Diversified Royalty Corp. Announces Increase to the Monthly Dividend, Preliminary Q3 2021 Results for its Royalty Partners and Change to Board of Directors

Vancouver, BC, October 28, 2021 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce a 4.7% increase to its monthly dividend and the preliminary results for its royalty partners for the three months ended September 30, 2021 ("Q3 2021"). DIV also announced a change to its board of directors (the "Board").

Increase to the Monthly Dividend

The Board has approved an increase to the dividend from $0.0175 per share per month ($0.21 per share on an annualized basis) to $0.01833 per share per month ($0.22 per share on an annualized basis) effective November 2021.

Sean Morrison, President and Chief Executive Officer of DIV stated, "As our royalty partners continue to experience positive trends, we are pleased to announce a 4.7% increase to DIV's annual dividend. We remain cautiously optimistic that our royalty partners will continue to have a meaningful recovery in their respective businesses as the economy stabilizes. Our Board, in consultation with management, continues to monitor the performance of DIV and its royalty partners, and will consider further adjustments to its dividend while maintaining a target annual payout ratio below 100%."

Mr. Lube Third Quarter Results

Mr. Lube generated same-store-sales-growth ("SSSG") of 14.9% for the Mr. Lube stores in the royalty pool for Q3 2021, compared to SSSG of 0.5% for the three months ended September 30, 2020 ("Q3 2020"). Mr. Lube generated SSSG of 13.9% for the nine months ended September 30, 2021 compared to SSSG of -6.4% for the nine months ended September 30, 2020. Mr. Lube's SSSG for the three and nine months ended September 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 periods. Mr. Lube generated SSSG of 15.0% and 6.4% respectively for the Mr. Lube stores in the royalty pool, for the three and nine months ended September 30, 2021 compared to the same periods in 2019. As provinces have relaxed the restrictions put in place to fight the COVID-19 pandemic and Canadians drive more, Mr. Lube has been experiencing favorable trends in its business.

DIV expects to report that aggregate royalty income and management fees of $5.3 million were generated from Mr. Lube in Q3 2021, an increase of 30.4% compared to Q3 2020. The increase in royalty income and management fees was primarily due to SSSG of 14.9% in Q3 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® Third Quarter Results

On October 13, 2021, Alliance Data Systems Inc. ("ADS") issued a news release announcing that its Board of Directors approved the separation of ADS' LoyaltyOne segment (comprising the Canadian AIR MILES® reward program and the Netherlands-based BrandLoyalty business) into a new independent US-based, publicly traded company, Loyalty Ventures Inc. ("Loyalty Ventures"). According to ADS, the separation will be completed after the market closes on November 5, 2021. Following the distribution of the Loyalty Ventures common shares on November 5, 2021, Loyalty Ventures will be an independent, US-based publicly traded company and is expected to be listed on Nasdaq under the symbol "LYLT". The pending spinoff of the LoyaltyOne segment was initially announced by ADS on May 5, 2021 and previously disclosed by DIV. In addition, on October 14, 2021, ADS published a presentation that noted increased investment by LoyaltyOne, Co. ("LoyaltyOne") amid post-pandemic recovery tailwinds creates significant upside potential for Loyalty Ventures.

LoyaltyOne, the operator of the AIR MILES® reward program in Canada, recently provided details of that further investment, announcing that the AIR MILES® reward program is implementing a series of improvements to enhance the loyalty program. Over the coming months, AIR MILES collectors will be introduced to more redemption benefits, more ways to earn AIR MILES®, and more opportunities to take part in promotions. Under the revitalized AIR MILES® brand, LoyaltyOne announced that it expects to roll-out the all-new AIR MILES® Flights platform, which is expected to officially launch this November. According to LoyaltyOne, the AIR MILES® Flights platform, a new flight booking experience, provides more choice, flexibility and transparency for Canadian travelers at a time when 70% of AIR MILES collectors have expressed a desire to return to travel. In addition, LoyaltyOne revealed a new visual identity for the AIR MILES® reward program, which is a modern take on the iconic logo.

DIV believes that the refresh of the AIR MILES® brand and the recent improvements to the AIR MILES® reward program could result in increased top-line growth at LoyaltyOne, which would be beneficial to DIV's royalty.

ADS issued a news release earlier today announcing that: (i) AIR MILES® reward miles issued decreased by 6.9% in Q3 2021, reflecting certain promotional activity in the prior year not present in the current year, and (ii) AIR MILES® reward miles redeemed increased by 30.4% in Q3 2021 to their highest level since the pandemic began, reflecting an improvement in travel-related categories. ADS also noted that AIR MILES® reward miles issued and redeemed both increased on a sequential basis relative to the second quarter of 2021 as airline bookings improved and merchandise redemptions remained strong. ADS further advised that it remains optimistic on the long-term outlook for AIR MILES® as travel returns to steady-state levels.

DIV expects to report that royalty income of $1.7 million was generated from the AIR MILES® licenses in Q3 2021, a decrease of $0.1 million (-4.5%) compared to Q3 2020. For the nine months ended September 30, 2021, DIV expects to report royalty income of $4.8 million, a decrease of $0.3 million (-5.6%) compared to the nine months ended September 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.

<u>Sutton Third Quarter Results</u>

DIV expects to report royalty income and management fees of $1.0 million were generated from Sutton Group Realty Services Ltd. ("Sutton") in Q3 2021, compared to $1.0 million in Q3 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.

<u>Oxford Learning Centres Third Quarter Results</u>

DIV expects to report that royalty income and management fees of $0.8 million were generated from Oxford Learning Centres, Inc. ("Oxford") in Q3 2021, compared to $0.7 million in Q3 2020.

Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of 19.5% in Q3 2021, compared to SSSG of -24% in Q3 2020. Oxford's SSSG for the nine months ended September 30, 2021 was 7.8%, compared to -28% for the period from February 20, 2020, the acquisition date of the Oxford Rights, to September 30, 2020. Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of -9.0% and -14.3% for the three and nine months ended September 30, 2021 compared to the same periods in 2019 (on a pro forma basis, had the Oxford transaction closed on January 1, 2019). 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. 2021 year-to-date has been impacted by government-mandated COVID restrictions, predominantly in Ontario, its largest market. Oxford management is optimistic about a stronger recovery in the last quarter of 2021.

<u>Mr. Mikes Third Quarter Results</u>

The majority of Mr. Mikes Restaurants Corporation ("Mr. Mikes") restaurants have been open for in-restaurant dining at a reduced capacity since mid-June 2021. Overall, SSSG in Q3 2021 for the Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic, was 10.1% compared to Q3 2020 and -7.2% compared to Q3 2019. SSSG for the nine months ended September 30, 2021 for the Mr. Mikes restaurants in the royalty pool was 5.1% compared to the nine months ended September 30, 2020 and [-28.9%] compared to the nine months ended September 30, 2019.

DIV expects to report that royalty income and management fees of $1.0 million were generated from Mr. Mikes in Q3 2021, compared to $0.4 million in Q3 2020. DIV granted royalty and management fee relief to Mr. Mikes in connection with the COVID-19 pandemic, collecting 75% of the contractual royalty amount for the nine months ended September 30, 2021 and 40% for the nine months ended September 30, 2020. The management team at Mr. Mikes continues to expect a protracted recovery.

DIV is in discussions with Mr. Mikes and its lender regarding additional royalty and management fee relief for Mr. Mikes, which DIV expects may be required until such time as all government restrictions impacting the operation of Mr. Mikes restaurants are lifted and the business stabilizes.

<u>Nurse Next Door Third Quarter Results</u>

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 Q3 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, 2021.

<u>Change to Board of Directors</u>

Ms. Lorraine McLachlan recently advised DIV of her intention to step down from the Board to pursue opportunities outside the Corporation. The Board has accepted her resignation, which was effective October 26, 2021.

Paula Rogers, Chair of the Board, said, "On behalf of the Board, I want to thank Lorraine for her contributions over more than 3 years of service to the Board and wish her all the best in her future endeavors."

<u>About Diversified Royalty Corp.</u>

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.

<u>Forward Looking Statements</u>

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 November 2021; DIV remaining cautiously optimistic that its royalty partners will continue to have a meaningful recovery in their respective businesses as the economy stabilizes; the Board, in consultation with management, continuing to monitor the performance of DIV and its royalty partners, and considering further adjustments to DIV's dividend while maintaining a target annual payout ratio below 100%; the expected financial results of Mr. Lube, Nurse Next Door, Sutton, Mr. Mikes and Oxford for Q3 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; the details and expected timing of the completion separation of ADS' LoyaltyOne segment into Loyalty Ventures; ADS' belief that increased investment by LoyaltyOne amid post-pandemic recovery tailwinds creates significant upside potential for Loyalty Ventures; the details of LoyaltyOne's further investment in the AIR MILES® reward program and the expected impacts thereof on the AIR MILES® reward program; DIV's belief that the refresh of the AIR MILES® brand and the recent improvements to the AIR MILES® reward program could result in increased top-line growth at LoyaltyOne, which would be beneficial to DIV's royalty; ADS remaining optimistic on the long-term outlook for AIR MILES® as travel returns to steady-state levels; Oxford management being optimistic about a stronger recovery in the last quarter of 2021; Mr. Mikes' expectation that it will continue to experience a protracted recovery; DIV's expectation that Mr. Mikes may require additional royalty relief until such time as all government restrictions impacting the operation of Mr. Mikes restaurants are lifted and the business stabilizes; 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: 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's payout ratio may from time to time exceed 100% notwithstanding DIV's target is a payout ratio below 100%; 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 separation of ADS' LoyaltyOne segment may not be beneficial to LoyaltyOne's top-line or DIV's royalty, and could be detrimental; recent investments by LoyaltyOne in the AIR MILES® reward program may not achieve their intended strategic of financial impacts; AIR MILES® long-term performance may not be consistent with ADS' expectations; Oxford may not experience a stronger recovery in the last quarter of 2021; 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; recent positive trends for certain of DIV's royalty partners (including their respective franchisees) will continue and not regress; recent investments by LoyaltyOne in the AIR MILES® reward program may not achieve their intended strategic of financial impacts; the separation of the LoyaltyOne segment into Loyalty Ventures will not have any adverse impact on the AIR MILES® reward program or DIV's royalty; and recent investments by LoyaltyOne in the AIR MILES® reward program will achieve their intended strategic of financial impacts. 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", "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.

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