Diversified Royalty Corp. Announces Q1 2023 Results

Vancouver, BC, May 10, 2023 – Diversified Royalty Corp. (TSX: DIV and DIV.DB.A) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ended March 31, 2023 ("Q1 2023").

Q1 2023 Highlights

- Revenue of $12.3 million, up 26.7% compared to the three months ended March 31, 2022 ("Q1 2022").
- Adjusted revenue[1] of $13.6 million, up 23.9% compared to Q1 2022.
- Distributable cash[1] of $8.8 million, up 22.6% compared to Q1 2022.
- Payout ratio[1] of 96.1% based on dividends of $0.06 per share for the quarter compared to 93.6% in Q1 2022 based on dividends of $0.055 per share for the comparable quarter.

First Quarter Results

(000's)	Three months ended March 31, 2023	2022
Mr. Lube	$ 5,754	$ 4,809
Stratus[a]	2,034	-
Nurse Next Door	1,297	1,272
Oxford	1,207	1,030
Mr. Mikes[b]	1,126	1,300
AIR MILES®	1,125	1,530
Sutton	1,074	1,053
Adjusted revenue[c]	$ 13,618	$ 10,994

a) Stratus adjusted revenue for the three months ended March 31, 2023 was US$1.50 million, translated at an average foreign exchange rate of $1.3520 to US$1.

b) For Q1 2023, Mr. Mikes adjusted revenue includes a payment of $0.05 million (Q1 2022 - $0.55 million) representing partial payment of deferred contractual royalty fees and accrued management fees, which has been recognized as revenue upon collection.

c) 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 Measures" in this news release.

In Q1 2023, DIV generated $12.2 million of revenue compared to $9.6 million in Q1 2022. 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 $13.6 million in Q1 2023, compared to $11.0 million in Q1 2022. Adjusted revenue increased primarily due to positive trends experienced by most of DIV's royalty partners, as discussed in further detail below. In addition, incremental revenue was generated from the addition of 4 net new stores to the Mr. Lube Canada Limited Partnership ("Mr. Lube") royalty pool on May 1, 2022 plus incremental royalty income generated from Stratus (defined below) beginning on November 15, 2022.

1. Adjusted revenue, distributable cash and DIV Royalty Entitlement are non-IFRS financial measures and payout ratio is a non-IFRS ratio – see "Non-IFRS Measures" below.

Royalty Partner Business Updates

Mr. Lube: Mr. Lube generated same-store-sales-growth ("SSSG")[2] of 17.6% for the Mr. Lube stores in the royalty pool for Q1 2023, compared to SSSG of 16.3% in Q1 2022. The increase was primarily due to continued growth in Mr. Lube's oil, maintenance, and tire offerings, combined with higher customer traffic.

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

Stratus: Royalty income from SBS Franchising LLC ("Stratus") was $2.0 million (US$1.5 million translated at an average foreign exchange rate of $1.3520 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: The royalty entitlement to DIV (the "DIV Royalty Entitlement[3]") from 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.

3. DIV Royalty Entitlement is a non-IFRS financial measure – see "Non-IFRS Measures" below.

Oxford: 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. Building off a strong quarter in Q4 2022, Oxford's first quarter of 2023 saw continued strength with sales comparable to pre-pandemic levels and is representative of the increased demand for Oxford's tutoring services.

Mr. Mikes: SSSG for the Mr. Mikes restaurants in the royalty pool was 30.5% in Q1 2023 compared to SSSG of 24.6% in Q1 2022.

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). In 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.

AIR MILES®: In Q1 2023, royalty income of $1.1 million was generated from the AIR MILES® Licenses compared to $1.5 million generated in Q1 2022. DIV's wholly-owned subsidiary, AM Royalties LP ("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, Co. ("LoyaltyOne") in Q1 2023 after its initial filing under the *Companies Creditors Arrangement Act* (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 following the closing of the transactions under the purchase agreement between LoyaltyOne and the Bank of Montreal ("BMO") pursuant to which BMO has agreed to purchase the AIR MILES® Reward Program (the "Program"), subject to court approval under the CCAA and other regulatory approvals and closing conditions.

Sutton: During Q1 2023, 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.

First Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "We are very pleased with the strong start to 2023. This has been our best first quarter ever in terms of adjusted revenue[4] and distributable cash[4]. Mr. Lube, our largest royalty partner, continues to produce strong results, generating SSSG of 17.6% for the period ended March 31, 2023, while Mr. Mikes and Oxford continue to show double-digit SSSG of 30.5% and 15.8%, respectively. DIV's Q1 2023 weighted average organic growth[5] was 11.1% (excluding the collection of $0.05 million in Mr. Mikes deferred contractual royalty fees and accrued management fees) demonstrating the overall strength of DIV's diversified portfolio.

4. Adjusted revenue and distributable cash are non-IFRS financial measures and same-store-sales growth or SSSG is a supplementary financial measure – see "Non-IFRS Measures" below.

5. Weighted average organic growth is a supplementary financial measure – see "Non-IFRS Measures" below.

Distributable Cash and Dividends Declared

In Q1 2023, distributable cash increased to $8.8 million ($0.0624 per share) from $7.2 million ($0.0587 per share) in Q1 2022. The increase in distributable cash[6] was primarily due to higher adjusted revenue (including a one-time payment of $0.05 million from Mr. Mikes representing partial payment of deferred contractual royalty fees and deferred contractual management fees described above), partially offset by higher interest expense and professional fees. The increase in distributable cash per share[7] was primarily due to the increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding.

6. Distributable cash is a non-IFRS financial measure – see "Non-IFRS Financial Measures" below.

7. Distributable cash per share is a non-IFRS ratio – see "Non-IFRS Financial Measures" below.

In Q1 2023, the payout ratio was 96.1%, an increase when compared to the payout ratio in Q1 2022 of 93.6%. The increase was primarily due to higher dividends declared per share, partially offset by higher distributable cash per share.

Net Income

Net income for Q1 2023 was $6.7 million, compared to net income of $6.2 million in Q1 2022. The increase in net income was primarily due to higher adjusted revenues partially offset by an increase in interest expense on credit facilities and income tax expense.

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" 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 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 and closing conditions; 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 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; 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; 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 the 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 decline in royalties received under the AIR MILES Licenses could cause AM LP to be in default under its credit agreement; DIV's royalty partners may request further royalty relief; 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; and DIV may not achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking information included in this news release is not a guarantee of future performance, and such forward-looking information should not be unduly relied upon. More information about the risks and uncertainties affecting DIV's business and the businesses of its royalty partners can be found in the "Risk Factors" section of its Annual Information Form dated March 9, 2023 and in DIV's management's discussion and analysis for the three months ended March 31, 2023, copies of which are available under DIV's profile on SEDAR at www.sedar.com.*

In formulating the forward-looking information contained herein, management has assumed that DIV will generate sufficient cash flows from its royalties to service its debt and pay dividends to shareholders; lenders will provide any necessary waivers required in order to allow DIV to continue to pay dividends; lenders will provide any necessary covenant waivers to DIV and its Royalty Partners; the 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 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 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.

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 March 31, 2023, are consistent with the preliminary results for such period reported in DIV's news release dated April 17, 2023.

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 net income or cash flows from operating activities as determined in accordance with IFRS.

"Adjusted revenue", "adjusted royalty income", "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 and adjusted royalty income to royalty income, the most directly comparable IFRS measure disclosed in the financial statements:

	Three months ended March 31,	
(000's)	**2023**	**2022**
Mr. Lube	$ 5,697	$ 4,753
Stratus	2,034	-
Oxford	1,197	1,020
AIR MILES®	1,125	1,530
Mr. Mikes	1,114	1,279
Sutton	1,047	1,026
Royalty income	**$ 12,214**	**$ 9,608**
DIV Royalty Entitlement	1,277	1,252
Adjusted royalty income	**$ 13,491**	**$ 10,860**
Management fees	127	134
Adjusted revenue	**$ 13,618**	**$ 10,994**

For further details with respect to adjusted revenue and adjusted royalty income, 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 ended March 31, 2023, 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:

	Three months ended March 31,	
(000's)	**2023**	**2022**
Distributions received from NND LP	$ 1,273	$ 1,246
Add: NND Royalties LP expenses	4	6
DIV Royalty Entitlement	1,277	1,252
Less: NND Royalties LP expenses	(4)	(6)
DIV Royalty Entitlement, net of NND Royalties LP expenses	**$ 1,273**	**$ 1,246**

For further details with respect to DIV Royalty Entitlement, 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 ended March 31, 2023, 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 March 31, 2023	2022
Cash flows generated from operating activities	$ 6,930	$ 6,345
Current tax expense	(1,117)	(1,121)
Accrued interest on convertible debentures	(788)	(763)
Distributions on MRM units earned in current periods	(35)	-
Payment of lease obligations	(26)	(26)
NND LP expenses	(4)	(6)
Accrued DIV Royalty Entitlement, net of distributions	4	6
Foreign exchange and other	46	1
Changes in working capital	1,060	807
Taxes paid	2,765	1,961
Distributable cash	**$ 8,835**	**$ 7,204**

For further details with respect to distributable cash, 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 March 31, 2023, 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 ended March 31, 2023, a copy of which is available on SEDAR at 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" 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 months ended March 31, 2023 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 months ended March 31, 2023, 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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