Diversified Royalty Corp. Announces Acquisition of BarBurrito Restaurants Inc. Trademarks, a 2.1% Dividend Increase Effective November 1, 2023 and October 2023 Cash Dividend

Vancouver, BC, October 4, 2023 – Diversified Royalty Corp. (TSX: DIV and DIV.DB.A) (the "**Corporation**" or "**DIV**") is pleased to announce that it has acquired the trademarks and certain other intellectual property used by BarBurrito Restaurants Inc. ("**BarBurrito**") in Canada, adding an eighth royalty stream to DIV's portfolio.

Highlights

- Acquisition of the trademarks and certain other intellectual property rights used by BarBurrito in Canada for $72 million cash at closing and certain additional consideration,
- Initial annual royalty revenue from BarBurrito of $8.3 million plus $80,000 of management fees, representing approximately 12% of DIV's pro-forma adjusted revenue[1]
- DIV is acquiring the incremental $8.4 million of revenues from BarBurrito at a royalty acquisition multiple of 8.6x[1]
- Additional consideration includes a $36 million promissory note that is repayable as new BarBurrito locations, contributing an additional $4.3M of royalties to DIV, are added to the Royalty Pool, representing an 8.4x royalty acquisition multiple[1]
- The royalty grows at a fixed rate of 4% per year for 7-years and thereafter will fluctuate based on gross sales of BarBurrito locations in the Royalty Pool
- Annual dividend on DIV's common shares to be increased 2.1**%** from 24 cents per share to 24.5 cents per share, effective November 1**,** 2023
- DIV's pro-forma payout ratio following the acquisition is approximately 84.7% (pro-forma payout ratio, net of DRIP is approximately 74.1%)[1]

1. *Pro-forma adjusted revenue is a non-IFRS financial measure, pro-forma payout ratio and pro-forma payout ratio, net of DRIP are non-IFRS measures, and royalty acquisition multiple is a supplementary financial measure and as such, do not have a standardized meaning under IFRS. For additional information, refer to "Non-IFRS Measures" in this news release.*

Acquisition Overview

DIV and its wholly-owned subsidiary BARB Royalties Limited Partnership ("**BARB LP**") entered into an acquisition agreement dated October 4, 2023 (the "**Acquisition Agreement**") with BarBurrito and an affiliate of BarBurrito pursuant to which BARB LP acquired (the "**Acquisition**") the trademarks and certain other intellectual property rights utilized by BarBurrito in its quick service Mexican restaurants in Canada (the "**BarBurrito Rights**") for a purchase price (the "**Purchase Price**"), excluding GST, of $72 million cash, a retained interest provided to BarBurrito through the issuance of limited partnership units of BARB LP (collectively, the "**BarBurrito Retained Interest**") and a $36 million promissory note that is repayable by BARB LP to BarBurrito upon the first eligible new BarBurrito locations being added to the Royalty Pool (as defined below), for a total of $108 million. The cash portion of the Purchase Price was funded with (i) $50 million drawn from DIV's existing acquisition facility (the "**Acquisition Facility**"), (ii) $2.0 million from DIV's cash on hand, (iii) $10 million drawn from a new senior credit facility issued to BARB LP (the "**BARB Credit Facility**"), and (iv) $10 million drawn from a new senior term credit facility issued to DIV (the "**Additional Term Facility**").

Immediately following the closing of the Acquisition, DIV licensed the BarBurrito Rights back to BarBurrito for 99 years, in exchange for an initial royalty payment of $8.3 million per annum (the "**Royalty**" and together with the

Acquisition, the "**Transaction**"). The Royalty grows at a fixed rate of 4% per annum for the first seven years and, commencing on January 1, 2031, will fluctuate based on the gross sales of the BarBurrito locations in the Royalty Pool (initially including 225 locations).

The Acquisition is expected to increase DIV's tax pools by approximately $108 million to a total of approximately $410 million, which can be depreciated over time to reduce DIV's cash taxes.

Founded in 2005, BarBurrito has over 260 quick service Mexican restaurants in Canada**.** All of BarBurrito's locations are franchised, except for one corporate store, and substantially all future growth is currently expected to result from opening additional franchised locations. Based on BarBurrito's financial statements for the fiscal year ended April 30, 2023, BarBurrito had $135 million of system sales(2) and SSSG(2) of 4.4%. BarBurrito is forecasting over $180 million in system sales in the fiscal year ended April 30, 2024.

Sean Morrison, President and Chief Executive Officer of DIV, stated, "The BarBurrito trademark acquisition and royalty agreement adds an eighth royalty stream to DIV's portfolio, representing approximately 12% of DIV's pro-forma adjusted revenue and is another step in our strategy of purchasing royalties from a diverse group of proven multi-location businesses and franchisors. We believe BarBurrito's impressive rate of growth is a result of its strong store level economics, quality of its franchisees and experience of its management team. Alex represents a great partner for DIV, as he strongly believes in the continued success of BarBurrito over the long term and therefore partnering with DIV was far superior to selling equity ownership. We look forward to working with Alex and BarBurrito's management team to continue expanding across Canada."

Alex Shtein, President of BarBurrito, stated, "We are excited to complete this transaction with DIV which will help BarBurrito accelerate its growth and reach its strategic objectives. This deal will have no impact on the day-to-day operations of BarBurrito and I will retain full ownership and control of the company. In addition, current management will also remain the same and will now include Greg Gutmanis, CFO of DIV, on an advisory basis, at board meetings. We remain laser focused on strengthening the restaurant-level economics and profitability of our franchisees and growing the brand across Canada. We look forward to developing a mutually beneficial relationship with DIV for years to come."

2. *System sales and same store sales growth (SSSG) are supplementary financial measures and as such, do not have a standardized meaning under IFRS. For additional information, refer to "Non-IFRS Measures" in this news release.*

Further Details of the Acquisition and Royalty

Under the terms of the license and royalty agreement which governs the Royalty (the "**Licence and Royalty Agreement**"), BarBurrito will pay BARB LP an initial Royalty of $8.3 million per annum in respect of the 225 BarBurrito locations in Canada included in the royalty pool (the "**Royalty Pool**"). The initial Royalty increases at a fixed rate of 4% per annum for the first seven years and, commencing on January 1, 2031, will fluctuate based on the gross sales of the BarBurrito locations in the Royalty Pool. So long as certain royalty coverage tests are met, BarBurrito will be able to include eligible new BarBurrito locations in the Royalty Pool commencing on January 1, 2025. On the addition of net new BarBurrito locations into the Royalty Pool, BARB LP will firstly pay down the $36 million promissory note issued by BARB LP at closing of the Transaction in cash at an 8.75x multiple (representing an 8.4x royalty acquisition multiple). After the promissory note has been repaid in full, on the addition of net new BarBurrito locations into the Royalty Pool, BarBurrito will be entitled to exchange certain of the limited partnership units of BARB LP comprising part of the BarBurrito Retained Interest for common shares of DIV (or cash, at DIV's election) at a 7.75x multiple. The $36 million promissory note is non-interest bearing and repayable by BARB LP to BarBurrito upon the first eligible new BarBurrito locations added to the Royalty Pool.

Commencing January 1, 2031 when the Royalty begins to fluctuate based on the gross sales of the BarBurrito locations in the Royalty Pool and subject to meeting certain performance criteria, BarBurrito will also be provided opportunities to increase the royalty rate ("**Royalty Rate**") then payable in six, 0.25% increments during the life of the Royalty. In consideration for each incremental Royalty Rate increase, BarBurrito will be entitled to exchange certain of the limited partnership units of BARB LP comprising the BarBurrito Retained Interest for common shares of DIV (or cash, at DIV's election) based on a formula that is accretive to DIV shareholders.

Payment of the Royalty is secured by a general security agreement granted by BarBurrito to BARB LP, and by a secured corporate guarantee granted to BARB LP by certain affiliates of BarBurrito that are involved in the BarBurrito business in Canada.

DIV and BARB Royalties Credit Facilities

BARB LP financed $10 million of the Purchase Price with new bank debt having a term of approximately 5 years. The BARB Credit Facility is non-amortizing and has a floating interest rate based on Bankers' Acceptance Rate plus a spread based on prevailing market rates. The BARB Credit Facility is secured by the BarBurrito Rights and the royalties payable by BarBurrito under the Licence and Royalty Agreement, and has covenants customary for this type of a credit facility.

DIV financed $50 million of the Purchase Price from the Acquisition Facility under its existing credit agreement (the "**Credit Agreement**"). The $50 million drawn on the Acquisition Facility is interest-only for six months and thereafter amortizes over a 60-month period. In connection with the Transaction, DIV amended the Credit Agreement to add the Additional Term Facility of $10 million with a term of approximately 18 months. DIV financed $10 million of the Purchase Price from this Additional Term Facility. The Additional Term Facility is non-amortizing and has a floating interest rate based on Bankers' Acceptance Rate plus a spread based on prevailing market rates. The Credit Agreement is secured by a general security interest over the assets of the Corporation and, if requested by the lender, may be secured by specific assignments of certain material agreements entered into by the Corporation from time to time, and has covenants customary for this type of credit facility. DIV intends to pay down the Acquisition Facility through a combination of cash flows, debt refinancings and/or capital markets transactions.

Dividend Policy Increase

DIV's board of directors has approved an increase in DIV's annual dividend policy from 24.0 cents per share to 24.5 cents per share effective November 1, 2023, an increase of 2.1%. DIV estimates its pro-forma payout ratio[(3)] will be approximately 84.7% with $50 million drawn on its Acquisition Facility.

3. *Pro-forma payout ratio is a non-IFRS ratio, and as such, does not have a standardized meaning under IFRS. For additional information, refer to "Non-IFRS Measures" in this news release.*

Investor Conference Call

Management of DIV will host a conference call today at 2:00 pm Pacific Time (5:00 pm Eastern Time). To participate by telephone across Canada, call toll free at 1 (888) 396-8049 or 1 (416) 764-8646. (conference ID 70353373). The management presentation for the conference call will be available on DIV's website https://www.diversifiedroyaltycorp.com/investors/investor-presentation/ prior to the call. The presentation will be followed by a question-and-answer session. An archived telephone recording of the call will be available until December 3, 2023 by calling 1 (877) 674-7070 or 1 (416) 764-8692 (playback passcode: 353373#). Alternatively, the link to the webcast of the conference call can be found here: https://viavid.webcasts.com/starthere.jsp?ei=1637252&tp_key=f3d6b09047.

October 2023 Cash Dividend

DIV's board of directors has approved a cash dividend of $0.02 per common share for the period of October 1, 2023 to October 31, 2023, which is equal to $0.24 per common share on an annualized basis. The dividend will be paid on October 31, 2023 to shareholders of record as of the close of business on October 16, 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, Stratus Building Solutions and BarBurrito 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. BarBurrito is Canada's largest quick service Mexican restaurant chain.

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 "intends" and similar expressions are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Specifically, forward-looking information or financial outlook in this news release includes, but are not limited to, statements made in relation to: the increase in DIV's annual dividend; statements related to the expected tax implications of the Acquisition on DIV; substantially all future growth for BarBurrito is currently expected to result from opening additional franchised locations; BarBurrito's forecasted system sales in the fiscal year ended April 30, 2024; the expected financial impact of the Transaction on DIV, including on its pro-forma payout ratio and pro-forma adjusted revenue; DIV intends to pay down the Credit Facility through a combination of cash flows, debt refinancings and/or capital markets transactions; DIV's intention to continue to pay a predictable and stable monthly dividend to shareholders and increase the dividend over time; and DIV's corporate objectives. The forward-looking information and financial outlook contained herein 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 therein. 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: DIV will realize the expected benefits of the Transaction, or that it will be accretive; the actual tax implications of the Acquisition and the Transaction on DIV will be consistent with the expected tax implications; BarBurrito will make the required royalty payments required under the Licence and Royalty Agreement and otherwise comply with its obligations under the agreements governing the Transaction; BarBurrito will not be adversely affected by the other risks facing its business; DIV may not complete any further royalty acquisitions; DIV may not increase its dividend in accordance with the currently expected timing or amounts; DIV will be able to make monthly dividend payments to the holders of the DIV 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 the "Risk Factors" section of its management's discussion and analysis for the three and six months ended June 30, 2023 that are available under DIV's profile* *on SEDAR+ at www.sedarplus.ca.*

In formulating the forward-looking statements contained herein, management has assumed that, among other things, BarBurrito will be successful in meeting its stated corporate objectives, including its growth targets; DIV will realize the expected benefits of the Transaction; the BarBurrito business will not suffer any material adverse effect; the actual tax implications of the Acquisition and the Transaction on DIV will be consistent with the expected tax implications; and the business and economic conditions affecting DIV and BarBurrito 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 constitute a "financial outlook" within the meaning of applicable securities laws, such information is being provided to assist investors in understanding the potential financial impact of the Transaction, the BARB Credit Facility, the Additional Term Facility and the dividend increase.

All of the forward-looking information and financial outlook disclosed 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 contemplated thereby will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV contemplated by such forward-looking information and financial outlook contained herein. The forward-looking information and financial outlook included 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, non-IFRS ratios and supplementary financial measures provides readers with important information regarding the Corporation's financial performance and its ability to pay dividends, the performance of its royalty partners and the financial impacts to DIV of the Transaction. 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, its royalty partners and the Transaction than investors would have if they simply considered IFRS measures alone. The non-IFRS financial measures, non-IFRS ratios 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 net income or cash flows from operating activities as determined in accordance with IFRS.

The non-IFRS financial measure used in this news release is pro-forma adjusted revenue, which includes as components the following non-IFRS financial measures: DIV royalty entitlement net of NND Royalties LP expenses, adjusted revenue and run-rate adjusted revenue. Run-rate adjusted revenue is calculated as DIV's adjusted revenue for the three months ended June 30, 2023 after deducting the DIV royalty entitlement net of NND Royalties LP expenses in such quarter, multiplied by four for purposes of annualizing such amount. Pro-forma adjusted revenue is calculated as the run-rate adjusted revenue plus the amount of the annual royalty payable by BarBurrito to BARB LP. DIV management believes pro-forma adjusted revenue provides useful information as it provides supplemental information regarding DIV's consolidated revenues after giving effect to the Transaction. For an explanation of the composition of DIV royalty entitlement net of NND Royalties LP expenses and adjusted revenue, including a reconciliation to the most directly comparable IFRS measure, see the disclosure under the heading "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in DIV's management discussion and analysis for the three and six months ended June 30, 2023, a copy of which is available under DIV's profile on SEDAR+ at www.sedarplus.ca, which is incorporated by reference herein.

The following table reconciles revenue for the three months ended June 30, 2023, to run-rate adjusted revenue and pro-forma adjusted revenue:

(Cdn$000's)	Q2 2023	Annualized
Revenues	14,149	56,596
DIV royalty entitlement net of NND Royalties LP expenses	1,277	5,108
Adjusted revenue / run-rate adjusted revenue	**15,426**	**61,704**
BarBurrito contribution(1)		8,400
Pro-forma adjusted revenue		**70,104**

1) BarBurrito contribution is calculated as the initial annual royalty from BarBurrito of $8,320,000 plus $80,000 annual management fees.

The non-IFRS ratios used in this news release are pro-forma payout ratio and pro-forma payout ratio, net of DRIP, which include as components the following non-IFRS financial measures: EBITDA, normalized EBITDA, run-rate normalized EBITDA, distributable cash, run-rate distributable cash, pro-forma distributable cash and pro-forma dividends declared. Run-rate normalized EBITDA is calculated as DIV's normalized EBITDA for the three months ended June 30, 2023, multiplied by four for purposes of annualizing such amount. Run-rate distributable cash is calculated as DIV's distributable cash for the three months ended June 30, 2023, multiplied by four for purposes of annualizing such amount. Pro-forma distributable cash is calculated as run-rate distributable cash plus the annual royalty payable by BarBurrito to BARB LP, less incremental operating expenses, interest expenses and taxes related to the Royalty. Pro-forma dividends declared is calculated as DIV's new annualized dividend of $0.245 per share multiplied by the number of DIV common shares issued and outstanding as of June 30, 2023. Pro-forma payout ratio is calculated as pro-forma dividends declared divided by pro-forma distributable cash. Pro-forma payout ratio, net of DRIP is calculated as the difference of (X) pro-forma dividends declared less (Y) dividends paid by DIV in the form of DIV common shares issued under DIV's dividend reinvestment plan ("DRIP") at an estimated participation rate of 12.5%, divided by pro-forma distributable cash. For an explanation of the composition of EBITDA, normalized EBITDA and distributable cash, including a reconciliation to the most directly comparable IFRS measure, see the disclosure under the heading "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in DIV's management discussion and analysis for the three and six months ended June 30, 2023, a copy of which is available under DIV's profile on SEDAR+ at www.sedarplus.ca, which is incorporated by reference herein. DIV management believes that (i) pro-forma payout ratio provides useful information as it provides supplemental information regarding DIV's ability to generate cash to pay dividends following the completion of the Transaction and the increase to the dividend, and (ii) pro-forma payout ratio, net of DRIP provides useful information as it provides supplemental information DIV's ability to generate cash to pay dividends following the completion of the Transaction and the increase to the dividend after adjusting for dividends paid by DIV in the form of DIV common shares issued under the DRIP.

The following table reconciles net income for the three months ended June 30, 2023, to run-rate distributable cash and pro-forma distributable cash and illustrates the calculation of pro-forma payout ratio and pro-forma payout ratio, net of DRIP:

(Cdn$000's)	Q2 2023	Annualized
Net income	9,094	36,376
Interest expense on credit facilities	2,958	11,832
Income tax expense	3,467	13,868
Depreciation expense	26	104
EBITDA	15,545	62,180
Adjustments:		
Share-based compensation	350	1,400
Other finance costs, net	406	1,624
Fair value adjustment on financial instruments	(3,202)	(12,808)
Payment of lease obligations	(27)	(108)
DIV royalty entitlement net of NND Royalties LP expenses	1,261	5,044
Normalized EBITDA / run-rate normalized EBITDA	14,333	57,332
Add: interest income	34	136

Less: Distributions on exchangeable MRM units	(38)	(152)
Less: current tax expense	(1,597)	(6,388)
Less: interest expense on credit facilities	(2,958)	(11,832)
Distributable cash / run-rate distributable cash	9,774	39,096
BarBurrito distributable cash contribution[(1)]		5,304
Interest on remaining acquisition facility, net of taxes[(2)]		(3,011)
Pro-forma distributable cash		**41,389**
Pro-forma dividends declared[(3)]		35,037
Pro-forma payout ratio		**84.7%**
Pro-forma dividends declared, net of DRIP[(4)]		30,658
Pro-forma payout ratio, net of DRIP		**74.1%**

1) The BarBurrito distributable cash contribution is calculated as the initial royalty revenue from BarBurrito of $8.4 million, less incremental operating expenses of $340,000, less interest expense of $1,670,000 and taxes of $1,086,000.
2) Calculated as interest of 8.25% on the outstanding $50.0 million balance on the Acquisition Facility, net of taxes (assumed rate of 27%).
3) Calculated as the number of DIV common shares issued and outstanding as of June 30, 2023 (143,009,305) multiplied by the new annualized dividend of $0.245 per share.
4) Calculated as pro-forma dividends declared, multiplied by 1 minus the effective DRIP rate of 12.5%

System Sales is a supplementary financial measure and is a reference to the top-line sales revenue reported to BarBurrito by all BarBurrito franchisees. System sales is a supplementary financial measure and does not have a standardized meaning prescribed by IFRS. The Corporation believes system sales is a useful measure as it provides investors with an indication of performance of the franchisees underlying BarBurrito's business.

Same store sales growth or SSSG is a supplementary financial measure and is a reference to the percentage increase in system sales over the prior comparable period for BarBurrito locations that were in operation in both the current and prior periods, excluding stores that were permanently closed. The Corporation believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of BarBurrito locations.

Royalty acquisition multiple is a supplementary financial measure and is calculated as the purchase price for the royalty (prior to any potential post-closing adjustments) divided by the annual royalty payment.

Third Party Information

This news release includes information obtained from third party reports and other publicly available sources as well as financial statements and other reports provided to DIV by its royalty partners and BarBurrito. 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

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

Contact:
Sean Morrison, President and Chief Executive Officer
Diversified Royalty Corp.

(236) 521-8470

Greg Gutmanis, Chief Financial Officer and VP Acquisitions
Diversified Royalty Corp.
(236) 521-8471