



Diversified Royalty Corp. Announces Strongest Adjusted Revenue¹ Quarter in its History

Vancouver, BC, August 12, 2022 – Diversified Royalty Corp. (TSX: DIV; DIV.DB and DIV.DB.A) (the “Corporation” or “DIV”) is pleased to announce its financial results for the three months ended June 30, 2022 (“Q2 2022”) and six months ended June 30, 2022.

Q2 2022 Highlights

- Revenue of \$11.1 million in Q2 2022 (DIV’s strongest revenue quarter since adopting its multi-royalty strategy in 2013) and \$20.8 million for the six months ended June 30, 2022, up 20.8% compared to the three months ended June 30, 2021 (“Q2 2021”) and 24.1% compared to the six months ended June 30, 2021.
- Adjusted revenue¹ of \$12.3 million in Q2 2022 and \$23.3 million for the six months ended June 30, 2022, up 18.6% and 21.3%, respectively, compared to the same periods in 2021.
- Distributable cash¹ of \$7.9 million in Q2 2022 and \$15.1 million for the six months ended June 30, 2022, up 16.7% and 19.3%, respectively, compared to the same periods in 2021.
- Payout ratio¹ of 86.1% in Q2 2022 and 89.7% for the six months ended June 30, 2022, based on dividends of \$0.22 per share on an annualized basis, an improvement compared to 89.9% and 96.0%, respectively, compared to the same periods in 2021, based on dividends of \$0.20 per share on an annualized basis².

Second Quarter and Year-to-Date Results

| (000’s) | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Mr. Lube | \$ 6,165 | \$ 4,753 | \$ 10,974 | \$ 8,383 |
| AIR MILES® | 1,791 | 1,623 | 3,321 | 3,148 |
| Sutton | 1,053 | 1,033 | 2,106 | 2,066 |
| Oxford | 1,135 | 923 | 2,165 | 1,829 |
| Mr. Mikes ¹ | 916 | 823 | 2,216 | 1,320 |
| Nurse Next Door | 1,273 | 1,246 | 2,545 | 2,492 |
| Adjusted revenue ² | \$ 12,333 | \$ 10,401 | \$ 23,327 | \$ 19,238 |

- 1) For the six months ended June 30, 2022, Mr. Mikes adjusted revenue includes a one-time payment from Mr. Mikes of \$0.55 million, received in March 2022, representing partial payment of deferred contractual royalty fees and accrued management fees, which has been recognized as revenue upon collection.
- 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.

In Q2 2022, DIV generated \$11.1 million of revenue compared to \$9.2 million in Q2 2021. After taking into account the DIV Royalty Entitlement¹ (defined below) related to DIV’s royalty arrangements with Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”), DIV’s adjusted revenue was \$12.3 million in Q2 2022, compared to \$10.4 million in Q2 2021. Adjusted revenue increased primarily due to positive trends experienced by DIV’s royalty partners, as discussed in further detail below. DIV’s royalty partner revenues in Q2 2022 were less impacted by COVID-19 and the related government restrictions than in Q2 2021. In addition, incremental revenue was generated from the full period inclusion of both the 13 locations added to the Mr. Lube Canada Limited Partnership (“Mr. Lube”) royalty pool and the 0.5% increase in the Mr. Lube royalty rate on May 1, 2021, plus further incremental revenue from the 4 net stores added to the Mr. Lube Royalty Pool on May 1, 2022.

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 meaning under IFRS. For additional information, refer to “Non-IFRS Measures” in this news release.*



2. *On a pro forma basis, if the dividends for the three and six months ended June 30, 2021 were paid out on an annualized basis of \$0.22 per share, the payout ratio would have been 98.8% and 105.6%, respectively.*

For the six months ended June 30, 2022, DIV generated \$20.8 million of revenue compared to \$16.8 million for the six months ended June 30, 2021. After taking into account the DIV Royalty Entitlement¹ (defined below) related to DIV's royalty arrangement with Nurse Next Door, DIV's adjusted revenue was \$23.3 million for the six months ended June 30, 2022, and \$19.2 million for the six months ended June 30, 2021. The increase in adjusted revenue was primarily due to the positive trends experienced by DIV's royalty partners in the current period, as well as the full period inclusion of both the 13 locations added to the Mr. Lube royalty pool and the 0.5% increase in the Mr. Lube royalty rate on May 1, 2021, plus further incremental revenue from the 4 net stores added to the Mr. Lube Royalty Pool on May 1, 2022. DIV's royalty partner revenues in the six months ended June 30, 2022 were less impacted by COVID-19 and the related government restrictions than in the six months ended June 30, 2021.

Royalty Partner Business Updates

Mr. Lube: Mr. Lube generated same-store-sales-growth ("SSSG")³ of 23.5% for the Mr. Lube stores in the royalty pool for Q2 2022 and 20.3% for the six months ended June 30, 2022, compared to SSSG of 21.8% and 13.2%, for the same respective prior periods in 2021, representing record results for Mr. Lube. The increase was primarily due to resumption of consumer pre-pandemic activities and associated vehicle service intervals, continued growth in Mr. Lube's maintenance, tire and mechanical service offerings and the effectiveness in Mr. Lube's targeted multimedia marketing campaigns.

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

AIR MILES®: Loyalty Ventures Inc. ("Loyalty Ventures"), the parent company of LoyaltyOne Co. ("LoyaltyOne"), issued a news release on August 11, 2022 regarding the Q2 2022 performance of the AIR MILES® reward program announcing that AIR MILES® reward miles issued increased by 7.8% and AIR MILES® reward miles redeemed increased by 54.0% in Q2 2022, primarily due to the continued demand for travel as COVID-related restrictions abated.

Loyalty Ventures also announced that during the second quarter of 2022, AIR MILES® sponsor Sobeys provided notice of its intent to exit the AIR MILES® Reward Program on a region-by-region basis between mid-August and the first quarter of 2023. Loyalty Ventures did, however, note that AIR MILES® would now be able to expand AIR MILES® issuances into adjacent verticals, including mass merchants, convenience stores, dollar stores and other retailers that were previously precluded by the terms of the Sobeys' contract. In addition, Loyalty Ventures announced that AIR MILES® recently partnered with a key sponsor, Bank of Montreal ("BMO"), to launch a new benefit for BMO AIR MILES® credit cardholders, enabling them to earn extra miles on all grocery purchases, regardless of retailer.

Sutton: During the six months ended June 30, 2022, 100% of the fixed royalty was collected from Sutton. The fixed royalty payable by Sutton increases at a rate of 2% per year, with the most recent increase effective July 1, 2022.

Oxford: Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of 21.4% in Q2 2022 and 17.8% for the six months ended June 30, 2022, compared to SSSG of 41.3% and 3.4%, for the same respective periods in 2021. In Q1 2022, Oxford saw a transition back to in-person tutoring for many locations. Building off a strong first quarter, Oxford's second quarter 2022 saw a strong recovery with system sales⁴ comparable to pre-pandemic levels. May and June 2022 were the strongest May and June in Oxford's history, on the basis of system sales, and are two of the strongest system sales months in its 38-year history.

4. *Systems sales is a supplementary financial measure – see "Non-IFRS Measures" below.*

Mr. Mikes: SSSG for the Mr. Mikes restaurants in the royalty pool was 94.5% in Q2 2022 and 55.4% for the six months ended June 30, 2022, compared to SSSG of 77.3% and negative 49.8% for the same respective periods in 2021, which included stores that were temporarily closed due to the COVID-19 pandemic in 2021.



For the three and six months ended June 30, 2022, DIV granted royalty and management fee relief to Mr. Mikes in connection with the COVID-19 pandemic, collecting 92% and 79% of the contractual royalty amounts, respectively. In May and June 2022, Mr. Mikes saw a strong recovery to pre-pandemic levels.

Nurse Next Door: The royalty entitlement to DIV (the “DIV Royalty Entitlement⁵⁾) from Nurse Next Door was \$1.3 million in Q2 2022. 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. In Q2 2022, Nurse Next Door signed 20 new franchises primarily in major metropolitan markets (14 in the US and 6 in Australia). Nurse Next Door continues to make its fixed royalty payment to DIV in full, which DIV expects will continue.

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

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “We are excited to announce record royalty revenues in Q2 2022, with strong performances across all of our royalty partners. Mr. Lube, our largest royalty partner, produced record results, generating SSSG of 23.5% for the three-month period ended June 30, 2022, and SSSG of 20.3% for the six months then ended. Oxford Learning also produced record results, with May and June 2022 being the best May and June in its history (based on system sales), reflecting a strong demand for tutoring services and a return to in-person services. Mr. Mikes bounced back to pre-COVID levels after the removal of COVID-19 vaccine mandates in early 2022 and the AIR MILES royalty had double digit growth compared to Q2, 2021. In addition, Sutton and Nurse Next Door continue to make their fixed-growth royalty payments. Coupled with our record results, the Company saw weighted average organic growth in its royalty partners of 16.4% in Q2, 2022.”

Distributable Cash and Dividends Declared

In Q2 2022 and for the six months ended June 30, 2022, distributable cash increased to \$7.9 million (\$0.0639 per share) and \$15.1 million (\$0.1226 per share), respectively, compared to \$6.8 million (\$0.0556 per share) and \$12.7 million (\$0.1042 per share) for the same respective periods in 2021. 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 share⁶ was primarily due to the increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding.

In Q2 2022 and for the six months ended June 30, 2022, the payout ratios were 86.1% and 89.7%, respectively, an improvement when compared to the payout ratios of 89.9% and 96.0% for the same respective periods in 2021. The decrease was primarily due to higher distributable cash, partially offset by higher dividends declared per share.

6. 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

Net income for Q2 2022 and the six months ended June 30, 2022, was \$7.1 million and \$13.3 million, respectively, compared to net income of \$5.2 million and \$9.3 million for the same respective periods of 2021. The increase in net income was primarily due to higher adjusted revenues, and higher fair value gains on financial instruments partially offset by an increase in income tax expenses, interest expenses on credit facilities, and salaries and benefits.

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. 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.

DIV's objective is to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV intends to continue to pay a predictable and stable monthly dividend to shareholders and increase the dividend over time, in each case as cash flow per share allows.

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 "intend" 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: the ability of AIR MILES® to expand AIR MILES® issuances into adjacent verticals, including mass merchants, convenience stores, dollar stores and other retailers that were previously precluded by the terms of the Sobeys' contract; 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; Loyalty Ventures may not be able to replace the Sobeys contract with equivalent sponsor contracts; Mr. Lube and Oxford may not continue their recent strong performance; COVID-19 may have a more significant negative impact on DIV and its royalty partners (including their respective franchisees) than currently expected; DIV may not be successful in preserving or enhancing shareholder value or the long-term success of its Royalty Partners; current improvement trends being experienced by certain of DIV's royalty partners (and their respective franchisees) may not continue and may regress; 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 are not guarantees 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 10, 2022 and in DIV's management's discussion and analysis for the three and six months ended June 30, 2022, 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; 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; 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; and recently relaxed government mandated COVID-19 restrictions will not be re-imposed. 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.

Non-IFRS 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, 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 June 30, | | Six months ended June 30, | |
|--------------------------------|-----------------------------|------------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Mr. Lube | \$ 6,109 | \$ 4,698 | \$ 10,862 | \$ 8,273 |
| AIR MILES® | 1,791 | 1,623 | 3,321 | 3,148 |
| Sutton | 1,026 | 1,006 | 2,052 | 2,012 |
| Oxford | 1,125 | 913 | 2,145 | 1,809 |
| Mr. Mikes ¹ | 912 | 823 | 2,191 | 1,320 |
| Royalty income | \$ 10,963 | \$ 9,063 | \$ 20,571 | \$ 16,562 |
| DIV Royalty Entitlement | 1,253 | 1,227 | 2,505 | 2,454 |
| Adjusted royalty income | \$ 12,216 | \$ 10,290 | \$ 23,076 | \$ 19,016 |
| Management fees | 117 | 111 | 251 | 222 |
| Adjusted revenue | \$ 12,333 | \$ 10,401 | \$ 23,327 | \$ 19,238 |

1) 2022 figure includes a one-time Mr. Mikes payment of \$0.55 million representing partial payment of deferred contractual royalty fees and accrued management fees, which has been recognized as revenue upon collection.

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 and six months ended June 30, 2022, 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 June 30, | | Six months ended June 30, | |
|------------------------------------------------------------------|-----------------------------|-----------------|---------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Distributions received from NND LP | \$ 1,240 | \$ 1,222 | \$ 2,486 | \$ 2,444 |
| Add: NND Royalties LP expenses | 13 | 5 | 19 | 10 |
| DIV Royalty Entitlement | 1,253 | 1,227 | 2,505 | 2,454 |
| Less: NND Royalties LP expenses | (13) | (5) | (19) | (10) |
| DIV Royalty Entitlement, net of NND Royalties LP expenses | \$ 1,240 | \$ 1,222 | \$ 2,486 | \$ 2,444 |

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 and six months ended June 30, 2022, 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 June 30, | | Six months ended June 30, | |
|-------------------------------------------------------|-----------------------------|-----------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Cash flows generated from operating activities | \$ 4,620 | \$ 4,770 | \$ 10,965 | \$ 10,866 |
| Changes in working capital | 1,864 | 1,512 | 2,671 | 1,609 |
| Current tax expense | (1,433) | (892) | (2,554) | (1,567) |
| Taxes paid | 1,949 | 530 | 3,910 | 1,657 |
| Interest on \$52,500 of 2022 Debenture overlap | 168 | - | 168 | - |
| Accrued interest on convertible debentures | 763 | 755 | - | - |
| Foreign exchange loss | (3) | 6 | (2) | 3 |
| Transaction costs | - | 96 | - | 96 |
| Payment of lease obligations | (26) | (8) | (52) | (8) |
| Accrued DIV Royalty Entitlement, net of distributions | 13 | 10 | 19 | 14 |
| NND LP expenses | (13) | (5) | (19) | (10) |
| Distributable cash | \$ 7,902 | \$ 6,774 | \$ 15,106 | \$ 12,660 |

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 and six months ended June 30, 2022, 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 and six months ended June 30, 2022, a copy of which is available on SEDAR at www.sedar.com.

"Same store sales growth" or "SSSG" and "system sales" are supplementary financial measures and do not have standardized meanings 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 and six months ended June 30, 2022 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, 2022, 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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