Diversified Royalty Corp. Announces Fourth Quarter and Year End 2021 Results

Vancouver, BC, March 10, 2022 – Diversified Royalty Corp. (TSX: DIV and DIV.DB) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ended December 31, 2021 ("Q4 2021") and year ended December 31, 2021.

Highlights

- Revenue of $10.6 million for Q4 2021 and $37.3 million for the year ended December 31, 2021.
- Adjusted revenue[1] of $11.9 million for Q4 2021 and $42.2 million for the year ended December 31, 2021.
- Distributable cash[1] of $7.9 million for Q4 2021 and $27.9 million for the year ended December 31, 2021.
- Payout ratio[1] of 83.5% for Q4 2021 and 89.8% for the year ended December 31, 2021.
- Two dividend increases from $0.20 per share to $0.21 per share, followed by an increase to $0.22 per share, effective with the August and November 2021 monthly dividends respectively.
- Effective May 1, 2021, the Mr. Lube royalty rate increased from 7.45% to 7.95% on non-tire sales and 13 locations were added to the Mr. Lube royalty pool.

Fourth Quarter and Year Results

	Three months ended December 31,		Year ended December 31,	
(000's)	2021	2020	2021	2020
Mr. Lube	$ 5,752	$ 4,232	$ 19,459	$ 15,414
AIR MILES®	1,772	1,940	6,570	7,026
Sutton	1,054	1,033	4,175	3,415
Oxford[1]	990	812	3,650	1,845
Mr. Mikes	1,046	879	3,350	2,720
Nurse Next Door	1,263	1,246	5,002	4,912
Adjusted revenue[2]	$ 11,878	$ 10,142	$ 42,206	$ 35,332

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 financial 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 months and year ended December 31, 2021, DIV generated $10.6 million and $37.3 million of revenue respectively, compared to $8.9 and $30.5 million for the same periods in 2021. After taking into account the DIV Royalty Entitlement[1] (defined below) related to DIV's royalty arrangements with Nurse Next Door Professional Homecare Services Inc. ("Nurse Next Door"), DIV's adjusted revenue was $11.9 million and $42.2 million for the three months and year ended December 31, 2021, compared to $10.1 million and $35.3 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 months and year ended December 31, 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.

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[1] Adjusted revenue, distributable cash and DIV Royalty Entitlement are non-IFRS financial measures and payout ratio is a non-IFRS ratio, and as such, do not have a standardized meanings under IFRS. For additional information, refer to "Non-IFRS Financial Measures" in this news release.

Royalty Partner Business Updates

Mr. Lube: Mr. Lube generated same-store-sales-growth ("SSSG")[2] of 20.7% for the Mr. Lube stores in the royalty pool for Q4 2021, compared to SSSG of 1.1% in Q4 2020. Mr. Lube generated SSSG of 15.8% for the Mr. Lube stores in the royalty pool for the year ended December 31, 2021, compared to SSSG of -4.4% for the year ended December 31, 2020. Mr. Lube generated SSSG of 21.5% and 10.4% for the Mr. Lube stores in the royalty pool for the three months and year ended December 31, 2021, respectively, compared to the same periods in 2019. The increase in 2021 compared to the prior year was due to a variety of factors including growth in Mr. Lube maintenance services and tire sales, new service offerings, and price increases. In addition, the relaxing of COVID-19 government restrictions during the year resulted in more drivers returning to the road.

Same-store-sales growth or SSSG is a non-IFRS financial measure – see "Non-IFRS Financial Measures" below.

AIR MILES®: On February 3, 2022, Loyalty Ventures Inc., the parent company of LoyaltyOne Co. ("LoyaltyOne"), issued a news release regarding the Q4 2021 and year ended December 31, 2021 performance of the AIR MILES® reward program announcing that: (i) AIR MILES® reward miles issued decreased by 6.7% in Q4 2021 and 5.9% for the year ended December 31, 2021, due to the non-renewal of two sponsors and their exit from the program in the first quarter of 2021; (ii) AIR MILES® reward miles redeemed increased by 27.8% in Q4 2021 and 12.1% for the year ended December 31, 2021, reflecting continued strength in the merchandise category and positive momentum early in the quarter for travel bookings, before the emergence of the Omicron variant in November 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% 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 14.0% in Q4 2021, compared to SSSG of -23% in Q4 2020. Oxford's SSSG for the year ended December 31, 2021, was 9.5%, compared to -26% for the period from February 20, 2020, the acquisition date of the Oxford Rights, to December 31, 2020. Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of -11.7% and -13.4% for the three months and year ended December 31, 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 in Ontario which represents the majority of its locations. In 2021, government-mandated COVID restrictions began to relax, and Oxford saw a transition back to in-person tutoring for many locations. However, ongoing capacity constraints, predominantly in Ontario, continue to limit in-person services.

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 Q4 2021 for the Mr. Mikes restaurants in the royalty pool, including stores that were temporarily closed due to the COVID-19 pandemic, was 9.3% compared to Q4 2020 and -26.4% compared to Q4 2019. SSSG for the year ended December 31, 2021, for the Mr. Mikes restaurants in the royalty pool was 6.2% compared to the year ended December 31, 2020, and -28.4% compared to the year ended December 31, 2019.

DIV granted royalty and management fee relief to Mr. Mikes in connection with the COVID-19 pandemic, collecting 81% of the contractual royalty amount for the year ended December 31, 2021, and 46% for the year ended December 31, 2020. The management team at Mr. Mikes continues to expect a protracted recovery.

[2] SSSG is a supplementary financial 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.

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 is lifted and the business stabilizes.

Nurse Next Door: The royalty entitlement to DIV (the “DIV Royalty Entitlement”) from Nurse Next Door was $1.2 million in Q4 2021 and $4.9 million for the year ended December 31, 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. During the year ended December 31, 2021, Nurse Next Door signed 113 (2020 – 28) new franchises primarily in major metropolitan markets (34 in Canada, 60 in the US and 19 in Australia). Nurse Next Door continues to make its fixed royalty payment to DIV in full, which DIV expects will continue.

DIV Royalty Entitlement is a non-IFRS measure – see “Non-IFRS Financial Measures” below.

Fourth Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “2021 was a year of continued challenges from the various COVID-19 surges. Through these challenging times, Mr. Lube, our largest royalty partner, produced record results with SSSG of 15.8% for the year ended December 31, 2021. Our other Royalty Partners also recovered in 2021 and paid DIV 14% more royalties than in 2020. These strong results, combined with the purchase from Mr. Lube of an incremental 0.5% royalty and a royalty on 13 new stores enabled DIV to raise its dividend twice in 2021. I’m extremely proud of the management teams of our Royalty Partners and their efforts to manage their businesses and support their franchisees throughout 2021. In summary, DIV is well positioned for a strong 2022 with continued improvement from our Royalty Partners and increased royalty acquisition opportunities.”

Distributable Cash and Dividends Declared

In Q4 2021, distributable cash increased to $7.9 million ($0.0649 per share), compared to $7.1 million ($0.0585 per share) in Q4 2020. The increase in distributable cash was primarily due to higher adjusted revenue partially offset by higher current tax expense, salaries and benefits and interest expense. The increase in distributable cash per share[3] was primarily due to the increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding for the year ended December 31, 2021.

For the year ended December 31, 2021, distributable cash increased to $27.9 million ($0.2291 per share) compared to $23.7 million ($0.1998 per share) for the year ended December 31, 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 an increase in distributable cash partially offset by a higher weighted average number of common shares outstanding for the year ended December 31, 2021.

In Q4 2021, the payout ratio was 83.5%, a decrease when compared to the payout ratio in Q4 2020 of 85.5%. The decrease was primarily due to higher distributable cash, partially offset by higher dividends declared per share.

For the year ended December 31, 2021, the payout ratio was 89.8%, a decrease when compared to the payout ratio for the year ended December 31, 2020, of 104.1%. The decrease was primarily due to higher distributable cash and lower dividends declared per share.

Net Income (Loss)

Net income for Q4 2021 was $8.2 million, compared to net income of $0.8 million in Q4 2020. The increase in net income was primarily due to higher adjusted revenues, a net impairment reversal, and a higher fair value gain on financial instruments partially offset by an increase in tax expense and salaries and benefits.

[3] Distributable cash per share is a non-IFRS ratio and as such, does not have a standardized meaning under IFRS. For additional information, refer to “Non-IFRS Financial Measures” in this news release.

Net income for the year ended December 31, 2021, was $23.5 million, compared to a net loss of $8.9 million for the year ended December 31, 2020. The increase in net income was primarily due to higher adjusted revenues, the fair value gain on financial instruments, and non-cash impairment reversals of $5.7 million and $1.2 million related to intellectual property rights utilized by Mr. Mikes and Oxford respectively, partially offset by higher income tax expense and other finance costs, and the non-cash impairment loss of $5.2 million related to the intellectual property rights utilized by AIR MILES®.

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" 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 expected financial results of Mr. Lube, Nurse Next Door, Sutton, Mr. Mikes and Oxford for Q4 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; ongoing capacity constraints, predominantly in Ontario, continuing to limit in-person services for Oxford; 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 expectation that Nurse Next Door will continue to make its fixed royalty payments in full; DIV's belief that Oxford is posed for a strong recovery when COVID-19 related restrictions, primarily in Ontario, are loosened; 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; 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 10, 2022 and in DIV's most recently filed management's discussion and analysis for the three months and year ended December 31, 2021, 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. 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 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 December 31, 2021, are consistent with the preliminary results for such period reported in DIV's news release dated February 3, 2022.

<u>Non-IFRS Financial Measures</u>

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, non-IFRS ratios and supplementary 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" and "distributable cash" are used as non-IFRS financial measures in this news release.

Adjusted revenue is calculated as royalty income plus DIV Royalty Entitlement and management fees. The following table reconciles adjusted revenue to royalty income, the most directly comparable IFRS measure disclosed in the financial statements:

(000's)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Mr. Lube	$ 5,695	$ 4,177	$ 19,236	$ 15,196
AIR MILES®	1,772	1,940	6,570	7,026
Sutton	1,027	1,006	4,065	3,327
Oxford[1]	980	869	3,610	2,686
Mr. Mikes	1,037	812	3,337	1,839
Royalty income	**$ 10,511**	**$ 8,804**	**$ 36,818**	**$ 30,074**
DIV Royalty Entitlement	1,242	1,227	4,925	4,836
Adjusted royalty income	**$ 11,753**	**$ 10,031**	**$ 41,743**	**$ 34,910**
Management fees[1]	125	111	463	422
Adjusted revenue	**$ 11,878**	**$ 10,142**	**$ 42,206**	**$ 35,332**

1) 2020 figures include royalties and management fees from Oxford from the date of the Oxford Rights acquisition on February 20, 2020.

For further details, refer to the section on Non-IFRS Financial Measures entitled "DIV Royalty Entitlement, Adjusted Royalty Income and Adjusted Revenue" in the Corporation's management's discussion and analysis for the three months and year ended December 31, 2021, a copy of which is available on SEDAR at www.sedar.com.

The most closely comparable IFRS measure to DIV Royalty Entitlement is "distributions received from NND LP". DIV Royalty Entitlement is calculated as distributions received from NND LP, before any deduction for expenses incurred by NND Holdings Limited Partnership ("NND LP"), which expenses include legal, audit, tax and advisory services. Note that distributions received from NND LP is derived from the royalty paid by Nurse Next Door to NND LP. The following table reconciles DIV Royalty Entitlement to distributions received from NND LP in the financial statements:

(000's)	Three months ended December 31, 2021	Three months ended December 31, 2020	Years ended December 31, 2021	Years ended December 31, 2020
Distributions received from NND LP	$ 1,238	$ 1,219	$ 4,906	$ 4,588
Add: NND Royalties LP expenses	4	8	19	248
DIV Royalty Entitlement	1,242	1,227	4,925	4,836
Less: NND Royalties LP expenses	(4)	(8)	(19)	(248)
Add: Transaction fees and other	-	1	-	213
DIV Royalty Entitlement, net of NND Royalties LP expenses	**$ 1,238**	**$ 1,220**	**$ 4,906**	**$ 4,801**

For further details, refer to the section on Non-IFRS Financial Measures entitled "DIV Royalty Entitlement net of NND Royalties LP Expenses" in the Corporation's management's discussion and analysis for the three months and year ended December 31, 2021, a copy of which is available on SEDAR at www.sedar.com.

The following table reconciles distributable cash to cash flows generated from operating activities, the most directly comparable IFRS measure disclosed in the financial statements:

(000's)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows generated from operating activities	$ 7,646	$ 4,985	$ 27,815	$ 22,102
Changes in working capital	293	831	1,331	963
Current tax expense	(1,363)	(729)	(4,084)	(1,979)
Taxes paid	530	1,224	2,717	2,447
Accrued interest on convertible debentures	756	756	-	-
Foreign exchange loss	-	6	-	1
Transaction costs	-	-	104	-
Payment of lease obligations	76	-	42	-
Accrued DIV Royalty Entitlement, net of distributions	3	7	18	248
NND LP expenses	(4)	(7)	(19)	(35)
Distributable cash	**$ 7,937**	**$ 7,073**	**$ 27,924**	**$ 23,747**

For further details, refer to the section on Non-IFRS Financial Measures entitled "Distributable cash" in the Corporation's management's discussion and analysis for the three months and year ended December 31, 2021, a copy of which is available on SEDAR at www.sedar.com.

"Distributable cash per share" and "payout ratio" are non-IFRS ratios that do not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar ratios presented by other issuers. Distributable cash per share is defined as distributable cash, a non-IFRS measure, divided by the weighted average number of common shares outstanding during the period. The payout ratio is calculated by dividing the dividends per share during the period by the distributable cash per share, a non-IFRS measure, generated in that period. For further details, refer to the subsection entitled "Non-IFRS Ratios" under "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in the Corporation's management's discussion and analysis for the three months and year ended December 31, 2021, a copy of which is available on SEDAR at www.sedar.com.

"Same store sales growth" or "SSSG" is a supplementary financial measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. For further details, refer to the subsection entitled "Supplementary Financial Measures" under "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in the Corporation's management's discussion and analysis for the three months and year ended December 31, 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 year ended December 31, 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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