; the expected tax treatment of DIV's dividends to shareholders; DIV's access to available sources of debt and equity financing; the possibility of future increases in the royalty payments made by DIV's royalty partners to DIV; the expected timing of the payment of the promissory note issued to Mr. Mikes; 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 to issue new common shares, issue new debt, adjust the amount of dividends paid to its shareholders or pursue a normal course issuer bid; and DIV's expectation that it and its royalty partners may experience some short/medium term negative impacts from the COVID-19 outbreak, and the extent of such impacts being unquantifiable.

Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Company, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties and management fees from Sutton, Mr. Lube, Mr. Mikes, Nurse Next Door and Oxford and adjustments thereto; the payment of royalties from LoyaltyOne; the ability to acquire and effect of additional royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company, Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford; DIV and its royalty partners will be able to reasonably manage the impacts of the COVID-19 outbreak on their respective businesses; the Oxford Credit Facility will be completed on the terms currently contemplated and in accordance with the timing currently expected; the ability to receive equity and/or debt financing on acceptable terms; tax laws not being changed so as to adversely affect DIV's financing capability, operations, activities, structure or dividends; the ability to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's operations; and competition for acquisitions, will be consistent with the economic climate. Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Company's management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Company's high dependency on the operations of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance of DIV and its Royalty Partners and may be reduced or suspended at any time; the unpredictability and volatility of prices of the Company's common shares; leverage and restrictive covenants; current economic conditions; failure to access financing; credit facilities risk; the financial health of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford cash flows; DIV and its royalty partners may be adversely impacted directly, or indirectly by economic or socioeconomic conditions related to the spread or perceived risk of the spread of COVID-19 (see "Risk Factors" above); the Oxford Credit Facility may not be completed on the terms currently contemplated or in accordance with the timing currently expected, or at all; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; failure to complete further royalty acquisitions or future royalty acquisitions not being accretive; dependence on the business of Sutton, Mr. Lube, LoyaltyOne, Mr. Mikes, Nurse Next Door and Oxford to fund dividends; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; 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.