Diversified Royalty Corp. Announces Preliminary Q1 2021 Results for its Royalty Partners

Vancouver, BC, April 29, 2021 – 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 March 31, 2021 ("Q1 2021").

Mr. Lube First Quarter Results

Mr. Lube Canada Limited Partnership ("Mr. Lube") generated same-store-sales-growth ("SSSG") of 3.9% for the Mr. Lube stores in the royalty pool for Q1 2021, an improvement compared to SSSG of -7.2% for the three months ended March 31, 2020 ("Q1 2020") due to the restrictions and lockdown measures implemented at the onset of the COVID-19 pandemic in March 2020. Despite the increased government restrictions to fight the COVID-19 pandemic in Q1 2021, including restrictions aimed to reduce travel and encourage or mandate work from home arrangements, we are seeing encouraging trends at Mr. Lube.

DIV expects to report that aggregate royalty income and management fees of $3.6 million were generated from Mr. Lube in Q1 2021, an increase of 3.2% compared to Q1 2020.

AIR MILES® First Quarter Results

DIV expects to report that royalty income of $1.5 million was generated from the AIR MILES® licenses in Q1 2021, a decrease of $0.3 million (-16.6%) compared to Q1 2020. In early Q1 2020, AIR MILES benefited from increased sponsor promotions from their grocery partners, which drove 7.9% growth in Q1 2020 royalty income compared to Q1 2019. With strong consumer demand in the grocery segment since COVID-19, these partners are not currently running promotions at nearly the same rate as in 2020.

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.

Alliance Data Systems Inc. ("ADS") issued a news release earlier today announcing that: (i) AIR MILES® reward miles issued decreased by 15.5% in Q1 2021, reflecting a decline in discretionary spending, including credit card spend and reduced promotions by sponsors as a result of the impacts of the COVID-19 pandemic, and (ii) AIR MILES® reward miles redeemed decreased by 25.7% in Q1 2021, reflecting the impact of the COVID-19 pandemic on travel-related categories, offset in part by strength from merchandise redemptions. ADS also noted that it is projecting a more favorable operating environment for LoyaltyOne in the second half of 2021 with the potential for a surge in post-pandemic travel-related redemptions, and that LoyaltyOne is working with airline partners to plan for such eventual comeback of airline travel.

Nurse Next Door First 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 Q1 2021. The DIV Royalty Entitlement from Nurse Next Door grows at a fixed rate of 2.0% per annum during the term of the license, with the most recent increase effective October 1, 2020. During the three months ended March 31, 2021, Nurse Next Door signed 17 new franchises primarily in major metropolitan markets (5 in Canada, 5 in the US and 7 in Australia). Nurse Next Door continues to make its fixed royalty payment to DIV in full, which DIV expects will continue.

Sutton First Quarter Results

DIV expects to report royalty income and management fees of $1.0 million were generated from Sutton Group Realty Services Ltd. (“Sutton”) in Q1 2021, compared to $0.8 million in Q1 2020. DIV waived 50% of Sutton’s March 2020 royalty and management fees and 75% of Sutton’s April and May 2020 royalty management fees in connection with the dramatic slow-down of residential real estate activity that occurred following the initial onset of the COVID-19 pandemic, and the related impact on Sutton’s business. The Canadian residential real estate market has experienced a broad recovery with two of Sutton’s primary markets, Vancouver and Toronto, experiencing particularly strong recoveries following a period of low transactional activity in April and May 2020.

Since June 2020, DIV has been collecting 100% of the fixed royalty and management fee payments from Sutton. The fixed royalty payable by Sutton increases at a rate of 2.0% per year, with the most recent increase effective July 1, 2020.

Oxford Learning Centres First Quarter Results

DIV expects to report that royalty income and management fees of $0.9 million were generated from Oxford Learning Centres, Inc. (“Oxford”) in Q1 2021, compared to $0.5 million in Q1 2020 (which Q1 2020 figure reflects royalties collected for the partial period from the date of DIV’s acquisition of the trademarks related to Oxford’s business on February 20, 2020 to March 31, 2020).

Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of -19% in Q1 2021. Oxford’s SSSG continues to be negatively impacted by the COVID-19 pandemic, which has resulted in the renewed temporary suspension of in-centre services at the majority of its locations, including Ontario, Quebec, Alberta, Manitoba and Saskatchewan in 2021. However, we saw a meaningful increase in Oxford’s March 2021 system sales compared to previous months, which we believe to be indicative of pent-up demand, when restrictions were lifted primarily in Ontario. At this time, Oxford’s management expects there to be continued softness in the second quarter of 2021 as government restrictions were re-implemented to combat the third wave of COVID-19 in various regions resulting in the aforementioned renewed temporary suspension of in-centre services at the majority of its locations.

Mr. Mikes First Quarter Results

In recent months, certain governments have implemented increased restrictions in various regions to combat the growing number COVID-19 cases. As a result, the majority of Mr. Mikes Restaurants Corporation (“Mr. Mikes”) restaurants are temporarily closed for in-restaurant dining. Overall, SSSG in Q1 2021 for the Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic was -25% compared to Q1 2020 and -36% compared to Q1 2019.

Mr. Mikes continues to expect a slow recovery as a result of recent government restrictions on operations related to the third wave of COVID-19. DIV expects to report that royalty income and management fees of $0.5 million were generated from Mr. Mikes in Q1 2021, compared to $0.6 million in Q1 2020. DIV expects continued royalty and management fee relief will be required by Mr. Mikes until such time as all government restrictions impacting the operation of Mr. Mikes restaurants are lifted and the business stabilizes.

First Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “The third wave of COVID-19 has recently resulted in wider government restrictions, which includes curfews, school closings, stay-at-home orders and a ban on indoor restaurant dining in several regions. As a result, we expect the softness experienced in the first quarter of 2021 to continue into the second quarter. However, we saw encouraging trends in the performance of our royalty partners when government restrictions were temporarily relaxed in the second half of 2020, and we believe that there will be a meaningful recovery amongst our royalty partners when government restrictions are again meaningfully relaxed in the future and the economy stabilizes, which we expect to occur post vaccinations. We continue to engage in regular discussions with our royalty partners with a focus on long-term success and the preservation of shareholder value."

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 "intend" 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 Q1 2021 and the amount of royalty income expected to be reported by DIV as having been generated from the AIR MILES licenses during this period; DIV seeing encouraging trends at Mr. Lube; ADS projecting a more favorable operating environment for LoyaltyOne in the second half of 2021 with the potential for a surge in post-pandemic travel-related redemptions, and that LoyaltyOne is working with airline partners to plan for such eventual comeback of airline travel DIV's expectation that Nurse Next Door will continue to make its fixed royalty payments in full; Oxford management's expectation that Oxford will experience continued softness in the second quarter of 2021; DIV's expectation that Mr. Mikes will require royalty and management fee relief going forward; Mr. Mikes' expectation that it will continue to experience a slow recovery as a result of recent government restrictions on operations related to the third wave of COVID-19; DIV's expectation that that the softness experienced in the Q1 2021 will continue into the second quarter; DIV's belief that there will be a meaningful recovery amongst its royalty partners when government restrictions are again meaningfully relaxed in the future and the economy stabilizes, which DIV expects to occur post vaccinations; DIV remaining engaged in regular discussions with its royalty partners with a focus on long-term success and the preservation of shareholder value; 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: the financial *results of DIV's royalty partners may not be consistent with the preliminary results set forth herein; DIV's royalty partners may not make their respective royalty payments to DIV, in whole or in part; DIV's royalty partners may request further royalty relief; COVID-19 may have a more significant negative impact on DIV and its royalty partners (including their respective franchisees) than currently expected and the businesses of DIV's royalty partners (and their respective franchisees) may not fully recover following the relaxation of government restrictions or post vaccinations; current improvement trends being experienced by certain of DIV's royalty partners (and their respective franchisees) may not continue and may regress; royalty partner locations that are temporarily closed may not reopen; the rates of recovery for DIV's royalty partners will be dependent upon, among other things, the availability and effectiveness of vaccines for the COVID-19 virus, government responses, rates of economic recovery, precautionary measures taken by consumers and the rate at which government restrictions will be lifted or meaningfully relaxed; LoyaltyOne may not experience a more favorable operating environment in the second half of 2021 or a surge in post-pandemic travel-related redemptions; 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 11, 2021 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 a 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, Mr. Mikes restaurants 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. In addition, see the "Description of Non-IFRS and Additional IFRS Measures" in DIV's most recently filed management's discussion and analysis, a copy 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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