Diversified Royalty Corp. Announces Q2 2023 Results and Strongest Adjusted Revenue[1] Second Quarter in its History

Vancouver, BC, August 14, 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 June 30, 2023 ("Q2 2023") and six months ended June 30, 2023.

Q2 2023 Highlights

- Revenue of $14.1 million in Q2 2023 and $26.5 million for the six months ended June 30, 2023, up 27.7% and 27.2%, respectively, compared to the same periods in 2022.
- Adjusted revenue[1] of $15.4 million in Q2 2023 (DIV's strongest adjusted revenue[1] quarter to date since adopting its multi-royalty strategy in 2013) and $29.0 million for the six months ended June 30, 2023, up 25.1% and 24.5%, respectively, compared to the same periods in 2022.
- Distributable cash[1] of $9.8 million in Q2 2023 and $18.6 million for the six months ended June 30, 2023, up 23.7% and 23.2%, respectively, compared to the same periods in 2022.
- Payout ratio[1] of 87.5% in Q2 2023 based on dividends of $0.06 per share for the quarter, compared to 86.1% in Q2 2022 based on dividends of $0.055 per share for the comparable quarter and 91.6% for the six months ended June 30, 2023 based on dividends of $0.12 per share for the period, compared to 89.7% based on dividends of $0.11 per share for the comparable period.

Second Quarter Results

(000's)	Three months ended June 30, 2023	2022	%	Six months ended June 30, 2023	2022	%
Mr. Lube	$ 7,553	$ 6,165	22.5%	$ 13,307	$ 10,974	21.3%
Stratus[a]	2,020	-	100.0%	4,054	-	100.0%
Nurse Next Door	1,297	1,273	1.9%	2,594	2,545	1.9%
Oxford	1,237	1,135	9.0%	2,444	2,165	12.9%
Mr. Mikes[b]	1,134	916	23.8%	2,260	2,216	2.0%
AIR MILES®	1,112	1,791	-37.9%	2,237	3,321	-32.6%
Sutton	1,073	1,053	1.9%	2,149	2,106	2.0%
Adjusted revenue[c]	$ 15,426	$ 12,333	25.1%	$ 29,044	$ 23,327	24.5%

a) Stratus royalty income for the three and six months ended June 30, 2023 was US$1.5 million and US$3.0 million, respectively, translated at an average foreign exchange rate of $1.3430 and $1.3475 to US$1, respectively.

b) For the six months ended June 30, 2023, Mr. Mikes adjusted revenue includes a payment of $0.1 million (six months ended June 30, 2022 - $0.55 million) representing partial payment of deferred contractual royalty fees and management fees, which has been recognized as revenue upon collection.

c) DIV Royalty Entitlement, adjusted royalty income and adjusted revenue are non-IFRS financial measures and as such, do not have standardized meanings under IFRS. For additional information, refer to "Non-IFRS Measures" in this news release.

In Q2 2023, DIV generated $14.1 million of revenue compared to $11.1 million in Q2 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 $15.4 million in Q2 2023, compared to $12.3 million in Q2 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 four net new locations to the Mr. Lube Canada Limited Partnership ("Mr. Lube") royalty pool on May 1, 2022, the addition of five new locations to the Mr. Lube royalty pool on May 1, 2023, 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 21.1% for the Mr. Lube locations in the royalty pool for Q2 2023, compared to SSSG of 23.5% in Q2 2022. SSSG in the current period is primarily due to the sustained growth across all of Mr. Lube's offerings and especially in its maintenance services, oil packages, and tire sales offerings.

2. Same-store-sales growth or SSSG is a non-IFRS 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 $1.3430 to US$1.00) for Q2 2023. The fixed royalty paid by Stratus of US$6.0 million increases 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 Q2 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 measure – see "Non-IFRS Measures" below.

Oxford: The Oxford Learning Centres, Inc. ("Oxford") locations in the Oxford royalty pool generated SSSG[4] (on a constant currency basis) of 8.6% in Q2 2023 and 12.1% for the six months ended June 30, 2023, compared to SSSG of 21.4% and 17.8%, for the same respective periods in 2022. In 2022, Oxford saw a transition back to in-person tutoring for many locations in the first and second quarters, a trend that continued through the remainder of 2022 with system sales returning to pre-pandemic levels in the fourth quarter of 2022 and continued to grow in the first and second quarters of 2023.

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

Mr. Mikes: SSSG[5] for the Mr. Mikes Restaurants Corporation ("Mr. Mikes") restaurants in the Mr. Mikes royalty pool was 5.5% in Q2 2023 and 16.6% for the six months ended June 30, 2023, compared to SSSG of 94.5% and 55.4% for the same respective periods in 2022, which 2022 SSSG figures include measurement against certain stores that were temporarily closed due to the COVID-19 pandemic in 2021.

Royalty income and management fees of $1.1 million were generated from Mr. Mikes in Q2 2023, which excludes approximately $0.05 million from the partial payment of deferred contractual royalty fees and accrued management fees, compared to $0.9 million in Q2 2022 (no partial payment of deferred fees collected in the comparable quarter). The performance of the Mr. Mikes restaurants in the Mr. Mikes royalty pool were significantly negatively impacted by vaccine and mask mandates and other government restrictions related to the COVID-19 pandemic in 2021 than 2022, resulting in significantly higher SSSG in the comparable prior period.

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

AIR MILES®: In Q2 2023, royalty income of $1.1 million was generated from the AIR MILES® Licenses compared to $1.8 million generated in Q2 2022, a decrease of 38% from the comparable quarter. Q2 2023 saw the transition of ownership of the AIR MILES® Reward Program business to AIR MILES Loyalty Inc., an affiliate of the Bank of Montreal ("BMO"), and the wind down of the Sobey's exit from the AIR MILES® rewards program.

Sutton: During Q2 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, 2023.

Second Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "DIV is pleased with how its royalty partners performed in the second quarter of 2023. Q2 was DIV's best second quarter, in terms of adjusted revenue[6] and distributable cash[6], in its history as a royalty company. Mr. Lube, our largest royalty partner, continues to produce strong double-digit growth, generating SSSG[7] of 21.1% for the three-month period ended June 30, 2023, while Mr.

Mikes and Oxford generated positive SSSG[7] results of 5.5% and 8.6%, respectively. Royalty partners Nurse Next Door, Sutton and Stratus made their fixed royalty payments. Q2 represented the first quarter with Sobey's fully exited from the AIR MILES program resulting in the large year-over-year decrease in royalty income from AIR MILES. However, there were several positive developments for AIR MILES in Q2: ownership transferred to BMO, the outstanding Q1 royalty payment was paid in full, and Dollarama was added as a new loyalty partner. DIV believes stability of ownership, in the hands of BMO, provides AIR MILES with significant credibility and the ability to attract more new loyalty partners going forward. DIV's Q2 2023 weighted average organic royalty growth[7] was 10.3% (excluding the collection of $0.05 million in Mr. Mikes deferred contractual royalty fees and accrued management fees), once again demonstrating the overall strength of DIV's diversified portfolio."

6. Adjusted revenue, distributable cash are a non-IFRS financial measures – see "Non-IFRS Measures" below.

7. Same-store-sales growth or SSSG and weighted average organic royalty growth are supplementary financial measures – see "Non-IFRS Measures" below.

Distributable Cash and Dividends Declared

In Q2 2023 and for the six months ended June 30, 2023, distributable cash[8] increased to $9.8 million ($0.0686 per share) and $18.6 million ($0.1311 per share), respectively, compared to $7.9 million ($0.0639 per share) and $15.1 million ($0.1226 per share) for the same respective periods in 2022. The increase in distributable cash was primarily due to higher adjusted revenue (including payments from Mr. Mikes representing partial payment of deferred contractual royalty fees and deferred contractual management fees described above), partially offset by higher current tax expense, higher interest expense and professional fees. The increase in distributable cash per share[8] was primarily due to the increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding.

8. Distributable cash is a non-IFRS financial measure and distributable cash per share is a non-IFRS ratio – see "Non-IFRS Measures" below.

In Q2 2023 and for the six months ended June 30, 2023, the payout ratio[9] was 87.5% and 91.6%, respectively, an increase when compared to the payout ratios of 86.1% and 89.7% for the same respective periods in 2022. The increase was primarily due to higher dividends declared per share, partially offset by higher distributable cash per share.

9. Payout ratio is a non-IFRS ratio – see "Non-IFRS Measures" below.

Net Income

Net income for Q2 2023 and the six months ended June 30, 2023, was $9.1 million and $15.8 million, respectively, compared to net income of $7.1 million and $13.3 million for the same respective periods of 2022. 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 and interest expenses on credit facilities.

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: DIV's belief that stability of ownership, in the hands of BMO, provides AIR MILES with significant credibility and the ability to attract more new loyalty partners going forward; 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; AIR MILES may not be successful in attracting more new loyalty partners going forward; the decline in royalties received under the AIR MILES licenses could cause AM LP to be required to make partial or full repayment of the outstanding principal amount under its credit agreement, or 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; 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 9, 2023 and in DIV's management's discussion and analysis for the three and six months ended June 30, 2023, copies of which are available under DIV's profile on SEDAR+ at www.sedarplus.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 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; AIR MILES will be successful in attracting more new loyalty partners going forward; 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.*

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:

(000's)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Mr. Lube	$ 7,495	$ 6,109	$ 13,192	$ 10,862
Stratus	2,020	-	4,054	-
Oxford	1,227	1,125	2,424	2,145
AIR MILES®	1,112	1,791	2,237	3,321
Mr. Mikes	1,123	912	2,237	2,191
Sutton	1,046	1,026	2,093	2,052
Royalty income	**$ 14,023**	**$ 10,963**	**$ 26,237**	**$ 20,571**
DIV Royalty Entitlement	1,277	1,253	2,554	2,505
Adjusted royalty income	**$ 15,300**	**$ 12,216**	**$ 28,791**	**$ 23,076**
Management fees	126	117	253	251
Adjusted revenue	**$ 15,426**	**$ 12,333**	**$ 29,044**	**$ 23,327**

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 and six months ended June 30, 2023, a copy of which is available on SEDAR+ at www.sedarplus.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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Distributions received from NND LP	$ 1,261	$ 1,240	$ 2,534	$ 2,486
Add: NND Royalties LP expenses	16	13	20	19
DIV Royalty Entitlement	1,277	1,253	2,554	2,505
Less: NND Royalties LP expenses	(16)	(13)	(20)	(19)
DIV Royalty Entitlement, net of NND Royalties LP expenses	**$ 1,261**	**$ 1,240**	**$ 2,534**	**$ 2,486**

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 and six months ended June 30, 2023, a copy of which is available on SEDAR+ at www.sedarplus.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, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash flows generated from operating activities	$ 6,062	$ 4,620	$ 12,992	$ 10,965
Current tax expense	(1,598)	(1,433)	(2,714)	(2,554)
Accrued interest on convertible debentures	788	763	-	-
Interest on $52,500 of 2022 Debenture overlap	-	168	-	168
Distributions on MRM units earned in current periods	(38)	-	(73)	-
Payment of lease obligations	(27)	(26)	(53)	(52)
NND LP expenses	(16)	(13)	(20)	(19)
Accrued DIV Royalty Entitlement, net of distributions	(60)	13	(56)	19
Foreign exchange and other	(526)	(3)	(480)	(2)
Changes in w orking capital	3,547	1,864	4,607	2,671
Taxes paid	1,641	1,949	4,406	3,910
Distributable cash	**$ 9,774**	**$ 7,902**	**$ 18,608**	**$ 15,106**

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 and six months ended June 30, 2023, a copy of which is available on SEDAR+ at www.sedarplus.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, 2023, a copy of which is available on SEDAR+ at www.sedarplus.com.

"Weighted average organic royalty 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 royalty growth is a supplementary financial measure and does not have a standardized meaning prescribed by IFRS. However, the Corporation believes that weighted average organic royalty 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 royalty growth may differ from those of other issuers or companies and, accordingly, weighted average organic royalty 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 and six months ended June 30, 2023 a copy of which is available on SEDAR+ at www.sedarplus.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, 2023, which are available on SEDAR+ at www.sedarplus.com.

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

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