



## **Diversified Royalty Corp. Announces Record Q1 Preliminary Results for its Royalty Partners**

**Vancouver, BC, April 17, 2023** – Diversified Royalty Corp. (TSX: DIV and DIV.DB.A) (the “Corporation” or “DIV”) is pleased to announce the preliminary results for its royalty partners for the three months ended March 31, 2023 (“Q1 2023”).

DIV has determined it appropriate, for the time being, to re-commence its past practice of reporting preliminary results of its royalty partners in advance of the announcement of DIV’s full financial results for each reporting period to provide DIV’s securityholders with more timely information. DIV may determine to cease this practice at any time.

### Mr. Lube First Quarter Results

Mr. Lube Canada Limited Partnership (“Mr. Lube”) generated same-store-sales-growth (“SSSG”)<sup>1</sup> of 17.6% for the Mr. Lube stores in the royalty pool for Q1 2023, compared to SSSG of 16.3% for the three months ended March 31, 2022 (“Q1 2022”).

DIV expects to report that aggregate royalty income and management fees of \$5.8 million were generated from Mr. Lube in Q1 2023, an increase of 19.7% compared to Q1 2022. The increase was due to strong SSSG as well as the addition of 4 net new stores to the Mr. Lube royalty pool on May 1, 2022.

*1. Same-store-sales growth or SSSG is a supplementary financial measure – see “Non-IFRS Measures” below.*

### Stratus First Quarter Results

DIV expects to report that royalty income from SBS Franchising LLC (“Stratus”) was \$2.0 million (US\$1.5 million translated at a foreign exchange rate of \$1.3526 to US\$1.00) for Q1 2023. DIV granted Stratus the license to use the Stratus rights in exchange for an annual royalty payment of US\$6.0 million increasing each November at a rate of 5% in 2023, 2024, 2025 and 2026 and 4% per year thereafter.

### Nurse Next Door First Quarter Results

DIV expects to report that the royalty entitlement to DIV (the “DIV Royalty Entitlement”)<sup>2</sup> from Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”) was \$1.3 million in Q1 2023. 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, 2022.

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

### Oxford Learning Centres First Quarter Results

Oxford locations in the Oxford royalty pool generated SSSG (on a constant currency basis) of 15.8% in Q1 2023, compared to SSSG of 14.2% in Q1 2022.

DIV expects to report that royalty income and management fees of \$1.2 million were generated from Oxford Learning Centres, Inc. (“Oxford”) in Q1 2023, compared to \$1.0 million in Q1 2022. This strong growth is representative of the increased demand for Oxford’s tutoring services.

### Sutton First Quarter Results

DIV expects to report royalty income and management fees of \$1.1 million were generated from Sutton Group Realty Services Ltd. (“Sutton”) in Q1 2023, compared to \$1.1 million in Q1 2022. The fixed royalty payable by Sutton increases at a rate of 2.0% per year, with the most recent increase effective July 1, 2022.

### AIR MILES® First Quarter Results

DIV expects to report royalty income of \$1.1 million from AIR MILES® in Q1 2023, which is down 26.4% compared to Q1 2022. 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. The primary reason for the decrease in royalty income is the exit of Sobeys from the AIR MILES® Reward Program (the “Program”) on a region-by-region basis between mid-August 2022 and Q1 2023.

As previously disclosed in DIV’s news release dated March 10, 2023, the Bank of Montreal (“BMO”) has entered into a purchase agreement with LoyaltyOne, Co. (“LoyaltyOne”) to acquire the Program from LoyaltyOne (the “Purchase Agreement”). The sale is subject to the approval of the court as part of LoyaltyOne’s proceedings under the *Companies’ Creditors Arrangement Act Canada* (“CCAA”). For more information, see DIV’s news release dated March 10, 2023, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

DIV’s wholly-owned subsidiary AM Royalties Limited Partnership (“AM LP”) owns the Canadian AIR MILES trademarks and certain related Canadian intellectual property rights (collectively, the “AIR MILES Rights”). AM LP licences the AIR MILES Rights to LoyaltyOne for use in the AIR Miles reward program business in Canada in accordance with the terms of two license agreements (collectively, the “AIR MILES Licenses”), which remain in force. None of DIV, AM LP, or the AIR MILES Rights are subject to LoyaltyOne’s CCAA proceedings and AM LP’s ownership of the AIR MILES Rights is not affected by such proceedings.

AM LP collected \$0.3 million of royalty income for Q1 2023 from LoyaltyOne on April 14, 2023 (representing the portion of the royalty income accrued by LoyaltyOne in Q1 2023 after its initial filing under the CCAA), and DIV currently expects, based on its discussions with LoyaltyOne, that the remaining \$0.8 million of royalty income owing for Q1 2023 (representing the portion of the royalty income accrued by LoyaltyOne in Q1 2023 up to the date of its initial filing under the CCAA) will be paid to AM LP following the closing of the transactions under the Purchase Agreement.

### Mr. Mikes First Quarter Results

SSSG in Q1 2023 for the Mr. Mikes restaurants in the royalty pool was 30.5% compared to Q1 2022.

DIV expects to report that royalty income and management fees of \$1.0 million were generated from Mr. Mikes in Q1 2023, which excludes approximately \$0.05 million from the partial payment of deferred contractual royalty fees and accrued management fees, compared to \$0.7 million in Q1 2022 (which excludes approximately \$0.55 million received from Mr. Mikes in Q1 2022 as a partial payment of deferred contractual royalty fees and accrued management fees). The Q1 2022 performance of the Mr. Mikes restaurants in the royalty pool was negatively impacted by vaccine and mask mandates and other government restrictions related to the COVID-19 pandemic which remained in place for all or a portion of such quarter in various provinces.

### First Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “We are pleased to announce record Q1 adjusted revenues<sup>3</sup>, with strong performances across most of our royalty partners. Mr. Lube, our largest royalty partner, continues to produce strong results, generating SSSG of 17.6% for the three-month period ended March 31, 2023. Further, Mr. Mikes and Oxford continue to show strong results with SSSG of 30.5% and 15.8%, respectively. In addition, Sutton, Stratus and Nurse Next Door continue to make their fixed-growth royalty payments. DIV’s Q1 2023 weighted average organic growth<sup>4</sup> was 11.1% (excluding the collection of \$0.05 million in Mr. Mikes deferred contractual royalty fees and accrued management fees) demonstrating the strength of DIV’s diversified portfolio.”

With respect to AIR MILES®, its Q1 2023 results were weak as Sobeys completed its exit from the Program. Sobeys gradually exited the Program over the last three quarters; accordingly, the negative impact of that exit on the royalty income generated from AIR MILES® has been increasing sequentially on a quarter-by-quarter basis. However, with Sobeys' exit from the Program now complete, the extent of the sequential decline in quarterly royalty income from AIR MILES® versus prior quarters should be reduced moving forward, absent other changes.

3. *Adjusted revenue is a non-IFRS financial measure – see “Non-IFRS Measures” below.*

4. *Weighted average organic growth is a supplementary financial measure – see “Non-IFRS Measures” below.*

#### 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, Oxford Learning Centres and Stratus Building Solutions 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 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. Stratus Building Solutions is a leading commercial cleaning service franchise company providing comprehensive environmentally friendly janitorial, building cleaning, and office cleaning services primarily in the United States.

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” 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, Oxford and Stratus for Q1 2023 and the amount of royalty income expected to be reported by DIV as having been generated from the AIR MILES® Licenses during this period; DIV's expectation that it will record the partial payment of deferred royalties and accrued management fees received from Mr. Mikes as revenue for Q1 2023; the potential sale of the AIR MILES reward program business by LoyaltyOne to BMO and that such sale will be subject to the approval of the court in LoyaltyOne's CCAA proceedings and other regulatory approvals; DIV's expectation, based on its discussions with LoyaltyOne, that AM LP will be paid the remaining \$0.8 million of royalty income owing from LoyaltyOne for Q1 2023 following closing of the transactions under the Purchase Agreement; DIV's expectation that with Sobeys' exit from the Program now complete, the extent of the sequential decline in quarterly royalty income from AIR MILES® versus prior quarters should be reduced moving forward, absent other changes; DIV may cease reporting preliminary results for 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 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 set forth herein are preliminary and have not been audited or reviewed by DIV's external auditors, actual results are subject to change, which may be material; DIV's royalty partners may not make their respective royalty payments to DIV, in whole or in part; the transactions under the Purchase Agreement may not be completed; LoyaltyOne or BMO may seek temporary or permanent royalty relief from DIV or AM LP; that LoyaltyOne may not continue to make its royalty payments to AM LP; an alternative transaction with a party other than BMO may be entered into through the CCAA proceedings or otherwise; LoyaltyOne and Loyalty Ventures, Inc. ("Loyalty Ventures") may not receive necessary orders from the courts in their CCAA and chapter 11 bankruptcy proceedings, respectively, to operate their businesses in the ordinary course during such proceedings; Loyalty Ventures may not receive the support of their lenders for the transactions contemplated by the Purchase Agreement; AM LP may not receive the remaining \$0.8 million of royalty income owing from LoyaltyOne for Q1 2023 in accordance with the currently contemplated timing or at all, which may result in a default under AIR MILES Licenses, which, depending on the extent of the default, may require AM LP to obtain covenant or other relief from its lender in order to remain in compliance with the terms of its credit agreement; the extent of the sequential decline in quarterly royalty income from AIR MILES® versus prior quarters may not be reduced moving forward; 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 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 9, 2023 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](http://www.sedar.com).*

*In formulating the forward-looking information and financial outlook contained herein, management has assumed, among other things, 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 transactions under the Purchase Agreement will be completed; LoyaltyOne and BMO will not seek temporary or permanent royalty relief from DIV or AM LP; that LoyaltyOne will continue to make its royalty payments to AM LP; LoyaltyOne and Loyalty Ventures, Inc. will receive necessary orders from the respective courts to operate their respective businesses in the ordinary course during their CCAA and chapter 11 bankruptcy proceedings; Loyalty Ventures will receive the support of their lenders for the transactions contemplated by the Purchase Agreement; AM LP will receive the \$0.8 million of royalty income owing from LoyaltyOne for Q1 2023 in accordance with the currently contemplated timing; the extent of the sequential decline in quarterly royalty income from AIR MILES® versus prior quarters should be reduced moving forward; 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; government mandated COVID-19 restrictions will not be re-imposed; and the business and economic conditions affecting DIV and its royalty partners will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations. 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.*

*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 Measures

Management believes that disclosing certain non-IFRS financial measures and supplementary 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 and supplementary financial measures used in this news release 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 financial 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", "adjusted revenue" and "adjusted royalty income" are used as a non-IFRS financial measures in this news release.

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 expected to be disclosed in the financial statements:

(Unaudited)

	Three months ended March 31,	
	2023	2022
Distributions received from NND LP	\$ 1,274	\$ 1,246
Add: NND Royalties LP expenses	3	6
DIV Royalty Entitlement	\$ 1,227	\$ 1,252

The most closely comparable IFRS measure to adjusted revenue and adjusted royalty income is "royalty income". Adjusted revenue is calculated as royalty income plus the DIV Royalty Entitlement and management fees. Adjusted revenue is calculated as royalty income plus the DIV Royalty Entitlement.

For further details with respect to DIV Royalty Entitlement and Adjusted Revenue, refer to the subsection "Non-IFRS 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, 2022, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

"Weighted average organic growth" is the average same store sales growth percentage related to Mr. Lube, Oxford and Mr. Mikes plus the average increase in adjusted royalty income from AIR MILES®, Sutton and Nurse Next Door over the prior comparable period taking into account the percentage weighting of each royalty partner's adjusted royalty income in proportion of the total adjusted royalty income for the period, excluding Stratus as there was no adjusted royalty income generated from Stratus in the prior period. Weighted average organic growth is a supplementary financial measure and does not have a standardized meaning prescribed by IFRS. However, the Corporation believes that weighted average organic growth is a useful measure as it provides investors with an indication of the change in year-over-year growth of each royalty partner, taking into account the percentage weighting of royalty partner's growth in proportion of total growth, as applicable. The Corporation's method of calculating weighted average organic growth may differ from those of other issuers or companies and, accordingly, weighted average organic growth may not be comparable to similar measures used by other issuers or companies.

"Same store sales growth" or "SSSG" are supplementary financial measures used in this news release 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 "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, 2022, a copy of which is available on SEDAR at [www.sedar.com](http://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. 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. Accordingly, the accuracy and completeness of this information is not guaranteed.*

**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](http://www.sedar.com).

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