



**Diversified Royalty Corp. Announces Increase to the Mr. Lube Royalty Rate, Additions to the Mr. Lube Royalty Pool, Amendment of ML Royalties LP Credit Facility and May 2021 Cash Dividend**

**Vancouver, BC, May 3, 2021** – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the “Corporation” or “DIV”) and Mr. Lube Canada Limited Partnership (“Mr. Lube”) announced today that effective May 1, 2021, the royalty rate paid by Mr. Lube to the Corporation on non-tire sales at flagship locations (the “Mr. Lube Royalty Rate”) has been increased by 0.5% from 7.45% to 7.95%. In addition, the Mr. Lube royalty pool (the “Mr. Lube Royalty Pool”) has been adjusted to include the royalties from 13 new Mr. Lube locations. With the adjustment for these 13 openings, the Mr. Lube Royalty Pool now includes 135 flagship locations. As previously announced, on November 9, 2020, DIV and Mr. Lube entered into an amendment (the “LP Amendment”) to the amended and restated limited partnership agreement of DIV’s direct subsidiary ML Royalties Limited Partnership (“ML LP”) to confirm the terms on which the aforementioned transactions would be completed.

Sean Morrison, President and Chief Executive Officer of DIV, stated, “Mr. Lube continues to demonstrate growth and strong performance despite the unprecedented challenges caused by COVID-19. We believe that the experienced management team at Mr. Lube and the strong store-level execution by its franchisees will facilitate the growth of the Mr. Lube brand across Canada. The increase in the Mr. Lube Royalty Rate and the additions to the Mr. Lube Royalty Pool is expected to be over 1 cent accretive to distributable cash per share.”

Stuart Suls, President and Chief Executive Officer of Mr. Lube, stated, “As the pandemic evolved over the past several months, we are proud of the resilience our franchisees demonstrated in adapting to the constantly changing environment. We look forward to continue strengthening the store level economics of our franchisees, growing the Mr. Lube brand and the ongoing mutually beneficial relationship with DIV.”

Mr. Lube Royalty Rate Increase

Mr. Lube has the option, subject to meeting certain performance criteria (which were agreed to be satisfied with respect to the current Mr. Lube Royalty Rate increase pursuant to the LP Amendment), to increase the Mr. Lube Royalty Rate in four, 0.5% increments during the life of the royalty. The increase of the Mr. Lube Royalty Rate from 7.45% to 7.95% on non-tire sales on May 1, 2021 represents the second such royalty rate increase. The royalty rate on tire sales remains unchanged at 2.50%.

The Mr. Lube Royalty Rate increase is expected to generate additional royalty revenue for the Corporation of approximately \$1.16 million per annum (previously estimated to be \$1.15 million). The total consideration paid to Mr. Lube for the increase of the Mr. Lube Royalty Rate was \$8.3 million (consistent with prior estimates), which was paid to Mr. Lube on May 1, 2021 in cash. The consideration paid to Mr. Lube for the increase to the Mr. Lube Royalty Rate was partially financed by an increase in the term loan facility of ML LP as described below.

For further details with respect to the manner in which the Mr. Lube royalty rate increase occurs and the agreements underlying the procedures therefor, see DIV’s Annual Information Form dated March 11, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Additions to the Mr. Lube Royalty Pool

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 that have been open since July 1 of the previous reporting period and to remove Mr. Lube locations that have been permanently closed during the previous year. Pursuant to



the LP Amendment, such performance criteria were agreed to be satisfied with respect to 13 Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2021.

The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue is \$7.7 million (previously estimated to be \$6.9 million), representing 80% of the total estimated consideration of \$9.6 million (previously estimated to be \$8.7 million), which was paid in cash. The consideration paid to Mr. Lube was partially financed by an increase in the term loan facility of ML LP as described below. The remaining consideration payable for the net additional royalty revenue related to 7 of the 13 locations will be paid to Mr. Lube on May 1, 2022 and will be adjusted to reflect the actual system sales of these locations for the year ending December 31, 2021. The remaining consideration payable for the net additional royalty revenue related to 6 of the 13 locations will be paid to Mr. Lube on May 1, 2023 and will be adjusted to reflect the actual system sales of these locations for the year ending December 31, 2022.

On May 1, 2019, the Mr. Lube Royalty Pool was adjusted to include royalties from four new flagship Mr. Lube locations. The initial consideration previously paid by DIV was \$2.7 million, which represented 80% of the total estimated consideration for those four locations, which estimate was based on the forecast system sales of these four locations for the 2019 fiscal year. The remaining consideration for the additional royalty revenue of the four new flagship Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2019 was originally scheduled to be paid to Mr. Lube on May 1, 2020, based on their actual system sales for the year ended December 31, 2019. The impact of COVID-19 on Mr. Lube and DIV would have created an anomalous result in the determination of the remaining consideration payable by DIV to Mr. Lube for the four new flagship locations added to the Royalty Pool on May 1, 2019. Accordingly, as previously disclosed, at Mr. Lube's request, DIV agreed to defer the payment of the remaining consideration owing to Mr. Lube to May 1, 2021. After taking into account the \$2.7 million previously paid by DIV to Mr. Lube on May 1, 2019, DIV paid Mr. Lube the remaining \$0.9 million of cash consideration for the additional royalty revenue of these four locations on May 1, 2021.

For further details with respect to the manner in which annual adjustments of the Mr. Lube Royalty Pool occur and the agreements underlying the procedures therefor, see DIV's Annual Information Form dated March 11, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Amendment of ML Royalties LP Credit Facility

On May 1, 2021, ML LP, the wholly owned subsidiary of DIV that owns the ML Rights, amended its credit agreement with a Canadian chartered bank to increase its non-amortizing term loan facility from \$41.6 million to \$53.0 million. The increase in the term loan facility was used to partially finance the consideration paid to Mr. Lube for the increase in the Mr. Lube Royalty Rate and the additions to the Mr. Lube Royalty Pool. Under the amended ML LP credit agreement, the term loan facility bears interest at the banker's acceptance rate plus 2.5% per annum and matures on May 1, 2025. ML LP is required to have in place, and expects to complete, an interest rate swap arrangement for 75% of the \$53.0 million term loan facility within 60 days following May 1, 2021.

#### May 2021 Cash Dividend

DIV is pleased to announce that its board of directors has approved a cash dividend of \$0.01667 per common share for the period of May 1, 2021 to May 31, 2021, which is equal to \$0.20 per common share on an annualized basis. The dividend will be paid on May 31, 2021 to shareholders of record on May 14, 2021.

#### 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 amount of additional royalty revenue that is expected to be generated from the 0.5% increase to the Mr. Lube Royalty Rate; the amount of additional royalty revenue that is expected to be generated from the net addition to the Mr. Lube Royalty Pool; the amount and timing of the payment for the remaining consideration payable to Mr. Lube for the new royalty revenue from the 13 Mr. Lube locations added to the Mr. Lube Royalty Pool; the expected impact of the increase to the Mr. Lube Royalty Rate and additions to the Mr. Lube Royalty Pool on DIV's distributable cash; DIV's belief that the experienced management team at Mr. Lube and strong store-level execution by its franchisees will facilitate the growth of the Mr. Lube brand across Canada; Mr. Lube looking forward to continuing to strengthen the store level economics of its franchisees, growing the Mr. Lube Brand and the ongoing mutually beneficial relationship with DIV; DIV's expectation that ML LP will have an interest rate swap arrangement in place for 75% of its \$53.0 million term loan facility within 60 days following May 1, 2021; the amount and timing of the May 2021 dividend to be paid to DIV's shareholders; DIV's ability to pay a predictable and stable dividend to shareholders; or DIV may not achieve any of its 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 in such forward-looking information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: Mr. Lube will continue to make royalty payments in the amounts and at the times required, or at all; the amount of, or timing of the payment for, the additional consideration payable to Mr. Lube for the 13 additional Mr. Lube locations added to the Mr. Lube Royalty Pool will occur in the amount or at the time estimated; that transactions completed with Mr. Lube for the increase in the Mr. Lube Royalty Rate and the additions to the Mr. Lube Royalty Pool will be accretive to DIV shareholders; Mr. Lube will realize any of the intended benefits of its growth strategy; Mr. Lube will continue opening new stores, or that such stores will be successful if opened; that Mr. Lube will succeed in improving store level economics of its franchisees; ML LP will not further amend its credit facility in the future or have in place the required interest rate swap arrangements for such facility; DIV will be able to make monthly dividend payments to the holders of its common shares; or DIV will 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](http://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; the performance of the Mr. Lube flagship locations in the Mr. Lube Royalty Pool will be consistent with DIV's expectations; and ML LP will complete the required interest rate swap arrangements for its credit facility in accordance with the required timing. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.*

*To the extent any forward-looking information in this news release constitutes a "financial outlook" within the meaning of applicable securities laws, such information is being provided to provide investors with an estimate of the financial impact to DIV of the increase to the Mr. Lube Royalty Rate and the addition of 13 Mr. Lube locations to the Mr. Lube Royalty Pool.*

*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.*

*"Distributable cash" is used as a non-IFRS measure in this news release. For further details, 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](http://www.sedar.com).*

**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](http://www.sedar.com).

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