Diversified Royalty Corp. Announces Third Quarter 2021 Results

Vancouver, BC, November 9, 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 September 30, 2021 ("Q3 2021") and nine months ended September 30, 2021.

Highlights

- Revenue of $9.9 million in Q3 2021 and $26.6 million for the nine months ended September 30, 2021, up 22.9% compared to the three months ended September 30, 2020 ("Q3 2020") and 23.5% compared to the nine months ended September 30, 2020
- Adjusted revenue of $11.1 million in Q3 2021 and $30.3 million for the nine months ended September 30, 2021, up 20.2% and 20.4%, respectively, compared to the same periods in 2020
- Distributable cash of $7.3 million in Q3 2021 and $20.0 million for the nine months ended September 30, 2021, up 16.3% and 19.9%, respectively, compared to the same periods in 2020
- Increased annual dividend by 4.7% to $0.22 per share, effective with the November 2021 monthly dividend, following a 5% increase in August 2021 to $0.21 per share.

Third Quarter and Year-To-Date Results

(000's)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Mr. Lube	$ 5,324	$ 4,095	$ 13,707	$ 11,182
AIR MILES®	1,650	1,728	4,798	5,086
Sutton	1,054	1,033	3,120	2,382
Oxford[1]	831	706	2,660	1,841
Mr. Mikes	983	442	2,303	1,033
Nurse Next Door	1,246	1,222	3,738	3,666
Adjusted revenue[2]	$ 11,088	$ 9,226	$ 30,326	$ 25,190

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.

For the three and nine months ended September 30, 2021, DIV generated $9.9 million and $26.6 million of revenue respectively, compared to $8.0 and $21.6 million for the same periods in 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 $11.1 million and $30.3 million for the three and nine months ended September 30, 2021 compared to $9.2 million and $25.2 million for the same periods in 2020. Adjusted revenue increased primarily due to positive trends experienced by most of DIV's royalty partners, as discussed in further detail below. COVID-19 and the related government restrictions more adversely impacted DIV's royalty partners in the three and nine months ended September 30, 2020, compared to the current year. 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.

Royalty Partner Business Updates

Mr. Lube: 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% in 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.

AIR MILES®: 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"), which separation was previously disclosed by DIV and is now complete. In addition, on October 14, 2021, ADS published a presentation that noted increased investment by LoyaltyOne, Co. ("LoyaltyOne", which now a subsidiary of Loyalty Ventures) amid post-pandemic recovery tailwinds could create 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, including new AIR MILES® Flights platform.

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.

According to ADS' news release dated October 28, 2021 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. In addition 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.

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 Canadian 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 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 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-19 restrictions, predominantly in Ontario, its largest market. Oxford management is optimistic about a stronger recovery in the last quarter of 2021.

Mr. Mikes: 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 10.0% compared to Q3 2020 and -7.6% 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 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.

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

Third Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "Although government restrictions continue to affect some of DIV's royalty partners, we continue to see positive trends in their businesses, in particular with our largest royalty partner Mr. Lube. We are optimistic that our royalty partners are well-positioned to continue their respective recoveries, as restrictions related to the COVID-19 pandemic are lifted. As a result of these positive trends, DIV increased its monthly dividend by 4.7% to $0.01833 per share effective with the November 2021 dividend, the second dividend increase this year, which has resulted in an annualized dividend of $0.22 per share, while DIV continues to target a sub-100% annualized payout ratio. We appreciate the continued support from our investors and stakeholders. We remain focused on the long term success of our royalty partners and are pleased that their strong performance contributed to an increase in the annual dividend."

Distributable Cash and Dividends Declared

In Q3 2021, distributable cash increased to $7.3 million ($0.0600 per share), compared to $6.3 million ($0.0521 per share) in Q3 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 for the nine months ended September 30, 2021.

For the nine months ended September 30, 2021, distributable cash increased to $20.0 million ($0.1642 per share), compared to $16.7 million ($0.1411 per share) for the nine months ended September 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 Q3 2021, the Corporation's payout ratio was 86.1%, compared to 96.0% in Q3 2020. The decrease was primarily due to higher distributable cash, partially offset by a higher weighted average number of common shares outstanding and the increase in the dividend that took effect in August 2021, which resulted in higher dividends paid.

For the nine months ended September 30, 2021, the Corporation's payout ratio was 92.4%, compared to 111.9% for the nine months ended September 30, 2020. The decrease was primarily due to higher distributable cash and lower dividends declared.

Net Income (Loss)

Net income for Q3 2021 was $5.9 million, compared to a net loss of $0.9 million in Q3 2020. The increase in net income was primarily due to higher adjusted revenue, a higher fair value gain on financial instruments and higher revenues partially offset by an increase in tax expense and salaries and benefits.

Net income for the nine months ended September 30, 2021 was $15.3 million, compared to a net loss of $9.7 million for the nine months ended September 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 nine months ended September 30,

2020. In addition, net income increased during the nine months ended September 30, 2021 due to higher adjusted revenue, the fair value adjustment on financial instruments and higher revenues partially offset by higher income tax expense and other finance costs.

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV currently owns the Mr. Lube, AIR MILES®, Sutton, Mr. Mikes, Nurse Next Door and Oxford Learning Centres trademarks. Mr. Lube is the leading quick lube service business in Canada, with locations across Canada. AIR MILES® is Canada's largest coalition loyalty program with approximately two-thirds of Canadian households actively participating in the AIR MILES® Program. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada. Mr. Mikes currently operates casual steakhouse restaurants primarily in western Canadian communities. Nurse Next Door is one of North America's fastest growing home care providers with locations across Canada and the United States as well as in Australia. Oxford Learning Centres is one of Canada's leading franchised supplemental education services in Canada and the United States.

DIV expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward-Looking Statements

Certain statements contained in this news release may constitute "forward-looking information" within the meaning of applicable securities laws that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. The use of any of the words "anticipate", "continue", "estimate", "expect", "intend", "may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specifically, forward-looking information in this news release includes, but is not limited to, statements made in relation to: 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; DIV continuing to target a sub-100% annualized payout ratio; 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 is 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 Nurse Next Door will continue to make its fixed royalty payments and management fees 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; 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; DIV's payout ratio may from time to time exceed 100% notwithstanding DIV targets a sub 100% annualized payout ratio; 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 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 and management fees 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 September 30, 2021 are consistent with the preliminary results for such period reported in DIV's news release dated October 28, 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 nine months ended September 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 nine months ended September 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.

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