Diversified Royalty Corp. Announces Increase to the Monthly Dividend and Preliminary Q2 2021 Results for its Royalty Partners

Vancouver, BC, July 29, 2021 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce a 5% increase to its monthly dividend and the preliminary results for its royalty partners for the three months ended June 30, 2021 ("Q2 2021").

Increase to the Monthly Dividend

DIV's royalty partners are experiencing positive trends, driven primarily by the relaxing of COVID-19 restrictions across Canada. As a result, the Board of Directors of the Corporation (the "Board") has approved an increase to the monthly dividend from $0.01667 per share per month ($0.20 per share on an annualized basis) to $0.0175 per share per month ($0.21 per share on an annualized basis) effective August 2021.

On March 31, 2020, DIV reduced its annual dividend by 15% from $0.235 per share to $0.20 per share due to the impacts of COVID-19 on DIV and its Royalty Partners. As a result of the reduced dividend and improvements in the performance of DIV's royalties, DIV's average payout ratio in Q3 2020, Q4 2020 and Q1 2021 (all quarters directly impacted by COVID) was approximately 95%, while DIV's Q2 2021 payout ratio is expected to be approximately 90%. In addition, on May 1, 2021, DIV completed the purchase of incremental royalties from its largest royalty partner, Mr. Lube Canada Limited Partnership ("Mr. Lube") through the addition of 13 new stores to the Mr. Lube Royalty pool and an incremental 0.5% increase to the royalty rate paid by Mr. Lube on non-tire sales, which transactions are expected to increase distributable cash by approximately $0.01 per share (on an annualized basis) and further reduce DIV's payout ratio.

Sean Morrison, President and Chief Executive Officer of DIV stated, "The combination of positive trends in our royalty partners (especially our largest partner, Mr. Lube) and our recent accretive incremental royalty purchases from Mr. Lube have resulted in an increase to DIV's distributable cash and provided DIV with the ability to increase its dividend. We remain cautiously optimistic that the positive trends being experienced by our royalty partners will lead to a meaningful recovery of their respective businesses. Our Board, in consultation with management, regularly reviews our dividend policy and will continue to do so going forward. If our royalty partners continue to experience positive trends, DIV will consider further increases to its dividend while maintaining a target annual payout ratio below 100%."

Mr. Lube Second Quarter Results

Mr. Lube generated same-store-sales-growth ("SSSG") of 21.8% for the Mr. Lube stores in the royalty pool for Q2 2021, an improvement compared to SSSG of -12.5% for the three months ended June 30, 2020 ("Q2 2020"). Mr. Lube generated SSSG of 13.2% for the six months ended June 30, 2021 compared to SSSG of -10.0% for the six months ended June 30, 2020. Mr. Lube's SSSG for the three and six months ended June 30, 2020 were more significantly negatively impacted by the COVID-19 pandemic, and the ensuing restrictions and lockdown measures implemented by various levels of government than in the current period. As provinces relax the restrictions put in place to fight the COVID-19 pandemic and Canadians drive more, Mr. Lube is experiencing favorable trends in its business.

The SSSG for Mr. Lube's flagship stores was 2.7% for the six months ended June 30, 2021 compared to the same period in 2019. Mr. Lube's SSSG consists of two main components: store visits and average ticket sales. Although same store visits for Mr. Lube's flagship stores increased by 7.6% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020, they remain -11.8% below 2019 visits. Average ticket sales for Mr. Lube's flagship stores grew by approximately 6.2% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 and by 16.4% compared to the same period in 2019. The vast majority of the growth in average ticket sales is due to incremental maintenance services (e.g. spark plugs, power steering fluid replacement and light mechanical) and tire services. As store visits recover to the same levels experienced in 2019, Mr. Lube, with its much higher average ticket sales, is well positioned to generate positive SSSG.

DIV expects to report that aggregate royalty income and management fees of $4.8 million were generated from Mr. Lube in Q2 2021, an increase of 33% compared to Q2 2020. The increase in royalty income and management fees was primarily due to SSSG of 21.8% in Q2 2021, as well as the addition of 13 new stores to the Mr. Lube royalty pool and the 0.5% increase to the Mr. Lube royalty rate on May 1, 2021.

AIR MILES® Second Quarter Results

DIV expects to report that royalty income of $1.6 million was generated from the AIR MILES® licenses in Q2 2021, an increase of $0.1 million (6.1%) compared to Q2 2020. For the six months ended June 30, 2021, DIV expects to report royalty income of $3.1 million, a decrease of $0.2 million (-6.3%) compared to the six months ended June 30, 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 increased by 8.2% in Q2 2021, reflecting an increase in discretionary spending, including credit card spend, and (ii) AIR MILES® reward miles redeemed increased by 31.6% in Q2 2021, reflecting an improvement in travel-related categories and continued strength from merchandise redemptions (including a significant increase in redemptions and average flight bookings per day in June 2021). ADS also noted that AIR MILES® is working with travel partners to offer promotions and redemptions to drive increased collector travel and tourism as appropriate, leading to optimism in the latter half of 2021. ADS went on to note that July 2021 to-date average daily flight bookings are currently ten times the Q1 2021 level, yet remain at 60% - 70% of the pre-pandemic level.

ADS previously announced its intention to spin off its LoyaltyOne segment (comprising the Canadian AIR MILES reward program and the Netherlands-based BrandLoyalty business) into an new independent US-based, publicly traded company by the end of 2021. DIV believes that this spin-off could place renewed management focus on top-line growth at LoyaltyOne, which could be beneficial to DIV's royalty.

Sutton Second 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 Q2 2021, compared to $0.5 million in Q2 2020. 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 strong 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, 2021.

Oxford Learning Centres Second 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 Q2 2021, compared to $0.7 million in Q2 2020.

Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of 41% in Q2 2021, compared to SSSG of -41% in Q2 2020. Oxford's SSSG for the six months ended June 30, 2021 was 3.4%, compared to -30% for the period from February 20, 2020, the acquisition date of the Oxford Rights, to June 30, 2020. In 2020, Oxford's SSSG was negatively impacted by the COVID-19 pandemic, which has resulted in the temporary suspension of in-centre services at the majority of its locations. As government restrictions in Ontario for in-person tutoring were relaxed in mid-July 2021, and the new school year will be starting in September, Oxford is optimistic about the second half of 2021.

Mr. Mikes Second Quarter Results

The majority of Mr. Mikes Restaurants Corporation ("Mr. Mikes") restaurants were open for in-restaurant dining at a reduced capacity in mid-June 2021. Overall, SSSG in Q2 2021 for the Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic was 77% compared to Q2 2020 and -50% compared to Q2 2019. SSSG for the six months ended June 30, 2021 for the Mr. Mikes restaurants in the royalty pool was flat compared to the six months ended June 30, 2020 and -43% compared to the six months ended June 30, 2019. Mr. Mikes restaurants were closed for in-restaurant dining for most of Q2 2020, which negatively impacted Mr. Mikes' system sales in that quarter.

The management team at Mr. Mikes continues to expect a protracted recovery. DIV expects to report that royalty income and management fees of $0.8 million were generated from Mr. Mikes in Q2 2021, compared to $nil in Q2 2020. In Q2 2020, DIV waived 100% of Mr. Mikes' fixed royalty and management fee in response to the impact of the COVID-19 pandemic on Mr. Mikes' business. 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 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 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.

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 increase to DIV's monthly dividend effective August 2021; DIV's expectation that its Q2 2021 payout ratio will be approximately 90%; DIV's expectation that the incremental royalties acquired from Mr. Lube in May 2021 will increase DIV's distributable cash and reduce DIV's payout ratio; DIV remaining cautiously optimistic that the positive trends being experienced by its royalty partners will lead to a meaningful recovery of their respective businesses; DIV continuing to review its dividend policy and that it will consider further dividend increases if DIV's royalty partners continue to experience positive trends; DIV maintaining a target annual payout ratio below 100%; the expected financial results of Mr. Lube, Nurse Next Door, Sutton, Mr. Mikes and Oxford for Q2 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; Mr. Lube being well positioned to generate positive SSSG; ADS noting that AIR MILES® is working with travel partners to offer promotions and redemptions to drive increased collector travel and tourism as appropriate, leading to optimism in the latter half of 2021; DIV's belief that the spin-off by ADS of its LoyaltyOne segment could place renewed management focus on top-line growth at LoyaltyOne, which could be beneficial to DIV's royalty; Oxford being optimistic about the second half of 2021 as government restrictions in Ontario were relaxed-mid July 2021 and with the new school year starting in September; DIV's expectation that Mr. Mikes will require royalty and management fee relief until such time as all government restrictions impacting the operation of Mr. Mikes restaurants are lifted and the business stabilizes; Mr. Mikes' expectation that it will continue to experience a protracted recovery; 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 and its 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; the incremental royalties acquired from Mr. Lube may not be accretive to DIV shareholders and may not increase distributable cash or reduce DIV's payout ratio; DIV's payout ratio for Q2 2021 may be greater than 90%; DIV's payout ratio may from time to time exceed 100% notwithstanding DIV's target is a payout ratio below 100%; the performance of AIR MILES® may not improve in the second half of 2021 as currently expected by ADS; the spinoff of ADS' LoyaltyOne segment may not be beneficial to LoyaltyOne's top-line or DIV's royalty; Oxford's performance may not improve in the second half of 2021 as currently expected; DIV may not increase its dividend in accordance with the currently expected timing or amounts; there may be no future increases to DIV's dividend; DIV may not be able to make monthly dividend payments to the holders of its common shares; dividends are not guaranteed and may be reduced, suspended or terminated at any time; 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 (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 on their respective businesses; 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; the performance of DIV's royalty partners will be consistent with DIV's and its royalty partners' respective expectations; and recent positive trends for certain of DIV's royalty partners (including their respective franchisees) will continue and not regress. 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 and to provide an estimate of the financial impact to DIV of certain recent transactions described above.

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", "Same Store Sales Growth" or "SSSG", "distributable cash" and "payout ratio" 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. Distributable cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS. Management believes that distributable cash provides investors with useful information about the amount of cash the Corporation 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 Corporation. The Corporation'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 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 Corporation believes that it provides supplemental information regarding the extent to which the Corporation distributes cash as dividends, when compared to its cash flow capacity. The Corporation's method of calculating payout ratio may differ from those of other issuers or companies and, accordingly, payout ratio 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.

Contact:
Sean Morrison, President and Chief Executive Officer
Diversified Royalty Corp.
(236) 521-8470

Greg Gutmanis, Chief Financial Officer and VP Acquisitions
Diversified Royalty Corp.
(236) 521-8471