Diversified Royalty Corp. Announces Preliminary Q2 2020 Results for its Royalty Partners

Vancouver, BC, July 23, 2020 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce preliminary results for its royalty partners for the three months ended June 30, 2020 ("Q2 2020").

Mr. Lube Second Quarter Results

Mr. Lube Canada Limited Partnership ("Mr. Lube") generated same-store-sales-growth ("SSSG") of -12.5% for the Mr. Lube stores in the royalty pool for Q2 2020, compared to SSSG of 4.2% for the three months ended June 30, 2019 ("Q2 2019"). Mr. Lube generated SSSG of -10.0% for the six months ended June 30, 2020 compared to SSSG of 4.3% for the six months ended June 30, 2019. Mr. Lube's SSSG was impacted by the COVID-19 pandemic, which resulted in a slow-down in consumer activity across the country and recommendations from all levels of government for people to work from home and self-isolate. As certain provinces started easing the restrictions put in place to fight the COVID-19 pandemic and Canadians started driving more, Mr. Lube's business has stabilized with June 2020 SSSG for the Mr. Lube stores in the royalty pool up 0.4% (compared to SSSG of -27% in April 2020 and -11% in May 2020).

DIV expects to report that aggregate royalty income and management fees of $3.6 million were generated from Mr. Lube in Q2 2020, a decrease of $0.6 million from Q2 2019.

AIR MILES® Second Quarter Results

Alliance Data Systems Inc. ("ADS") issued a news release earlier today announcing that: (i) AIR MILES® reward miles issued decreased by 26% in Q2 2020 and 11.6% for the six months ended June 30, 2020, reflecting a decline in discretionary spending, including credit card spend and delays in promotions by sponsors, and (ii) AIR MILES® reward miles redeemed decreased by 42% in Q2 2020 and 25% for the six months ended June 30, 2020, reflecting the impact of the COVID-19 pandemic on travel-related categories, offset somewhat by strength from merchandise redemptions. According to ADS, LoyaltyOne is supporting collectors and sponsors by pivoting the reward portfolio to reflect more non-travel options. ADS also noted that the AIR MILES® business continues to renew with sponsors, including a multi-year national renewal with Shell Canada Products, as LoyaltyOne focuses on driving collector engagement in key categories such as gasoline, grocery and liquor, which are deemed essential services.

DIV expects to report that royalty income of $1.5 million was generated from the AIR MILES® licenses in Q2 2020, a decrease of $0.4 million (-22%) compared to Q2 2019. For the six months ended June 30, 2020, DIV expects to report royalty income of $3.4 million, a decrease of $0.3 million (-8.4%) compared to the six months ended June 30, 2019. DIV's royalty payment is derived from several AIR MILES® metrics, with AIR MILES® reward miles issued being the primary metric, and other metrics including AIR MILES® reward miles redeemed, service revenue, commissions and promotional items, all of which affect quarterly variability.

Nurse Next Door Second Quarter Results

DIV expects to report that the royalty entitlement to DIV (the "DIV Royalty Entitlement") from Nurse Next Door Professional Homecare Services Inc. ("Nurse Next Door") was $1.2 million in Q2 2020. The DIV Royalty Entitlement from Nurse Next Door grows at a fixed rate of 2.0% per annum during the term of the license.

Sutton Second Quarter Results

As disclosed in DIV's news release dated March 31, 2020, with the dramatic slow-down of residential real estate activity due to the COVID-19 pandemic, DIV waived 75% of Sutton's April and May royalty payment and management fee obligations (due in May and June, respectively). The June royalty payment and management fees were not subject to a waiver and were received in full. According to the Real Estate Board of Greater Vancouver's news release dated July 3, 2020, home buyers and sellers have gradually become more active in each month of the COVID-19 pandemic, and home sales and listing activity in Metro Vancouver returned to more historically typical levels with June sales volumes up 18% (compared to -39% in April and -44% in May). According to the Toronto Regional Real Estate Board, sales volumes were only down 1% in June (compared to -67% in April and -54% in May).

DIV expects to report that royalty income and management fees of $0.5 million were generated from Sutton in Q2 2020, compared to $1.0 million in Q2 2019. The decrease in Q2 2020 was due to the 75% waiver of the April and May 2020 royalty and management fees.

Oxford Learning Centres Second Quarter Results

DIV expects to report that royalty income and management fees of $0.7 million were generated from Oxford Learning Centres, Inc. ("Oxford") in Q2 2020.

Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of -41% in Q2 2020 and -29% for the period from February 20, 2020 to June 30, 2020. Oxford's SSSG was negatively impacted by the COVID-19 pandemic, which resulted in the temporary suspension of in-centre services. In mid-March, Oxford management pivoted its business to provide online tutoring with over 95% of its locations currently able to provide this service. Oxford sales are improving with June 2020 SSSG (on a constant currency basis) of -33% for the Oxford locations in the royalty pool (compared to SSSG of -47% in April 2020 and -44% in May 2020). In early July, in accordance with regional guidelines, certain Oxford locations have started transitioning back to in-centre services at a reduced capacity. Oxford is in the process of making the necessary changes in their locations to ensure that every parent, student and staff member will have the safest possible experience at their locations.

Mr. Mikes Royalty Waiver and Second Quarter Results

As previously announced, Mr. Mikes Restaurants Corporation ("Mr. Mikes") temporarily closed all its locations for in-restaurant dining on March 18, 2020. Also as previously announced, as of early June 2020, 33 of 45 Mr. Mikes restaurants had re-opened for in-restaurant or patio dining, which has now increased to 42 of 45 Mr. Mikes restaurants. Overall SSSG for Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic, was -28% in June. SSSG for Mr. Mikes restaurants in the Mr. Mikes royalty pool that have re-opened for in-restaurant and patio dining was -19% in June 2020.

Notwithstanding the partial re-opening of such Mr. Mikes restaurants, DIV continues to expect that Mr. Mikes will experience a slow recovery and constrained cash flows. Accordingly, DIV has waived Mr. Mikes' fixed royalty and management fee payment for the period from February 24, 2020 to June 14, 2020. DIV anticipates that Mr. Mikes may require royalty relief for an extended period of time and is in discussions with its lenders and Mr. Mikes in this regard.

DIV expects to report that royalty income and management fees of $nil were generated from Mr. Mikes in Q2 2020, given that royalties and management fees for Q2 2020 were waived.

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "The impact of COVID-19 on the daily lives of Canadians and the Canadian economy was swift and unprecedented. The management teams of our royalty partners continue to do an excellent job of managing their businesses through these challenging times, and are starting to see encouraging trends as certain provinces have started to ease restrictions put in place to fight the COVID-19 pandemic. In particular, many of our royalty partners are showing positive signs of improvement in June: Mr. Lube's positive June SSSG, full royalty received from Sutton in respect of the June royalty payment period, Oxford SSSG improving by 10% month-over-month and locations re-opening for in-centre services, and Mr. Mikes now having 42 out of 45 restaurants re-opened for in restaurant or patio dining. DIV's management is in regular discussions with our royalty partners, and together with the board of directors are monitoring developments with a focus on preserving shareholder value and the long-term success of DIV and its royalty partners."

The financial information contained in this news release is preliminary, is based upon the estimates and assumptions of the respective management of DIV and its royalty partners as applicable, has not yet been approved by their respective Audit Committees or Boards of Directors, and has not been subject to a review by their respective auditors. The final Q2 2020 financial results could differ materially from the above preliminary financial information.

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV currently owns the Mr. Lube, AIR MILES®, Sutton, Mr. Mikes, Nurse Next Door and Oxford Learning Centres trademarks. Mr. Lube is the leading quick lube service business in Canada, with locations across Canada. AIR MILES® is Canada's largest coalition loyalty program with approximately two-thirds of Canadian households actively participating in the AIR MILES® Program. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada. Mr. Mikes currently operates casual steakhouse restaurants primarily in western Canadian communities. Nurse Next Door is one of North America's fastest growing home care providers with locations across Canada and the United States as well as in Australia. Oxford Learning Centres is one of Canada's leading franchised supplemental education services in Canada and the United States.

DIV intends to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward Looking Statements

Certain statements contained in this news release may constitute "forward-looking information" or "financial outlook" within the meaning of applicable securities laws that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information or financial outlook. The use of any of the words "anticipate", "continue", "estimate", "expect", "intend", "may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking information and financial outlook, although not all forward-looking information and financial outlook contain these identifying words. Specifically, forward-looking information and financial outlook in this news release includes, but is not limited to, statements made in relation to: the expected financial results of Mr. Lube, Nurse Next Door, Sutton, Mr.

Mikes and Oxford for the three months ended June 30, 2020, as applicable and the amount of royalty income expected to be reported by DIV as having been generated from the AIR MILES licenses during this period; LoyaltyOne is supporting collectors and sponsors by pivoting the reward portfolio to reflect more non-travel options; the AIR MILES® business continues to renew with sponsors, including a multi-year national renewal with Shell Canada Products, as LoyaltyOne focuses on driving collector engagement in key categories such as gasoline, grocery and liquor; Oxford locations have started transitioning back to in-centre services at a reduced capacity; Oxford is in the process of making the necessary changes in their locations to ensure that every parent, student and staff member will have the safest possible experience at their locations; DIV anticipating that Mr. Mikes may require royalty relief for an extended period of time and continuing its discussions with its lenders and Mr. Mikes in this regard; the expectation that Mr. Mikes will experience a slow recovery and constrained cash flow; DIV's intention to pay monthly dividends to shareholders; and DIV's corporate objectives. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events, performance, or achievements of DIV to differ materially from those anticipated or implied by such forward-looking information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook included in this news release are reasonable but no assurance can be given that these expectations will prove to be correct. In particular, risks and uncertainties include: Mr. Mikes may not make its fixed royalty payments to DIV, in whole or in part; the financial results of DIV's royalty partners may not be consistent with the preliminary results set forth herein; LoyaltyOne may not be successful in continuing to renew sponsor contracts, and such contracts, if renewed, may be renewed on less advantageous terms than existing contracts; DIV's royalty partners may request further royalty relief; COVID-19 may have a more significant negative impact on DIV and its royalty partners than currently expected and the businesses of DIV's royalty partners may not fully recover post COVID-19; current improvement trends being experienced by certain of DIV's royalty partners may not continue and may regress; recently re-opened royalty partner locations may be required to temporarily close in the future; royalty partner locations that are temporarily closed may not reopen; DIV may not be able to make monthly dividend payments to the holders of its common shares; dividends are not guaranteed and may be further reduced, suspended or terminated; or DIV may not achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking information and financial outlook included in this news release are not guarantees of future performance, and such forward-looking information and financial outlook should not be unduly relied upon. More information about the risks and uncertainties affecting DIV's business and the businesses of its royalty partners can be found in the "Risk Factors" section of its Annual Information Form dated March 18, 2020 and in DIV's most recently filed management's discussion and analysis, copies of which are available under DIV's profile on SEDAR at www.sedar.com.

In formulating the forward-looking information and financial outlook contained herein, management has assumed that DIV will generate sufficient cash flows from its royalties to service its debt and pay dividends to shareholders; lenders will provide any necessary waivers required in order to allow DIV to continue to pay dividends; the impacts of COVID-19 on DIV and its royalty partners will be consistent with DIV's expectations and the expectations of management of each of its Royalty Partners, both in extent and duration; DIV and its royalty partners will be able to reasonably manage the impacts of the COVID-19 pandemic on their respective businesses. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

To the extent any forward-looking information or statements in this news release constitute a "financial outlook" within the meaning of applicable securities laws, such information is being provided to investors to ensure they receive timely disclosure of material financial information with respect to the financial performance of the Corporation and its royalty partners prior to the completion of year end audits.

All of the forward-looking information and financial outlook in this news release is qualified in its entirety by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, *that they will have the expected consequences to, or effects on, DIV. The forward-looking information and financial outlook included in this news release is presented as of the date of this news release and DIV assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required by applicable law.*

Non-IFRS Financial Measures

Management believes that disclosing certain non-IFRS financial measures provides readers with important information regarding the Corporation's financial performance and its ability to pay dividends and the performance of its royalty partners. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about the Corporation and its royalty partners than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

"DIV Royalty Entitlement" and "Same Store Sales Growth" or "SSSG" are used as non-IFRS measures in this news release. The DIV Royalty Entitlement is being reported 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. Under IFRS, DIV is required to record its investment in the Nurse Next Door trademarks and other intellectual property 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. The most closely comparable IFRS measure to DIV Royalty Entitlement is royalty income; however, DIV Royalty Entitlement should not be considered substitute for IFRS measures. References to "same store sales growth" or "SSSG" in this news release are to the percentage increase in store sales over the prior comparable period that were open in both the current and prior periods, excluding stores that were permanently closed. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, the Corporation believes that same store sales growth is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Lube Locations and Oxford Locations. The Corporation'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. For further details, see the "Description of Non-IFRS and Additional IFRS Measures" in the Corporation's management's discussion and analysis for the three months ended March 31, 2020, a copy of each of which is available on SEDAR at www.sedar.com.

Third Party Information

This news release 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 news release nor ascertained the underlying assumptions relied upon by such sources.

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.

Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

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