Diversified Royalty Corp. Announces Second Quarter 2021 Results and Appointment of New Independent Director

Vancouver, BC, August 12, 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 June 30, 2021 ("Q2 2021") and six months ended June 30, 2021.

Highlights

- Revenue of $9.2 million in Q2 2021 and $16.8 million for the six months ended June 30, 2021, up 45.8% compared to the three months ended June 30, 2020 ("Q2 2020") and 23.8% compared to the six months ended June 30, 2020
- Adjusted revenue of $10.4 million in Q2 2021 and $19.2 million for the six months ended June 30, 2021, up 38.7% and 20.5%, respectively, compared to the same periods in 2020
- Distributable cash of $6.8 million in Q2 2021 and $12.7 million for the six months ended June 30, 2021, up 38.3% and 22.0%, respectively, compared to the same periods in 2020
- Increased annual dividend by 5% to $0.21 per share, effective with the August 2021 monthly dividend
- Appointment of Mr. Kevin Smith as a new independent director

Second Quarter and Year-To-Date Results

(000's)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Mr. Lube	$ 4,753	$ 3,570	$ 8,383	$ 7,087
AIR MILES®	1,623	1,529	3,148	3,358
Sutton	1,033	506	2,066	1,349
Oxford[1]	923	670	1,829	1,135
Mr. Mikes	823	-	1,320	591
Nurse Next Door	1,246	1,222	2,492	2,444
Adjusted revenue[2]	$ 10,401	$ 7,497	$ 19,238	$ 15,964

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, does not have a standardized meaning under IFRS. For additional information, refer to "Non-IFRS Financial Measures" in this news release.

In Q2 2021, DIV generated $9.2 million of revenue compared to $6.3 million in Q2 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 $10.4 million in Q2 2021 compared to $7.5 million in Q2 2020. Adjusted revenue increased in Q2 2021 compared to Q2 2020 primarily due to positive trends experienced by DIV's royalty partners in the current quarter, as discussed in further detail below. COVID-19 and the related government restrictions more adversely impacted DIV's royalty partners in Q2 2020, compared to the current quarter. In addition, incremental revenue was generated from the addition of 13 locations to the Mr. Lube Canada Limited Partnership ("Mr. Lube") royalty pool and the increase in the Mr. Lube royalty rate on non-tire sales on May 1, 2021.

For the six months ended June 30, 2021, DIV generated $16.8 million of revenue compared to $13.6 million for the six months ended June 30, 2020. After taking into account the DIV Royalty Entitlement related to DIV's royalty arrangement with Nurse Next Door, DIV's adjusted revenue was $19.2 million for the six months ended June 30, 2021 and $16.0 million for the six months ended June 30, 2020. The increase in adjusted revenue was primarily due to the positive trends experienced by most of DIV's royalty partners in the current period, as well as the addition of 13 locations to the Mr. Lube royalty pool and the increase in the Mr. Lube royalty rate on non-tire sales on May 1, 2021. COVID-19 and the related government restrictions more adversely impacted DIV's royalty partners in the six months ended June 30, 2020, compared to the current period. The increase in adjusted revenues was partially offset by lower royalty income from the AIR MILES licenses.

Royalty Partner Business Updates

Mr. Lube: Same-store-sales-growth ("SSSG") for the Mr. Lube stores in the royalty pool was 21.8% in Q2 2021 and 13.2% for the six months ended June 30, 2021, compared to SSSG of -12.5% and -10.0%, for the same respective prior periods in 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.

AIR MILES®: According to Alliance Data Systems Inc.'s ("ADS") news release dated July 29, 2021, the number of AIR MILES® reward miles issued increased by 8.2% in Q2 2021, reflecting an increase in discretionary spending, including credit card spend and 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.

Sutton: Since June 2020, DIV has been collecting 100% of the fixed royalty and management fee payments from Sutton as the Canadian residential real estate market experienced a strong recovery following a period of low transactional activity in April and May 2020. However, DIV previously 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 fixed royalty payable by Sutton increases at a rate of 2.0% per year, with the most recent increase effective July 1, 2021.

Oxford: Oxford locations in the royalty pool generated SSSG (on a constant currency basis) of 41% in Q2 2021 and -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 tutoring 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: The majority of Mr. Mikes restaurants were open for in-restaurant dining at a reduced capacity as of mid-June 2021. Overall, SSSG in Q2 2021 for the Mr. Mikes restaurants in the royalty pool, including restaurants 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. DIV granted royalty and management fee relief to Mr. Mikes in connection with the COVID-19 pandemic, collecting 65% of the contractual royalty amount for the six months ended June 30, 2021 and 30% for the six months ended June 30, 2020. The management team at Mr. Mikes continues to expect a protracted recovery.

Nurse Next Door: The royalty entitlement to DIV (the "DIV Royalty Entitlement") from 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. Nurse Next Door continues to make its fixed royalty payment to DIV in full, which DIV expects will continue.

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “Despite operating under restricted conditions in Q2 2021, DIV’s royalty partners experienced positive trends in their businesses. We are optimistic that our royalty partners are well-positioned to continue their respective recoveries. As a result of these positive trends, combined with the recent accretive incremental royalty purchases from Mr. Lube, DIV increased its monthly dividend by 5% to $0.0175 per share effective with the August 2021 dividend. We would like to thank our investors and stakeholders for their continued support as we focus on the long-term success of our royalty partners and enhancing shareholder value.”

Distributable Cash and Dividends Declared

In Q2 2021, distributable cash increased to $6.8 million ($0.0556 per share), compared to $4.9 million ($0.0405 per share) in Q2 2020. The increase in distributable cash was primarily due to higher adjusted revenue on account of the reasons discussed above, partially offset by higher current tax expense, salaries and benefits and interest expense. The increase in distributable cash per share was primarily due to the increase in distributable cash partially offset by a higher weighted average number of common shares outstanding in the current quarter.

For the six months ended June 30, 2021, distributable cash increased to $12.7 million ($0.1042 per share), compared to $10.4 million ($0.0889 per share) for the six months ended June 30, 2020. The increase in distributable cash was due to higher adjusted revenue, partially offset by higher current tax expense and salaries and benefits. The increase in distributable cash per share was primarily due to the increase in distributable cash partially offset by a higher weighted average number of common shares outstanding in the current quarter.

In Q2 2021, the Corporation’s payout ratio was 89.9%, compared to the payout ratio of 123.4% in Q2 2020. The decrease was primarily due to higher distributable cash, partially offset by a higher weighted average number of common shares outstanding, which resulted in higher dividends paid.

For the six months ended June 30, 2021, the Corporation’s payout ratio was 96.0%, compared to 121.5% for the six months ended June 30, 2020. The decrease was primarily due to higher distributable cash and lower dividends declared.

Net Income (Loss)

Net income for Q2 2021 was $5.2 million, compared to net income of $2.9 million in Q2 2020. The increase in net income was primarily due to higher revenues and a higher fair value gain on financial instruments, partially offset by an increase in tax expense and salaries and benefits.

Net income for the six months ended June 30, 2021 was $9.3 million, compared to a net loss of $8.9 million for the six months ended June 30, 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 during the six months ended June 30, 2020. In addition, net income increased during the six months ended June 30, 2021 due to higher revenues and the fair value adjustment on financial instruments, partially offset by higher income tax expense and other finance costs.

<u>Appointment of New Independent Director</u>

The Board of Directors (the “Board”) of the Corporation is pleased to announce the appointment of Mr. Kevin Smith as an independent director of the Corporation. Mr. Smith has over 25 years of progressive experience in operations, real estate development, capital markets, debt and equity financing, mergers and acquisitions, dispositions and general business management. In addition, he has expertise in the hospitality, resort and real estate industries. Mr. Smith is currently the Chief Financial Officer of Northland Properties Corp., and was previously the Chief Financial Officer of several companies, including Intracorp Projects Ltd., Whistler Blackcomb Holdings Inc. and Intrawest ULC. Mr. Smith currently serves as a director and the Audit Committee Chair of Atlas Engineered Products Ltd. (TSXV: AEP) and Lite Access Technologies Inc. (TSXV: LTE). In 2020, Mr. Smith was recognized by the Chartered Professional Accountants of BC with a fellowship, the highest distinction that is bestowed upon a CPA within the accounting profession.

Ms. Paula Rogers, Chair of the Board stated, “We are pleased to have Kevin join the Board as a member of the Audit Committee and Investment Committee. His diverse skills, experience and expertise will enhance the skill set of the Board.”

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: 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; 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; 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; Mr. Mikes’ expectation that it will continue to experience a protracted recovery; DIV’s expectation that Nurse Next Door will continue to make its fixed royalty payments in full; DIV being optimistic that its royalty partners are well positioned to continue their respective recoveries; DIV remaining focused on the long-term success of its royalty partners and enhancing 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. 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 temporarily close 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; due to a growing concern over COVID-19 variants, governments may re-impose certain restrictions, and in some cases have already done so; the performance of AIR MILES® may not improve in the second half of 2021 as currently expected by ADS; Oxford's performance may not improve in the second half of 2021 as currently expected; 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.*

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; 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; recent positive trends for certain of DIV's royalty partners (including their respective franchisees) will continue and not regress; 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 June 30, 2021 are consistent with the preliminary results for such period reported in DIV's news release dated July 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", "distributable cash per share", "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 and six months ended June 30, 2021, 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 as well as financial statements and other reports provided to DIV by its royalty partners. 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 and six months ended June 30, 2021, which are available on SEDAR at www.sedar.com.

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