



Diversified Royalty Corp. Announces Additions to the Mr. Lube Royalty Pool Amendment to Credit Facility, May 2023 Cash Dividend and Q1 2023 Earnings Release Date

Vancouver, BC, May 1, 2023 – Diversified Royalty Corp. (TSX: DIV and DIV.DB.A) (the “Corporation” or “DIV”) and Mr. Lube Canada Limited Partnership (“Mr. Lube”) announced today that effective May 1, 2023 the Mr. Lube royalty pool (the “Mr. Lube Royalty Pool”) has been adjusted to include the royalties from five new flagship Mr. Lube locations. With the adjustment for these five new locations, the Mr. Lube Royalty Pool now includes 144 flagship locations.

Sean Morrison, President and Chief Executive Officer of DIV, stated, “Mr. Lube has once again demonstrated strong growth and outstanding performance. I have no doubt that the experienced management team at Mr. Lube, led by Pamela Lee, and the strong store-level execution by its franchisees will continue to produce superior same-store-sales-growth and grow the Mr. Lube brand across Canada.”

Pamela Lee, President and Chief Executive Officer of Mr. Lube, stated, “Mr. Lube is proud of the performance of our franchisees over the past year. We are focused on growing the Mr. Lube brand and strengthening the store level economics of our franchisees, and continuing our mutually beneficial relationship with DIV”.

Additions to the Mr. Lube Royalty Pool

Subject to certain performance criteria being met, and the LP Amendment as described further below, the Mr. Lube Royalty Pool is adjusted annually on May 1 (the “Adjustment Date”) to include new Mr. Lube locations that have been open since July 1 of the previous reporting period and to remove Mr. Lube locations that have been permanently closed during the previous year.

On April 21, 2023, DIV and Mr. Lube entered into an amendment (the “LP Amendment”) to the amended and restated limited partnership agreement (the “LP Agreement”) of DIV’s direct subsidiary ML Royalties Limited Partnership (“ML LP”) to confirm the terms on which the five new locations would be added to the Mr. Lube Royalty Pool on May 1, 2023. The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue from the five new locations was \$4.7 million, representing 80% of the total estimated consideration of \$5.9 million. The initial consideration of \$4.7 million was elected by DIV to be paid in cash. The initial consideration is based on the forecast system sales of such locations for year ending December 31, 2023.

As a result of the LP Amendment, the remaining consideration payable for the additional royalty revenue of the five new Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2023 will be paid to Mr. Lube on May 1, 2025 (as opposed to May 1, 2024), and will be adjusted to reflect the actual system sales of these five new locations for the year ending December 31, 2024 (as opposed to the actual system sales for the year ending December 31, 2023). The actual amount of the consideration payable for the addition of the five Mr. Lube locations to the Mr. Lube Royalty Pool has not yet been determined and will be calculated in accordance with the LP Amendment (as noted above), a copy of which agreement has been filed on SEDAR at www.sedar.com.

On May 1, 2021, the Mr. Lube Royalty Pool was adjusted to include royalties from 13 new flagship Mr. Lube locations. The initial consideration previously paid by DIV was \$7.7 million, which represented 80% of the total estimated consideration for those 13 locations, which estimate was based on the forecast system sales of these 13 locations for the 2021 fiscal year. As previously announced on May 2, 2022, the remaining consideration payable for the net additional royalty revenue related to 7 of the 13 locations of \$1.6 million was paid by DIV to Mr. Lube in cash on May 1, 2022 based the actual system sales of these locations for the year ending December 31, 2021. As described further below, the remaining consideration for the net additional royalty revenue related to 6 of the 13



locations (the “2021 True-Up Locations”) was paid to Mr. Lube on May 1, 2023 to reflect the actual system sales of these locations for the year ending December 31, 2022.

The actual system sales for the 2021 True-Up Locations added to the Royalty Pool on May 1, 2021 has now been determined for the year ended December 31, 2022 to be \$12.3 million. The total consideration payable to Mr. Lube for the net additional royalty revenue of these 2021 True-Up Locations based on their actual system sales for the year ended December 31, 2022 is \$6.7 million. After taking into account the \$3.9 million previously paid by DIV to Mr. Lube on May 1, 2021 for the 2021 True-Up Locations, DIV paid Mr. Lube the remaining \$2.8 million of cash consideration for the net additional royalty revenue of these 2021 True-Up Locations on May 1, 2023.

On May 1, 2022, the Mr. Lube Royalty Pool was adjusted to include royalties from six new flagship Mr. Lube locations (the “2022 True-Up Locations”) and to remove two locations that had been permanently closed. The initial consideration previously paid by DIV was \$3.4 million in the form of 1,083,063 Common Shares of DIV on the basis of the 20-day volume weighted average closing price of the Common Shares for the period ended April 25, 2022 of \$3.1592 per Common Share (the “2022 Share Price”). The initial consideration represented 80% of the total estimated consideration for those 2022 True-Up Locations, which estimate was based on the forecast system sales of these 2022 True-Up Locations for the 2022 fiscal year.

The actual system sales for the 2022 True-Up Locations added to the Royalty Pool on May 1, 2022 has now been determined for the year ended December 31, 2022 to be \$10.0 million. The total consideration payable to Mr. Lube for the net additional royalty revenue of these 2022 True-Up Locations based on their actual system sales for the year ended December 31, 2022 is \$6.1 million. After taking into account the \$3.4 million previously paid by DIV to Mr. Lube in the form of 1,083,063 Common Shares issued to Mr. Lube on May 1, 2022, DIV paid Mr. Lube the remaining \$2.6 million of consideration for the net additional royalty revenue of these 2022 True-Up Locations on May 1, 2023, in the form of 832,848 Common Shares of DIV on the basis of the 2022 Share Price. In accordance with the terms of the LP Agreement, ML LP also made a cash payment to Mr. Lube of approximately \$192,000 representing the amount of the dividends of DIV that would have been received by Mr. Lube had the 832,848 Common Shares been issued to Mr. Lube on May 1, 2022.

For further details with respect to the manner in which annual adjustments of the Mr. Lube Royalty Pool occur and the agreements underlying the procedures therefor, see DIV’s Annual Information Form dated March 9, 2023 as well as the LP Amendment, copies of each of which are available on SEDAR at www.sedar.com.

Amendment to the Acquisition Facility

On May 1, 2023, DIV amended the credit agreement governing its \$50.0 million acquisition credit facility with a Canadian chartered bank (the “**Acquisition Facility**”) to allow for a one-time advance of up to \$7.5 million to be used to fund the initial consideration paid by DIV to Mr. Lube for the five new Mr. Lube locations added to the Royalty Pool on May 1, 2023 and to partially fund the remaining true-up consideration paid by DIV to Mr. Lube on May 1, 2023 for the 2021 True-Up Locations. The maximum size of the Acquisition Facility of \$50.0 million was not increased to facilitate this one-time advance. After taking into account this one-time advance, DIV currently has \$39 million of available capacity under the Acquisition Facility. A copy of the amendment to the Acquisition Facility is available under DIV’s profile on SEDAR at www.sedar.com.

May 2023 Cash Dividend

DIV is pleased to announce that its board of directors has approved a cash dividend of \$0.02 per common share for the period of May 1, 2023 to May 31, 2023, which is equal to \$0.24 per common share on an annualized basis. The dividend will be paid on May 31, 2023 to shareholders of record as of the close of business on May 15, 2023.

Q1 2023 Earnings Release Date

DIV will release earnings results for the three months ended March 31, 2023 following the closing of regular trading on the Toronto Stock Exchange on May 10, 2023.



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 amount and timing of the payment for the remaining consideration payable to Mr. Lube for the additional royalty revenue from the five Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2023; DIV's belief that the experienced management team at Mr. Lube and strong store-level execution by its franchisees will continue to produce superior same-store-sales-growth and grow the Mr. Lube brand across Canada; Mr. Lube being focused on growing the Mr. Lube brand and strengthening the store level economics of its franchisees, and continuing its mutually beneficial relationship with DIV; the amount and timing of the May 2023 dividend to be paid to DIV's shareholders; the timing of DIV releasing earnings results for the three months ended March 31, 2023; DIV's objective to continue to pay predictable and stable 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 in such forward-looking information and financial outlook. DIV believes that the expectations reflected in the forward-looking information and financial outlook are reasonable but no assurance can be given that these expectations will prove to be correct. In particular there can be no assurance that: Mr. Lube will continue to make royalty payments in the amounts and at the times required, or at all; the amount of, or timing of the payment for, the additional consideration payable to Mr. Lube for the five additional Mr. Lube locations added to the Mr. Lube Royalty Pool on May 1, 2023 will occur in the amount or at the time estimated; that transactions completed with Mr. Lube for the additions to the Mr. Lube Royalty Pool will be accretive to DIV shareholders; Mr. Lube will realize any of the intended benefits of its growth strategy; Mr. Lube will continue opening new stores, or that such stores will be successful if opened; that Mr. Lube will succeed in improving store level economics of its franchisees; all conditions to the draws on the Acquisition Facility will be satisfied; DIV will not further amend its Acquisition Facility in the future; DIV will be able to make monthly dividend payments to the holders of its common shares; or DIV will 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.

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; government mandated COVID-19 restrictions will not be re-imposed; the performance of the Mr. Lube flagship locations in the Mr. Lube Royalty Pool will be consistent with DIV's expectations; 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 in this news release constitutes a "financial outlook" within the meaning of applicable securities laws, such information is being provided to provide investors with an estimate of the financial impact to DIV of transactions with Mr. Lube described in this news release.

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.

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.

Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

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