



## Diversified Royalty Corp. Announces First Quarter 2021 Results

**Vancouver, BC, May 13, 2021** – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the “Corporation” or “DIV”) is pleased to announce its financial results for the three months ended March 31, 2021 (“Q1 2021”).

### Q1 2021 Highlights

- Revenue of \$7.6 million, up 4.8% compared to the three months ended March 31, 2020 (“Q1 2020”)
- Adjusted revenue of \$8.8 million, up 4.4% compared to Q1 2020
- Distributable cash of \$5.9 million, up 7.4% compared to Q1 2020

### First Quarter Results

(000's)	Three months ended March 31,	
	2021	2020
Mr. Lube	\$ 3,630	\$ 3,517
AIR MILES®	1,525	1,829
Sutton	1,033	843
Oxford <sup>1</sup>	906	465
Mr. Mikes	497	591
Nurse Next Door	1,246	1,222
<b>Adjusted revenue<sup>2</sup></b>	<b>\$ 8,837</b>	<b>\$ 8,467</b>

1) 2020 figures include royalties and management fees from Oxford from the date of the Oxford Rights acquisition on February 20, 2020.

2) Adjusted revenue is a non-IFRS measure and as such, do not have standardized meetings under IFRS. For additional information regarding these financial metrics, refer to “Non-IFRS Financial Measures” in this press release.

In Q1 2021, DIV generated \$7.6 million of revenue compared to \$7.3 million in Q1 2020. After taking into account the DIV Royalty Entitlement (defined below) related to DIV’s royalty arrangements with Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”), DIV’s adjusted revenue was \$8.8 million in Q1 2021 compared to \$8.5 million in Q1 2020. Adjusted revenue increased in Q1 2021 compared to Q1 2020 due to the incremental adjusted revenues related to the acquisition of the Oxford Rights from Oxford Learning Centres, Inc. (“Oxford”) in February 2020, higher royalty income from Sutton Group Realty Services Ltd. (“Sutton”), as DIV granted royalty and management relief to Sutton in Q1 2020, and positive same-store-sales growth (“SSSG”) at Mr. Lube Canada Limited Partnership (“Mr. Lube”). The increase in adjusted revenue was partially offset by the impact of the COVID-19 pandemic, which included continued royalty and management fee relief for Mr. Mikes Restaurants Corporation (“Mr. Mikes”) and lower royalty income from the AIR MILES® licenses.

### *Royalty Partner Business Updates*

**Mr. Lube:** SSSG for the Mr. Lube stores in the royalty pool was 3.9% in Q1 2021, an improvement compared to SSSG of -7.2% in Q1 2020 due to the restrictions and lockdown measures implemented at the onset of the COVID-19 pandemic in March 2020. Despite the increase 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. In April 2021, SSSG for the 141 flagship locations (122 of which are in the Mr. Lube Royalty Pool) was approximately 54.5% year-over-year, due to the more significant restrictions and lockdown measures in place in April 2020 compared to April 2021.

**AIR MILES®:** According to Alliance Data Systems Inc.’s (“ADS”) news release dated April 29, 2021, the number of AIR MILES® reward miles issued decreased by 15.5% in Q1 2021, reflecting a decline in discretionary spending,



including credit card spend and delays in promotions by sponsors as a result of the impacts of the COVID-19 pandemic. In addition, ADS announced that AIR MILES reward miles redeemed decreased by 25.7% in Q1 2021, reflecting the impact of the COVID-19 pandemic on travel-related categories, partially offset 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.

**Sutton:** DIV waived 50% of Sutton's March 2020 royalty and management fees and 75% of Sutton's April and May 2020 royalty and 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 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:** Oxford locations in the 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 resulted in the renewed temporary suspension of in-centre tutoring services at the majority of its locations in Q1 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. 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, including Ontario, Quebec, Alberta, Manitoba and Saskatchewan.

**Mr. Mikes:** 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 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.

**Nurse Next Door:** The royalty entitlement to DIV (the "DIV Royalty Entitlement") from 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.

#### *First Quarter Commentary*

Sean Morrison, President and Chief Executive Officer of DIV stated, "The renewed restrictions imposed by various governments to combat the growing number of COVID-19 cases in recent months are expected to result in some softness in the second quarter of 2021. However, as vaccinations are underway across the country, we are optimistic that there will be a meaningful recovery amongst our Royalty Partners when government restrictions are reasonably relaxed and the economy stabilizes. We remain focused on preserving and enhancing shareholder value and the long-term success of our Royalty Partners."

#### *Distributable Cash and Dividends Declared*

In Q1 2021, distributable cash increased to \$5.9 million (\$0.0485 per share), compared to \$5.5 million (\$0.0486 per share) in Q1 2020. The increase in distributable cash was primarily due to higher adjusted revenue on account of the reasons discussed above, lower salaries and benefits, savings in professional fees and lower



interest expense, partially offset by higher current tax expense. The decrease in distributable cash per share was primarily due to a higher weighted average number of common shares outstanding in Q1 2021 compared to Q1 2020, partially offset by the increase in distributable cash.

In Q1 2021, the Corporation's payout ratio was 103.1%, compared to the payout ratio of 119.2% in Q1 2020. The decrease was primarily due to higher distributable cash and lower dividends declared, partially offset by a higher weighted average number of common shares outstanding. Due to seasonality in both AIR MILES and Mr. Lube, the payout ratio in the first quarter is typically weaker than other quarters. However, the Corporation's dividend reinvestment plan ("DRIP") was open for participation in Q1 2021. As a portion of the dividends declared in Q1 2021 were settled through a reinvestment in the Corporation's shares for participants in the DRIP, the payout ratio on a cash basis was 90.3% in Q1 2021 and there was no cash shortfall.

#### *Net Income (Loss)*

Net income for Q1 2021 was \$4.1 million, compared to a net loss of \$11.7 million in Q1 2020. The increase in net income was primarily due to the non-cash impairment loss of \$19.8 million related to the MRM Rights recorded in Q1 2020. In addition, net income increased in Q1 2021 due to the fair value adjustment on financial instruments and higher revenues, partially offset by higher income tax expense and other finance costs.

#### 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 expects 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" 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. 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, although not all forward-looking information contains these identifying words. Specifically, forward-looking information in this news release includes, but is not limited to, statements made in relation to: 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 renewed restrictions imposed by governments in recent months will result in some softness in the second quarter of 2021; DIV's belief that there will be a meaningful recovery amongst its royalty partners when government restrictions are reasonably relaxed and the economy stabilizes, which DIV expects to occur post vaccinations; DIV remaining focused on preserving and enhancing shareholder value and the long-term success of its royalty partners; 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. DIV believes that the expectations reflected in the forward-looking information 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: 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 included in this news release is not a guarantee of future performance, and such forward-looking information 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](http://www.sedar.com).

In formulating the forward-looking information 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; lenders will provide any necessary covenant waivers to DIV and its royalty partners; the impacts of COVID-19 on DIV and its royalty partners (including their respective franchisees) 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 (including their respective franchisees) will be able to reasonably manage the impacts of the COVID-19 pandemic and related government regulations on their respective businesses; Nurse Next Door will continue to make its royalty payments to DIV in full and will not request royalty relief in relation to such events; vaccination programs will be successful and vaccines effective, and the expected positive impacts thereof on DIV and the businesses of its royalty partners (including their respective franchisees) will be consistent with DIV's expectations; and DIV will be able to obtain debt financing for such transactions on reasonable terms. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking information in this news release is qualified 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 it will have the expected consequences to, or effects on, DIV. The forward-looking information in this news release is made 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.

DIV notes that the financial results reported in this news release for the three months ended March 31, 2021 are consistent with the preliminary results for such period reported in DIV's news release dated April 29, 2021.



### 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 DIV's 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.*

*"Adjusted revenue", "DIV Royalty Entitlement", "distributable cash", "same store sales growth" or "SSSG", and "payout ratio" are used as non-IFRS measures in this news release. 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, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://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

The information in this news release should be read in conjunction with DIV's consolidated financial statements and management's discussion and analysis ("MD&A") for the three months ended March 31, 2021, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information relating to the Corporation and other public filings, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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