DIVERSIFIED ROYALTY CORP

Management's Discussion and Analysis

For the three months and year ended December 31, 2023

March 21, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

BASIS OF PRESENTATION

This management's discussion and analysis (“MD&A”) in respect of the results of operations of Diversified Royalty Corp. (“DIV” or the “Company”) for the three months and year ended December 31, 2023 should be read in conjunction with the Company’s consolidated financial statements for the years ended December 31, 2023 and 2022 (the “2023 Financial Statements”). The 2023 Financial Statements of the Company are presented in thousands of Canadian dollars and have been prepared in accordance with IFRS Accounting Standards (“IFRS”).

Additional information related to the Company, including its Annual Information Form dated March 21, 2024 for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.com.

Statements made in this MD&A and in the 2023 Financial Statements are subject to the risks and uncertainties identified under the headings “Risk Factors” and “Forward Looking Information” and those identified elsewhere in this MD&A.

DESCRIPTION OF NON-IFRS FINANCIAL MEASURES, NON-IFRS RATIOS AND SUPPLEMENTARY FINANCIAL MEASURES

Non-IFRS Financial Measures

Readers are cautioned that, in addition to reported results, the Company has also included non-IFRS financial measures that are historical, non-IFRS ratios and supplementary financial measures to assess its results and the results of its Royalty Partners (as defined below) in this MD&A. Non-IFRS financial measures are utilized to assess the Company’s business and to measure the Company’s overall performance. Non-IFRS financial measures used in this MD&A include EBITDA, normalized EBITDA, distributable cash, DIV Royalty Entitlement, DIV Royalty Entitlement net of NND Royalties LP Expenses, adjusted royalty income and adjusted revenue. Non-IFRS ratios are ratios that include a non-IFRS financial measure as one or more of its components. Non-IFRS ratios used in this MD&A include distributable cash per share and payout ratio. Supplementary financial measures used in this MD&A include same stores sales growth or SSSG and system sales of certain of DIV’s Royalty Partners.

Management believes that disclosing certain non-IFRS financial measures, non-IFRS ratios and supplementary financial measures provides readers of this MD&A with important information regarding the Company’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 Company and its Royalty Partners than investors would have if they simply considered IFRS measures alone. The non-IFRS 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 financial measures should not be construed as a substitute or an alternative to net income, revenue or cash flows from operating activities as determined in accordance with IFRS.

DIV Royalty Entitlement, Adjusted Royalty Income and Adjusted Revenue

DIV Royalty Entitlement adjusted royalty income and adjusted revenue are reported to allow readers to assess the performance of DIV’s royalty arrangement with Nurse Next Door (as defined below) on a basis consistent with the royalties received from DIV’s other Royalty Partners. Under IFRS, DIV is required to record its investment in NND Royalties LP (as defined below) as a financial instrument and the income earned from this investment as finance income, which does not allow for a direct comparison of the income received from this investment to the royalties received from DIV’s other Royalty Partners, which attract different treatment under IFRS. The most comparable IFRS measure to DIV Royalty Entitlement is “distributions received from NND LP” on the 2023 Financial Statements. DIV Royalty Entitlement is calculated as distributions received from NND LP plus NND Royalties LP expenses, which 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. Adjusted royalty income is calculated as royalty income, plus the DIV Royalty Entitlement received by NND Royalties LP from Nurse Next Door. Adjusted revenue is calculated as adjusted royalty income plus management fees. The table under the section “DIV Royalty Entitlement net of NND Royalties LP Expenses” provides a reconciliation of DIV Royalty Entitlement to distributions received from NND LP on the financial statements and the table under the section “Royalty Pools” provides a reconciliation of adjusted royalty income and adjusted revenue to royalty income, the most comparable IFRS measure disclosed in the financial statements.

DIV Royalty Entitlement net of NND Royalties LP Expenses

DIV Royalty Entitlement net of NND Royalties LP expenses is calculated as the DIV Royalty Entitlement less expenses related to NND Royalties LP, which include legal, audit, tax and advisory services. In addition to net income and cash flow from operations, DIV Royalty Entitlement net of NND Royalties LP expenses is a useful supplemental measure as it provides investors with an indication of cash available for distribution generated by NND Royalties LP.

The following table reconciles DIV Royalty Entitlement net of NND Royalties LP Expenses to the most directly comparable IFRS measure disclosed in the financial statements:

(000's)	Three months ended December 31, 2023	2022	Years ended December 31, 2023	2022
Distributions received from NND LP	$ 1,284	$ 1,269	$ 5,095	$ 5,005
Add: NND Royalties LP expenses	2	-	22	21
DIV Royalty Entitlement	1,286	1,269	5,117	5,026
Less: NND Royalties LP expenses	(2)	-	(22)	(21)
DIV Royalty Entitlement, net of NND Royalties LP expenses	**$ 1,284**	**$ 1,269**	**$ 5,095**	**$ 5,005**

EBITDA and Normalized EBITDA

EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. Normalized EBITDA is calculated as EBITDA before certain items including: share-based compensation, other finance costs, the fair value adjustment on financial instruments and payment of lease obligations, but including the DIV Royalty Entitlement net of NND Royalties LP expenses. While EBITDA and normalized EBITDA are not recognized measures under IFRS, management of the Company believes that, in addition to net income, EBITDA and normalized EBITDA are useful supplemental measures as they provide investors with an indication of cash available for distribution prior to debt service needs, litigation expenditures and interest income, as applicable. The methodologies used by the Company to determine EBITDA and normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, EBITDA and normalized EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that EBITDA and normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. The table under the section "EBITDA, Normalized EBITDA, and Distributable Cash" provides a reconciliation of these non-IFRS financial measures to net income or loss, the most comparable IFRS measure disclosed in the financial statements.

Distributable Cash

Distributable cash is defined as Normalized EBITDA less interest expense on the credit facilities, less distributions on MRM LP Units held by Mr. Mikes, less current income tax expense, less mandatory principal payments on credit facilities plus interest income. Management believes that distributable cash provides investors with useful information about the amount of cash the Company has generated to cover dividends on its common shares during the applicable period. Readers should be cautioned, however, that distributable cash should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Company. The Company's method of calculating distributable cash may differ from that of other issuers and companies and, accordingly, distributable cash may not be comparable to similar measures used by other issuers or companies. The table under the section "EBITDA, Normalized EBITDA, and Distributable Cash" provides a reconciliation of this non-IFRS financial measure to net income and cash flows from operating activities, the most comparable IFRS measures disclosed in the financial statements.

Non-IFRS Ratios

Distributable Cash per Share

Distributable cash per share is defined as distributable cash divided by the weighted average number of common shares outstanding during the period. Distributable cash per share is a non-IFRS ratio and is not recognized under IFRS, however, management of the Company believes that it provides supplemental information regarding the amount of cash per common share the Company has generated to cover dividends in the applicable period. The Company's method of calculating distributable per share cash may differ from that of other issuers and companies and, accordingly, distributable cash may not be comparable to similar measures used by other issuers or companies.

Payout Ratio

The payout ratio is calculated by dividing the dividends per share during the period by the distributable cash per share generated in that period. The payout ratio is a non-IFRS ratio and is not recognized under IFRS, however, management of the Company believes that it provides supplemental information regarding the extent to which the Company distributes cash as dividends, when compared to its cash flow capacity. The Company's method of calculating the payout ratio cash may differ from that of other issuers and companies and, accordingly, the payout ratio may not be comparable to similar measures used by other issuers or companies.

Supplementary Financial Measures

Same Store Sales Growth or SSSG and System Sales

Same store sales growth or SSSG is the percentage increase in top-line store sales ("System Sales") over the prior comparable period for locations that are included in the Mr. Lube + Tires Royalty Pool, the Oxford Royalty Pool, the Mr. Mikes Royalty Pool (as defined below) or the Prior Mr. Mikes Royalty Pool (as defined below), as applicable, and were open in both the current and prior periods, excluding stores that were permanently closed. Same store sales growth is a supplementary financial measure and does not have a standardized meaning prescribed by IFRS. However, the Company believes that SSSG is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Lube + Tires locations included in the Mr. Lube + Tires Royalty Pool, Oxford locations in the Oxford Royalty Pool, Mr. Mikes Restaurants in the Mr. Mikes Royalty Pool or the Prior Mr. Mikes Royalty Pool, as applicable. SSSG figures are reported to the Company by its Royalty Partners (see “Third Party Information”). The applicable Royalty Partners’ methods of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

ADDITIONAL IFRS MEASURES

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the issuer’s financial position or performance. IFRS also requires that notes to the financial statements provide information that is not presented elsewhere in the financial statements but is relevant to understanding them. Such financial measures outside the minimum mandated line items are considered additional IFRS measures. The 2023 Financial Statements include certain additional IFRS measures where management considers such information to be useful to understanding the Company’s financial results.

OVERVIEW

DIV is a multi-royalty corporation, engaged in the business of acquiring royalties from well-managed multi-location businesses and franchisors in North America (“Royalty Partners”). The Company believes that its royalty structure provides a strong incentive for a Royalty Partner to continue growing its business while retaining control of its business.

The Company’s primary objectives are to: (i) purchase stable and growing royalty streams from Royalty Partners, and (ii) increase distributable cash per share, a non-IFRS measure, by making accretive royalty purchases. These objectives are intended to allow the Company to pay a dividend to shareholders, while increasing the dividend as distributable cash per share allows. Refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.

The Company’s revenue for the year ended December 31, 2023 consists of royalties and management fees that are contractually agreed to between the Company and its following Royalty Partners:

- Mr. Lube Canada Limited Partnership (“Mr. Lube + Tires”): royalties are based on the top-line system sales of Mr. Lube + Tires locations in the royalty pool (the “Mr. Lube + Tires Royalty Pool”). As at December 31, 2023, Mr. Lube + Tires had 161 locations, of which 144 were in the Mr. Lube + Tires Royalty Pool and as of the date of this MD&A, Mr. Lube + Tires had 163 locations, of which 144 were in the Mr. Lube + Tires Royalty Pool. In addition to the royalty, Mr. Lube + Tires is required to pay the Company a management fee of approximately $0.2 million per year for strategic and other services. See “Royalty Pools – Mr. Lube + Tires” below for further information.
- AIR MILES®: royalties are based on gross billings generated by AIR MILES Loyalty Inc. (“Loyalty Inc.”) (an affiliate of Bank of Montreal (“BMO”)) through its operation of the AIR MILES® reward program in Canada (the “AIR MILES® Reward Program”). See “Royalty Pools – AIR MILES® Reward Program” below for further information.
- Sutton Group Realty Services Ltd. (“Sutton”): royalties are based on the number of Sutton agents in the royalty pool (the “Sutton Royalty Pool”). As at December 31, 2023, there were 5,400 agents in the Sutton Royalty Pool. In addition to the royalty, Sutton is required to pay the Company a management fee of approximately $0.1 million per year for strategic and other services. See “Royalty Pools – Sutton” below for further information.
- Oxford Learning Centres, Inc. (“Oxford”): royalties are based on the system sales of Oxford locations in the royalty pool (the “Oxford Royalty Pool”). As at December 31, 2023, Oxford had 157 locations, of which 146 were in the Oxford Royalty Pool. In addition, Oxford is required to pay the Company a management fee of approximately $0.04 million per year for strategic and other services. See “Royalty Pools – Oxford” below for further information.
- Mr. Mikes Restaurants Corporation (“Mr. Mikes”): On November 9, 2022, DIV and certain of its subsidiaries along with Mr. Mikes entered into the Amended MRM Royalty Agreements (as defined below), which have retroactive effect to June 13, 2022. Pursuant to the Amended MRM Royalty Agreements, the Mr. Mikes royalties are, as of June 13, 2022, based on the actual system sales of the Mr. Mikes restaurants in the royalty pool, which is comprised of 44 Mr. Mikes Restaurants (the “Mr. Mikes Royalty Pool”). As at December 31, 2023, Mr. Mikes had 46 restaurants, of which 44 are in the Mr. Mikes Royalty Pool. See “Royalty Pools – Mr. Mikes – Amended MRM Royalty Agreements” below for further information. For periods up to June 13, 2022, royalties were based on the notional system sales of Mr. Mikes restaurants in the royalty pool, which during such periods was comprised of 38 Mr. Mikes Restaurants (the “Prior Mr. Mikes Royalty Pool”). In addition to the royalty, Mr. Mikes is required to pay the Company a management fee of approximately $0.04 million per year for strategic and other services. See “Royalty Pools – Mr. Mikes” below for further information.

- Nurse Next Door Professional Homecare Services Inc. (“Nurse Next Door”): DIV’s royalty entitlement from Nurse Next Door, a non-IFRS measure (the “DIV Royalty Entitlement”), is currently equal to approximately $0.43 million per month, and grows at a fixed rate of 2.0% per annum. In addition to the royalty, Nurse Next Door is required to pay the Company a management fee of approximately $0.08 million per year for strategic and other services. See “Royalty Pools – Nurse Next Door” below for further information, and refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.
- SBS Franchising, LLC (“Stratus” a US based company): royalties are based on a fixed monthly payment equal to US$6.0 million per annum which increases each November at a rate of 5% each year until and including 2026 and 4% each November thereafter. As of December 31, 2023, Stratus had 71 master franchise locations. See “Royalty Pools – Stratus” below for further information.
- BarBurrito Restaurants Inc. (“BarBurrito”): royalties are based on a fixed monthly payment equal to $8.3 million per annum which 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. As of December 31, 2023, BarBurrito had 293 franchise locations of which 225 were in the BarBurrito Royalty Pool (as defined below) and as of the date of this MD&A, BarBurrito had 307 locations of which 225 were in the BarBurrito Royalty Pool. In addition to the royalty, BarBurrito is required to pay the Company a management fee of $80,000 per annum for strategic advice and other services, which fee is adjusted annually based on changes in the Canadian consumer price index. See “Royalty Pools – BarBurrito” below for further information.

The Company’s ongoing cash expenditures are comprised of salaries and benefits, general and administration (including public company costs), professional fees, and interest on credit facilities. The success of the Company currently depends largely on the ability of Mr. Lube + Tires, Sutton, Mr. Mikes, Oxford, Nurse Next Door, Stratus and BarBurrito to maintain and increase the sales or number of agents in the respective royalty pools, and, in the case of Loyalty Inc., the gross billings generated through the AIR MILES® Reward Program. See “Risk Factors” for further information.

FINANCIAL HIGHLIGHTS

(000's except per share amounts and SSSG%)	Three months ended December 31, 2023	Three months ended December 31, 2022	Years ended December 31, 2023	Years ended December 31, 2022
Consolidated:				
Revenue	$ 16,393	$ 12,720	$ 56,495	$ 45,183
Adjusted revenue[1, 2]	17,688	13,989	61,621	50,209
Royalty income	16,241	12,586	55,962	44,650
Adjusted royalty income[1, 2]	17,536	13,855	61,088	49,676
Normalized EBITDA[2]	16,194	12,851	57,232	46,547
Distributable cash[2]	10,376	9,307	38,115	32,296
Income from operations	14,595	3,640	50,822	32,782
Net income (loss) - basic	9,092	(4,506)	31,723	15,561
Net income (loss) - diluted	9,845	(4,506)	31,723	15,561
Dividends declared	8,736	7,653	34,391	28,045
Weighted average number of shares outstanding - basic	143,560	131,552	142,676	125,607
Weighted average number of shares outstanding - diluted	157,738	131,552	144,051	126,834
Basic income (loss) per share	$ 0.06	$ (0.03)	$ 0.22	$ 0.12
Diluted income (loss) per share	0.06	(0.03)	0.22	0.12
Distributable cash per share[2]	0.07	0.07	0.27	0.26
Dividends declared per share	0.061	0.058	0.241	0.223
Total assets	$ 567,351	$ 458,450	$ 567,351	$ 458,450
Total non-current financial liabilities	289,958	202,725	289,958	202,725
Adjusted Revenue [2] by Royalty Partner				
Mr. Lube + Tires	$ 7,810	$ 6,748	$ 28,429	$ 23,935
Stratus[4]	2,099	1,040	8,171	1,040
Oxford	1,162	1,160	4,521	4,239
Nurse Next Door[1]	1,316	1,289	5,207	5,106
Mr. Mikes[3]	1,130	1,223	4,570	5,136
AIR MILES®	1,044	1,453	4,352	6,497
Sutton	1,095	1,076	4,339	4,256
BarBurrito	2,032	-	2,032	-
Mr. Lube + Tires SSSG[2]	14.0%	17.0%	17.1%	17.9%
Oxford SSSG[2, 5]	-0.2%	16.1%	5.9%	15.3%
Mr. Mikes SSSG[2]	7.3%	36.1%	10.1%	31.2%

1) 2023 and 2022 figures include the impact of the DIV Royalty Entitlement and management fees received from Nurse Next Door. Refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.
2) Adjusted revenue, adjusted royalty income, normalized EBITDA, and distributable cash are non-IFRS financial measures and as such, do not have standardized meanings under IFRS. Distributable cash per share is a non-IFRS ratio and SSSG is a supplementary financial measure. For additional information, refer to the sections “Royalty Pools”, “EBITDA, Normalized EBITDA and Distributable Cash” and “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.
3) For the three months and year ended December 31, 2023, Mr. Mikes adjusted revenue includes payments of $0.05 million and $0.19 million, respectively (three months and year ended December 31, 2022 - $0.19 million and $1.34 million, respectively) representing partial payment of deferred contractual royalty fees and management fees, which have been recognized as revenue upon collection.
4) Stratus adjusted revenue for the three months and year ended December 31, 2023 was US$1.5 million and US$6.1 million, respectively, translated at an average foreign exchange rate of $1.3610 and $1.3493 to US$1 respectively.
5) After the impact of foreign currency translation, SSSG was 0.0% for the three months and 6.5% for the year ended December 31, 2023, compared to 17.1% for the three months and 15.9% for the year ended December 31, 2022.

ROYALTY POOLS

The following table reconciles the non-IFRS financial measures of adjusted royalty income and adjusted revenue to royalty income, the most directly comparable IFRS measure disclosed in the financial statements:

	Three months ended December 31,		Years ended December 31,	
(000's)	**2023**	**2022**	**2023**	**2022**
Mr. Lube + Tires	$ 7,750	$ 6,690	$ 28,196	$ 23,708
Stratus[2]	2,099	1,040	8,171	1,040
Oxford	1,152	1,150	4,481	4,199
AIR MILES®	1,044	1,453	4,352	6,497
Mr. Mikes	1,115	1,206	4,520	5,060
Sutton	1,068	1,047	4,229	4,146
BarBurrito	2,013	-	2,013	-
Royalty income	**$ 16,241**	**$ 12,586**	**$ 55,962**	**$ 44,650**
DIV Royalty Entitlement[1]	1,295	1,269	5,126	5,026
Adjusted royalty income[1]	**$ 17,536**	**$ 13,855**	**$ 61,088**	**$ 49,676**
Management fees	152	134	533	533
Adjusted revenue[1,3]	**$ 17,688**	**$ 13,989**	**$ 61,621**	**$ 50,209**

1) 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 “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.
2) Stratus royalty income for the three months and year ended December 31, 2023 was US$1.5 million and US$6.1 million, respectively, translated at an average foreign exchange rate of $1.3610 and $1.3493 to US$1 respectively. Stratus royalty income for the period November 15, 2022 to December 31, 2022 was US$0.8 million, translated at a foreign exchange rate of $1.3521 to US$1.
3) For the three months and year ended December 31, 2023, Mr. Mikes adjusted revenue includes payments of $0.05 million and $0.19 million, respectively (three months and year ended December 31, 2022 - $0.19 million and $1.34 million, respectively) representing partial payment of deferred contractual royalty fees and management fees, which have been recognized as revenue upon collection.

Mr. Lube + Tires

ML Royalties Limited Partnership (“ML LP”), an entity controlled by the Company, owns all the trademarks and certain other intellectual property rights utilized by Mr. Lube + Tires (the “ML Rights”) in its business of franchising automotive maintenance businesses.

ML LP licensed the ML Rights to Mr. Lube + Tires for a 99 year term ending on August 19, 2114, in exchange for a royalty payment currently equal to 7.95% of the system sales of flagship Mr. Lube + Tires locations in the Mr. Lube + Tires Royalty Pool, with the exception of system sales on tires and rims (“Tire Sales”) that are subject to a royalty rate of 2.5% (collectively, the “Mr. Lube + Tires Royalty Rate”) of flagship Mr. Lube + Tires locations in the Mr. Lube + Tires Royalty Pool.

Subject to certain performance criteria being met, the Mr. Lube + Tires Royalty Pool is adjusted annually on May 1 (the “Adjustment Date”) to include new Mr. Lube + Tires locations and to remove Mr. Lube + Tires locations that have been permanently closed during the previous year. See “Mr. Lube + Tires Royalty Rate Increase and Mr. Lube + Tires Royalty Pool Additions” below.

Mr. Lube + Tires has the option, subject to meeting certain performance criteria, to increase the Mr. Lube + Tires Royalty Rate on non-Tire Sales in two further 0.5% increments during the life of the royalty. As consideration for the Mr. Lube + Tires Royalty Rate increases, Mr. Lube + Tires is entitled to exchange certain limited partnership units of ML LP for DIV shares, or cash at DIV’s election, based on a formula that is intended to be accretive to DIV.

For Mr. Lube + Tires, changes in system sales are derived from both SSSG, a supplementary financial measure, from existing locations in the Mr. Lube + Tires Royalty Pool and from the addition of new Mr. Lube + Tires locations to the Mr. Lube + Tires Royalty Pool.

Mr. Lube + Tires Royalty Rate Increase and Mr. Lube + Tires Royalty Pool Additions

On May 1, 2023 the Mr. Lube + Tires royalty pool (the “Mr. Lube + Tires Royalty Pool”) was adjusted to include the royalties from five new flagship Mr. Lube + Tires locations. With the adjustment for these five new locations, the Mr. Lube + Tires Royalty Pool now includes 144 flagship locations.

On April 21, 2023, DIV and Mr. Lube + Tires entered into an amendment (the “LP Amendment”) to the amended and restated limited partnership agreement (the “LP Agreement”) of ML LP to confirm the terms on which the five new locations would be added to the Mr. Lube + Tires Royalty Pool on May 1, 2023. The initial consideration paid to Mr. Lube + Tires for the estimated net additional royalty revenue from the five new locations is $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 “2023 Amendment Consideration”). 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 + Tires locations added to the Mr. Lube + Tires Royalty Pool on May 1, 2023 will be paid to Mr. Lube + Tires 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). A copy of the LP Amendment has been filed under DIV's profile on SEDAR+ at www.sedarplus.com.

On May 1, 2022, the Mr. Lube + Tires Royalty Pool was adjusted to include royalties from six new flagship Mr. Lube + Tires locations (the "2022 True-Up Locations") and to remove two locations that had been permanently closed. The initial consideration previously paid by DIV on May 1, 2022 was $3.4 million, which was paid 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. On May 1, 2023, the remaining consideration payable for the net additional royalty revenue related to such locations of $2.6 million was paid by DIV to Mr. Lube + Tires in the form of 832,848 common shares valued on the 2022 Share Price and was determined based on the actual system sales of these locations for the year ended December 31, 2022. In accordance with the terms of the LP Agreement, ML LP also made a cash payment to Mr. Lube + Tires on May 1, 2023 of approximately $192,000 representing the amount of the dividends of DIV that would have been received by Mr. Lube + Tires had the 832,848 common shares been issued to Mr. Lube + Tires on May 1, 2022.

On May 1, 2021, the Mr. Lube + Tires Royalty Pool was adjusted to include royalties from 13 new flagship Mr. Lube + Tires 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. 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 + Tires in cash on May 1, 2022 based the actual system sales of these locations for the year ended December 31, 2021. The remaining consideration payable for the net additional royalty revenue related to the remaining 6 of the 13 locations of $2.8 million was paid by DIV to Mr. Lube + Tires in cash on May 1, 2023 (the "2021 True-up Consideration") based on the actual system sales of these locations for the year ended December 31, 2022.

In addition, Mr. Lube + Tires elected in 2023 to defer the third royalty rate increase until the next adjustment date in respect of which the Mr. Lube + Tires royalty rate is eligible to be increased (subject to Mr. Lube + Tires' right to further defer the increase to the Mr. Lube + Tires royalty rate at such date).

DIV funded the payment of the 2023 Amendment Consideration and the 2021 True-up Consideration, by way of a one-time draw under its Acquisition Facility (defined below), which was subsequently re-financed through an amendment to the ML LP credit facility. For further details, see "Capital Resources – Acquisition Facility" and "Capital Resources – Term Loans" below.

Fourth Quarter

System sales, a supplementary financial measure, reported by Mr. Lube + Tires for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool were $106.8 million in the fourth quarter of 2023, compared to $91.5 million in the fourth quarter of 2022. SSSG for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool was reported by Mr. Lube + Tires as 14.0% in the fourth quarter of 2023, compared to SSSG of 17.0% in the fourth quarter of 2022, primarily due to the sustained growth across all of Mr. Lube + Tires' offering categories including oil change services, tire sales and services, and maintenance services. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.

Royalty income from Mr. Lube + Tires was $7.8 million in the fourth quarter of 2023, an increase of 15.8% compared to the fourth quarter of 2022. The increase in royalty income was due to strong SSSG as well as the addition to the Mr. Lube + Tires Royalty Pool of five new Mr. Lube + Tires locations on May 1, 2023.

Year

System sales, reported by Mr. Lube + Tires for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool were $376.9 million for the year ended December 31, 2023, compared to $313.8 million in the prior year. SSSG for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool was reported by Mr. Lube + Tires as 17.1% for the year ended December 31, 2023, compared to SSSG of 17.9% in the prior year, primarily due to the sustained growth across all of Mr. Lube + Tires' offering categories including oil change services, tire sales and services, and maintenance services, combined with higher customer traffic. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.

Royalty income from Mr. Lube + Tires was $28.2 million for the year ended December 31, 2023, an increase of 18.9% compared to the prior year. The increase in royalty income was due to strong SSSG as well as the addition to the Mr. Lube + Tires Royalty Pool of four net new Mr. Lube + Tires locations on May 1, 2022 and five new Mr. Lube + Tires locations on May 1, 2023.

AIR MILES® Reward Program

On June 1, 2023, BMO, through its affiliate Loyalty Inc., completed its acquisition of the AIR MILES® Reward Program business from LoyaltyOne, Co. (the "AIR MILES Acquisition"). AM Royalties Limited Partnership ("AM LP") (a wholly owned subsidiary of the Company) owns the Canadian AIR MILES® trademarks and certain related Canadian intellectual property rights (collectively, the "AIR MILES® Rights"). Prior to the AIR MILES Acquisition, AM LP licensed the AIR MILES® Rights to LoyaltyOne, Co. for use in the AIR Miles® Reward Program business in Canada in accordance with the terms of two license agreements (collectively, the "AIR MILES® Licenses"). In connection with the AIR MILES Acquisition, the AIR MILES® Licenses were assigned to, and assumed by Loyalty Inc. and remain in full force and effect. Pursuant to the AIR MILES® Licenses, Loyalty Inc. has an exclusive right to use the AIR MILES® Rights in exchange for a royalty payment equal to 1% of gross billings from the AIR MILES® Reward Program.

Gross billings for the AIR MILES® Reward Program is derived from several AIR MILES® metrics, with AIR MILES® reward miles issued being the primary metric, and other metrics including AIR MILES® reward miles redeemed, service revenue, commissions and promotional items. Variations in these metrics collectively affect DIV's royalty income under the AIR MILES® Licenses.

Fourth Quarter and Year

For the fourth quarter of 2023, royalty income of $1.0 million was generated from the AIR MILES® Licenses compared to $1.5 million generated in the fourth quarter of 2022, a decrease of 28.1%. For the year ended December 31, 2023, royalty income of $4.4 million was generated from the AIR MILES® Licenses compared to $6.5 million generated in the prior year, a decrease of 33.0%. The results in the year continue to be impacted by the completion of the AIR MILES Acquisition by BMO's affiliate Loyalty Inc. and the winddown of the Sobey's exit from the AIR MILES® Rewards Program in the second quarter of 2023. For the three months and year ended December 31, 2023, AM LP made partial principal repayments in the amounts of $0.58 million and $3.4 million, respectively, on its term loan in accordance with its terms. On February 15, 2024, AM LP made a further partial principal repayment in the amount of $0.63 million. On March 12, 2024 AML LP made a voluntary partial principal repayment in the amount of $3.2 million. For further details, see "Liquidity Risk" and "Capital Resources – Term Loans" below.

Sutton

SGRS Royalties Limited Partnership ("SGRS LP"), an entity controlled by the Company, owns all the Canadian and US trademarks and certain other intellectual property rights utilized by Sutton in its residential real estate franchise business (the "SGRS Rights").

On June 19, 2015, SGRS LP licensed the SGRS Rights to Sutton for 99 years in exchange for a monthly royalty payment (the "Sutton Royalty Rate"), based on the number of agents in the Sutton Royalty Pool. The Sutton Royalty Rate grows by 2.0% per year, effective July 1st of each year. On July 1, 2023, the monthly Sutton Royalty Rate was increased from $64.614 per agent to $65.906 per agent. There are currently 5,400 agents in the Sutton Royalty Pool.

On December 11, 2023, a company unrelated to DIV acquired all of the shares of Sutton. DIV issued a $2.13 million secured promissory note (the "Sutton Promissory Note") to such company, the proceeds of which were used to partially fund the completion of the acquisition. As of the date of this MD&A, the principal amount outstanding under the Sutton Promissory Note is approximately $1.82 million. Prior to, and post, completion of the acquisition, DIV did not have, and does not currently have, any direct or indirect equity interests in Sutton.

Fourth Quarter and Year

Royalty income was $1.1 million for the three months and $4.2 million for the year ended December 31, 2023, which reflects the contractual 2% annual increase effective July 1, 2023.

Oxford

OX Royalties Limited Partnership ("OX LP"), an entity controlled by DIV, owns the trademarks and certain other intellectual property rights utilized by Oxford in its franchised supplementary education services business (the "Oxford Rights").

On February 20, 2020, OX LP licensed the Oxford Rights to Oxford for 99 years in exchange for a royalty equal to 7.67% of the gross sales (the "Oxford Royalty Rate") from Oxford's 146 franchise and corporate locations in Canada and the United States included in the royalty pool (the "Oxford Royalty Pool"). So long as certain royalty coverage tests are met, Oxford is eligible to add new Oxford locations to the Oxford Royalty Pool on May 1st of each year. In consideration for the addition of net new Oxford locations into the Oxford Royalty Pool, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX LP held by Oxford for common shares of DIV, or cash at DIV's election.

Oxford will also, subject to meeting certain performance criteria, be provided opportunities to increase the Oxford Royalty Rate in six 0.25% increments during the life of the royalty. In consideration for each incremental Oxford Royalty Rate increase, Oxford will be entitled, subject to TSX approval, to exchange certain of the limited partnership units of OX LP for common shares of DIV, or cash at DIV's election.

As at December 31, 2023, of the 146 store locations in the Oxford Royalty Pool, 139 locations were operating and 7 locations were permanently closed, for which OX LP is accruing and collecting make-whole payments from Oxford.

Fourth Quarter

System sales, a supplementary financial measure, reported by Oxford for the Oxford locations within the Oxford Royalty Pool were $14.8 million in both the fourth quarters of 2023 and 2022. Oxford reported that Oxford locations in the Oxford Royalty Pool generated SSSG, a supplementary financial measure, on a constant currency basis of -0.2% in the fourth quarter of 2023 (after the impact of foreign currency translation, SSSG was 0.0%), compared to 16.1% in the fourth quarter of 2022 (after the impact of foreign currency translation, SSSG was 17.1%).

Oxford's results in the fourth quarter of 2023 were flat compared to the prior period, however, Oxford's Q4 2023 system sales are comparable to pre-pandemic levels. Royalty income from Oxford was $1.15 million in both the fourth quarters of 2023 and 2022. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.

Year

System sales, reported by Oxford for the Oxford locations within the Oxford Royalty Pool were $57.7 million for the year ended December 31, 2023, compared to $54.3 million in the prior year. Oxford reported that Oxford locations in the Oxford Royalty Pool generated SSSG, a supplementary financial measure, on a constant currency basis of 5.9% for the year ended December 31, 2023 (after the impact of foreign currency translation, SSSG was 6.5%), compared to 15.3% for the year ended December 31, 2022 (after the impact of foreign currency translation, SSSG was 15.9%).

Royalty income from Oxford was $4.5 million for the year ended December 31, 2023, compared to $4.2 million in the prior year due to positive SSSG for the year, representing an overall increase in demand for Oxford's tutoring services. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.

Mr. Mikes

MRM Royalties Limited Partnership ("MRM LP"), an entity controlled by the Company, owns the trademarks and certain related other intellectual property rights utilized by Mr. Mikes in its restaurant business (the "MRM Rights").

On May 20, 2019, MRM LP licensed the MRM Rights to Mr. Mikes for 99 years, in exchange for an initial royalty payment equal to 4.35% of notional system sales of the Mr. Mikes restaurants in the Prior Mr. Mikes Royalty Pool. As a result of the Amended MRM Royalty Agreements (defined below), effective June 13, 2022, Mr. Mikes pays a royalty to MRM LP equal to 4.35% of the gross sales of the Mr. Mikes restaurants in the Mr. Mikes Royalty Pool, as the same may be adjusted from time to time in accordance with the terms of the Amended MRM Royalty Agreements (defined below).

Amended MRM Royalty Agreements

On November 9, 2022, DIV, MRM LP, MRM Royalties GP Inc. ("MRM GP") and Mr. Mikes, as applicable, entered into an Amended and Restated License and Royalty Agreement, an Amended and Restated Agreement of Limited Partnership of MRM LP, an Amended and Restated Governance Agreement, an Amended and Restated General Security Agreement and an amendment to the promissory note in the outstanding amount of approximately $4.95 million (the "Amended Note") which was issued by MRM LP to Mr. Mikes as deferred purchase price in connection with the initial acquisition of the MRM Rights in 2019 (collectively, the "Amended MRM Royalty Agreements"). The Amended MRM Royalty Agreements are retroactively effective as of June 13, 2022.

Pursuant to the Amended MRM Royalty Agreements, Mr. Mikes pays a royalty to MRM LP equal to 4.35% (the "Mr. Mikes Royalty Rate") of the gross sales of the Mr. Mikes restaurants in the Mr. Mikes Royalty Pool, which royalty pool was amended to include all 44 Mr. Mikes restaurants in operation as of June 13, 2022.

As part of the Amended MRM Royalty Agreements, Mr. Mikes paid 50% of the outstanding deferred contractual royalty and management fees of $0.4 million to MRM LP and DIV in Q4 2022, and the balance was paid in four equal payments on or before the end of each quarter in 2023.

The foregoing is a summary of certain terms of the Amended MRM Royalty Agreements and does not purport to be complete. For further details, see the full terms of the Amended and Restated License and Royalty Agreement, the Amended and Restated Agreement of Limited Partnership of MRM LP, and the Amended and Restated Governance Agreement, copies of which are available under DIV's profile on SEDAR+ at www.sedarplus.com.

Fourth Quarter

Mr. Mikes reported that SSSG, a supplementary financial measure, for Mr. Mikes restaurants in the Mr. Mikes Royalty Pool was approximately 7.3% in the fourth quarter of 2023 compared to 36.1% for the fourth quarter of 2022.

Royalty income from Mr. Mikes was $1.1 million in the fourth quarter of 2023, which includes a payment of $0.05 million to MRM LP representing partial payment of deferred contractual royalty compared to $1.2 million in the fourth quarter of 2022, which includes a one-time payment of $0.18 million, representing partial payment of deferred contractual royalty.

Year

Mr. Mikes reported that SSSG, a supplementary financial measure, for Mr. Mikes restaurants in the Mr. Mikes Royalty Pool was approximately 10.1% for the year ended December 31, 2023 compared to 31.2% for the prior year. The performance of the Mr. Mikes restaurants in the Mr. Mikes Royalty Pool were significantly more 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 year.

Royalty income from Mr. Mikes was $4.5 million for the year ended December 31, 2023, which includes payments of $0.18 million to MRM LP representing partial payment of deferred contractual royalty compared to $5.1 million in the prior year, which includes payments of $1.30 million for partial payment of deferred contractual royalty.

As at December 31, 2023, all previously deferred contractual royalty and management fee amounts have been collected from Mr. Mikes.

Nurse Next Door

On November 15, 2019, NND Royalties Limited Partnership (“NND Royalties LP”) licensed the trademarks and certain other intellectual property rights utilized by Nurse Next Door in its premium home care business (the “NND Rights”) to Nurse Next Door for 99 years in exchange for a gross royalty (the “Gross Royalty”) equal to the greater of: (i) 6% of gross sales from Nurse Next Door franchises and corporate stores in Canada and the United States, and (ii) approximately $0.42 million per month, which amount shall increase at a fixed rate of 2% per annum (being the DIV Royalty Entitlement, a non-IFRS measure). To the extent the Gross Royalty is greater than the DIV Royalty Entitlement, Nurse Next Door is entitled to receive the excess amount in the form of a cash distribution paid by NND Royalties LP on the NND Exchangeable Units held by Nurse Next Door (the “Nurse Next Door Distribution Entitlement”).

Subject to certain royalty coverage tests being met, Nurse Next Door is eligible to sell incremental royalties to NND Royalties LP. In consideration for the incremental royalty, Nurse Next Door will be entitled, subject to TSX approval, to indirectly exchange certain of the limited partnership units of NND Royalties LP held by Nurse Next Door for common shares of DIV, or cash at DIV’s election, based on a formula that is intended to be accretive to DIV.

Nurse Next Door has the ability to repurchase the NND Rights from NND Royalties LP (the “NND Buy-Out Option”) at any time after November 15, 2026. Due to the NND Buy-Out Option, NND Royalties LP does not satisfy the tests under IFRS to establish control over the NND Rights; accordingly, the Company cannot recognize the NND Rights as an intangible asset on its consolidated statement of financial position and the transaction is accounted for as a financing arrangement. Under IFRS, DIV is required to record its investment in NND Royalties LP as a financial instrument and the income earned from this investment as finance income, which does not allow for a direct comparison of the income received from this investment to the royalties received from DIV’s other Royalty Partners, which attract different treatment under IFRS. To allow readers to assess the performance of DIV’s royalty arrangements with Nurse Next Door on a basis consistent with the royalties received from DIV’s other Royalty Partners, the Company reports the DIV Royalty Entitlement as a non-IFRS financial measure. Refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.

Fourth Quarter and Year

The DIV Royalty Entitlement was $1.3 million for the three months and $5.1 million for the year ended December 31, 2023, and reflects the contractual 2.0% increase effective October 1, 2023, compared to the same prior periods of 2022. Refer to the “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” sections of this MD&A.

Stratus

On November 14, 2022, the Company acquired through Strat-B Royalties Limited Partnership ("Strat-B LP") (an entity controlled by the Company), the trademarks and certain other intellectual property rights utilized by Stratus in its commercial cleaning and building maintenance franchise business (the "Stratus Rights") for a purchase price of US$59.4 million. The Company granted Stratus the license to use the Stratus Rights in exchange for a royalty payment currently equal to US$6.0 million per annum which increases each November at a rate of 5% until and including 2025 and 4% each November thereafter.

Stratus may increase the annual royalty payable on April 1st of each year following the closing date (each a "Stratus Adjustment Date") subject to Stratus satisfying certain royalty coverage tests. The amount of each royalty increase cannot be less than US$1.0 million per annum and must, in respect of amounts over that threshold, be in increments of US$0.1 million per annum. In consideration for a royalty increase on a Stratus Adjustment Date, Strat-B LP will pay an amount to Stratus in cash, based on a formula that is intended to be accretive to DIV.

Fourth Quarter and Year

Royalty income was $2.1 million (US$1.5 million, translated at an average foreign exchange rate of $1.3610 to US$1) for the three months and $8.2 million (US$6.1 million, translated at an average foreign exchange rate of $1.3493 to US$1) for the year ended December 31, 2023.

BarBurrito

On October 4, 2023, the Company acquired through BARB Royalties Limited Partnership ("BARB LP") (an entity controlled by the Company), 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 of $72.0 million cash, a retained interest provided to BarBurrito through the issuance of limited partnership units of BARB LP and a $36.0 million promissory note that is repayable by BARB LP to BarBurrito in one or more payments as consideration for eligible new BarBurrito locations added to the BarBurrito Royalty Pool (as discussed further below), for a total of $108.0 million.

On October 4, 2023, BARB LP 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 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 "BarBurrito Royalty Pool"). So long as certain royalty coverage tests are met, BarBurrito will be able to include eligible new BarBurrito locations in the BarBurrito Royalty Pool commencing on January 1, 2025.

Commencing January 1, 2031 when the royalty begins to fluctuate based on the gross sales of the BarBurrito locations in the BarBurrito Royalty Pool and subject to meeting certain performance criteria, BarBurrito will permitted to increase the royalty rate then payable in six, 0.25% increments during the life of the royalty. As consideration for such increases to the royalty rate, BarBurrito will be entitled to exchange certain limited partnership units of BARB LP for DIV shares, or cash at DIV's election, based on a formula that is intended to be accretive to DIV.

Fourth Quarter and Year

Royalty income was $2.0 million for the three months and year ended December 31, 2023, which reflects the total fixed monthly payments for the period from October 4, 2023 to December 31, 2023.

EBITDA, NORMALIZED EBITDA AND DISTRIBUTABLE CASH

The following table reconciles the non-IFRS financial measures of EBITDA, normalized EBITDA, and distributable cash to net income, the most directly comparable IFRS measure disclosed in the financial statements:

	Three months ended December 31,		Years ended December 31,	
(000's except per share amounts and payout ratio%)	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ 9,092	$ (4,506)	$ 31,723	$ 15,561
Interest expense on credit facilities	4,443	2,437	13,126	8,911
Income tax expense	3,298	241	11,871	7,938
Depreciation expense	25	26	100	100
EBITDA[1]	16,858	(1,802)	56,820	32,510
Adjustments:				
Share-based compensation	377	353	1,381	1,176
Impairment (reversal) loss	(91)	7,553	(91)	7,553
Other finance (income) costs, net	(5,051)	1,811	(3,811)	3,300
Fair value adjustment on financial instruments	2,813	3,657	(2,087)	(2,928)
Payment of lease obligations	(28)	(26)	(107)	(105)
Transaction costs	32	36	32	36
DIV Royalty Entitlement, net of NND Royalties LP expenses[1]	1,284	1,269	5,095	5,005
Normalized EBITDA[1,2]	16,194	12,851	57,232	46,547
Add: Interest on $52,500 of 2022 Debenture overlap[3]	-	-	-	168
Add: interest income	86	81	243	168
Less: mandatory principal payments on credit facilities[4]	(577)	-	(1,008)	-
Less: distributions on exchangeable MRM units	(39)	(49)	(164)	(161)
Less: current tax expense[5]	(845)	(1,139)	(5,061)	(5,515)
Less: interest paid on credit facilities	(4,443)	(2,437)	(13,126)	(8,911)
Distributable cash[1,2]	**$ 10,376**	**$ 9,307**	**$ 38,115**	**$ 32,296**
Distributable cash per share[1]	$ 0.0723	$ 0.0707	$ 0.2671	$ 0.2571
Dividends declared per share	0.0609	0.0582	0.2410	0.2233
Weighted average number of shares outstanding - basic	143,560	131,552	142,676	125,607
Payout Ratio[1]	**84.2%**	**82.2%**	**90.2%**	**86.8%**

1) EBITDA, normalized EBITDA, distributable cash and DIV Royalty Entitlement net of NND Royalties LP Expenses are non-IFRS financial measures and as such, do not have standardized meanings under IFRS. Distributable cash per share and payout ratio are non-IFRS ratios. For additional information, refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.
2) For the three and year ended December 31, 2023, Mr. Mikes adjusted revenue includes payments of $0.05 million and $0.19 million, respectively (three months and year ended December 31, 2022 - $0.19 million and $1.34 million, respectively) representing partial payment of deferred contractual royalty fees and management fees, which have been recognized as revenue upon collection.
3) After-tax impact on the 5.25% interest expense related to the $52,500 principal amount of the convertible unsecured subordinated debentures of the Company due December 31, 2022 (the "2022 Debentures"), which was outstanding concurrent with the 2027 Debentures for one month (April 2022) before partial redemption.
4) Representing the mandatory contractual partial paydowns on the AM LP Credit Facility in August and November 2023.
5) Income tax expense excluding US withholding taxes paid. Refer to the "Income Tax Expense" section of this MD&A.

The following table reconciles the non-IFRS financial measure 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 December 31, 2023	Three months ended December 31, 2022	Years ended December 31, 2023	Years ended December 31, 2022
Cash flows generated from operating activities	$ 7,400	$ 8,152	$ 30,816	$ 28,377
Current tax expense[2]	(845)	(1,139)	(5,061)	(5,515)
Accrued interest on convertible debentures	788	853	-	-
Interest on $52,500 of 2022 Debenture overlap[3]	-	-	-	168
Distributions on exchangeable MRM units[4]	-	49	-	327
Distributions on MRM units earned in current periods[4]	(38)	(49)	(164)	(161)
Mandatory principal payments on credit facilities[5]	(577)	-	(1,008)	-
Payment of lease obligations	(28)	(26)	(107)	(105)
NND LP expenses	(2)	-	(22)	(21)
Accrued DIV Royalty Entitlement, net of distributions	-	-	-	21
Foreign exchange and other	394	-	229	-
Changes in working capital	(527)	207	3,579	2,917
Transactions costs	32	36	32	36
Taxes paid	1,648	1,225	7,691	6,252
Note receivable	2,130	-	2,130	-
Distributable cash[1]	**$ 10,376**	**$ 9,307**	**$ 38,115**	**$ 32,296**

1) Distributable cash is a non-IFRS financial measure and as such, does not have a standardized meaning under IFRS. For additional information, refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.
2) Income tax expense excluding US withholding taxes paid. Refer to the "Income Tax Expense" section of this MD&A.
3) After-tax impact on the 5.25% interest expense related to the $52,500 principal 2022 Debentures, which was outstanding concurrent with the 2027 Debentures for one month (April 2022) before partial redemption.
4) $0.3 million in total distributions paid from MRM LP to Mr. Mikes on MRM LP exchangeable units relates to both current and historical deferred royalty amounts for the year ended December 31, 2022. For three months and year ended December 31, 2023, $0.04 million and $0.16 million in distributions, respectively, are related to current royalty amounts. For three months and year ended December 31, 2022, $0.05 million and $0.16 million in distributions, respectively, were pro rated for royalty amounts in the respective periods and the remaining distributions are related to historical deferred royalty amounts.
5) Representing the mandatory contractual partial paydowns on the AM LP Credit Facility in August and November 2023.

Distributable Cash

In the fourth quarter of 2023, distributable cash, a non-IFRS financial measure, increased to $10.4 million compared to $9.3 million in the prior period (an increase of $0.0015 per share). The increase in distributable cash was primarily due to higher adjusted revenue, a non-IFRS measure (see "Revenue" below), and lower professional fees, offset by higher interest and general and administrative expenses. The increase in distributable cash per share, a non-IFRS ratio was primarily due to an increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" and "Dividends to Shareholders" in this MD&A.

For the year ended December 31, 2023, distributable cash, increased to $38.1 million compared to $32.3 million in the prior year (an increase of $0.0100 per share). The increase in distributable cash was primarily due to higher adjusted revenue, partially offset by higher interest expense, general and administrative expenses and professional fees. The increase in distributable cash per share was primarily due to the increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding.

Dividends Declared

In the fourth quarter of 2023, the Company declared dividends in the aggregate amount of $8.7 million ($0.0609 per share), compared to $7.7 million ($0.0582 per share) in the same prior period of 2022. The increase in the total amount of dividends declared was due to a higher weighted average number of common shares outstanding in the fourth quarter of 2023 and the increase in the monthly dividend per share in October 2022, January 2023 and in November 2023 (see "Dividends to Shareholders").

For the year ended December 31, 2023, the Company declared dividends in the aggregate amount of $34.4 million ($0.2410 per share), compared to $28.0 million ($0.2233 per share) in the prior year. The increase in the total amount of dividends declared was due to a higher weighted average number of common shares outstanding for the year ended December 31, 2023 and the increase in the monthly dividend per share in October 2022, January 2023 and in November 2023.

Payout Ratio

The payout ratio, a non-IFRS ratio, is calculated by dividing the dividends paid in that period by the distributable cash, a non-IFRS measure, generated in that period. In the fourth quarter of 2023, the payout ratio was 84.2% on dividends of $0.0609 per share for the quarter compared to the payout ratio in the fourth quarter of 2022 of 82.2% based on dividends of $0.0582 per share. On a pro forma basis, if the dividends in the fourth quarter of 2022 were paid out at $0.0609 per share, the payout ratio would have been 86.0%.

For the year ended December 31, 2023, the payout ratio was 90.2% on dividends of $0.2410 per share compared to the payout ratio in the prior year of 86.8% based on dividends of $0.2233 per share. On a pro forma basis, if the dividends for the year ended December 31, 2022 were paid out at $0.2410 per share, the payout ratio would have been 93.7%.

The payout ratio does not factor in any cash savings to the Company as a result of the Company's dividend reinvestment plan ("DRIP"). Refer to the section "Dividends to Shareholders – Dividend Reinvestment Plan" below. Payout ratio is a non-IFRS ratio and as such, does not have a standardized meaning under IFRS. For additional information, refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" and "Dividends to Shareholders" in this MD&A.

RESULTS OF OPERATIONS

The following table sets out select information from the financial statements of the Company together with other data and should be read in conjunction with the 2023 Financial Statements:

	Three months ended December 31,		Years ended December 31,	
(000's)	**2023**	**2022**	**2023**	**2022**
Royalty income	$ 16,241	$ 12,586	$ 55,962	$ 44,650
Management fees	152	134	533	533
	16,393	12,720	56,495	45,183
Expenses:				
Salaries and benefits	912	702	2,480	2,271
Share-based compensation	377	353	1,381	1,176
General and administration	434	243	1,222	835
Professional fees	166	229	681	566
Impairment (reversal) loss	(91)	7,553	(91)	7,553
	1,798	9,080	5,673	12,401
Income from operations	14,595	3,640	50,822	32,782
Interest expense on credit facilities	(4,443)	(2,437)	(13,126)	(8,911)
Other finance income (costs), net	5,051	(1,811)	3,811	(3,300)
Fair value adjustment on financial instruments	(2,813)	(3,657)	2,087	2,928
Income (loss) before income taxes	12,390	(4,265)	43,594	23,499
Income tax expense	3,298	241	11,871	7,938
Income (loss) for the year	**$ 9,092**	**$ (4,506)**	**$ 31,723**	**$ 15,561**
Other comprehensive (loss) income				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustment	(1,537)	1,165	(1,394)	1,165
Other comprehensive (loss) income for the year	**$ (1,537)**	**$ 1,165**	**$ (1,394)**	**$ 1,165**
Total comprehensive income (loss) for the year	**$ 7,555**	**$ (3,341)**	**$ 30,329**	**$ 16,726**

Revenue

Fourth Quarter

Revenue in the fourth quarter of 2023 was $16.4 million compared to $12.7 million in the comparable quarter in 2022. After taking into account the DIV Royalty Entitlement, a non-IFRS measure related to Nurse Next Door, adjusted revenue, a non-

IFRS measure, was $17.7 million in the fourth quarter of 2023 compared to $14.0 million in the comparable quarter in 2022. Adjusted revenue increased primarily due to incremental royalty revenue received through the acquisition of the BarBurrito Rights on October 4, 2023, Mr. Lube + Tires' positive SSSG, a supplementary financial measure, the addition of five new locations (May 1, 2023) to the Mr. Lube + Tires Royalty Pool, incremental royalty revenue received through the acquisition of the Stratus Rights on November 15, 2022, positive SSSG at Mr. Mikes, the contractual 2% increase in the DIV Royalty Entitlement from Nurse Next Door, the contractual 2% increase in the Sutton Royalty Rate and the 5% contractual increase in the Stratus royalty, partially offset by lower royalty income from AIR MILES®. Refer to "Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures" in this MD&A.

Year

Revenue for the year ended December 31, 2023 was $56.5 million compared to $45.2 million in the prior year. After taking into account the DIV Royalty Entitlement, adjusted revenue, was $61.6 million for the year ended December 31, 2023 compared to $50.2 million in the prior year. Adjusted revenue increased primarily due to incremental royalty revenue received through the acquisition of the BarBurrito Rights on October 4, 2023, Mr. Lube + Tires' positive SSSG, the addition of four net locations (May 1, 2022) and five new locations (May 1, 2023) to the Mr. Lube + Tires Royalty Pool, incremental royalty revenue received through the acquisition of the Stratus Rights on November 15, 2022 as well as the 5% contractual increase in the Stratus royalty, positive SSSG at Oxford and Mr. Mikes, the contractual 2% increase in the DIV Royalty Entitlement from Nurse Next Door and the contractual 2% increase in the Sutton Royalty Rate, partially offset by lower royalty income from AIR MILES®.

Salaries and Benefits

Fourth Quarter and Year

Salaries and benefits expense increased by $0.2 million for the three months and year ended December 31, 2023 when compared to the same prior periods. The increases are primarily due to a higher management incentive amount recorded.

Share-based Compensation

Fourth Quarter and Year

Share-based compensation increased by $0.02 million for the three months and $0.2 million for the year ended December 31, 2023 when compared to the same prior periods. The increases are primarily due to a higher DIV share price for stock options granted in the periods resulting in a higher valuation in share-based compensation compared to the comparable periods, plus incremental share-based compensation expense related to Director's fees.

General and Administration

Fourth Quarter and Year

General and administration expense increased by $0.2 million for the three months ended December 31, 2023 when compared to the prior quarter. The increase was primarily due to an increase in marketing costs and business development expenses, offset by a decrease in travel expenses. General and administration expense increased by $0.4 million for the year ended December 31, 2023 when compared to the prior year. The increase was primarily due to an increase in marketing costs, business development expenses, conference fees and shareholder engagement costs, partially offset by a decrease in travel expenses.

Professional Fees

Fourth Quarter and Year

Professional fees are comprised of legal, audit, tax, advisory, and consulting services. Professional fees decreased by $0.06 million for the three months ended December 31, 2023 when compared to the prior quarter. The decrease was primarily due to a slight decrease in accounting, tax and legal expenses. Professional fees increased by $0.12 million for the year ended December 31, 2023 when compared to the prior year. The increase was primarily due to incremental consulting fees and increased accounting, tax and legal expenses.

Impairment of Intangible Assets

Fourth Quarter and Year

In 2022, Mr. Mikes saw a recovery back to pre-pandemic levels comparable to 2019. COVID-19 restrictions were completely lifted in early 2022, and the restaurant industry saw a significant recovery thereafter. The Company concluded, in 2022, that the recoverable amount for the MRM Rights exceeded the carrying amount, resulting in a non-cash accounting partial reversal of the 2020 impairment charge, recorded as a gain of $9.0 million through profit or loss. In 2023, Mr. Mikes saw a continued growth. The Company concluded, in 2023, that the recoverable amount for the MRM Rights exceeded the carrying amount, resulting in a non-cash accounting partial reversal of the 2020 impairment charge, recorded as a gain of $4.5 million through profit or loss.

In 2022, AIR MILES® saw the loss of a significant sponsor, which negatively impacted results in the fourth quarter of 2022. Based on the assessments performed, the Company concluded that the carrying amount for the AIR MILES® Rights exceeded the recoverable amount and as a result, the Company recorded an impairment loss of $14.4 million for the year ended December 31, 2022. On June 1, 2023, Loyalty Inc. acquired the AIR MILES® Reward Program business from LoyaltyOne, Co. However, the loss of the sponsor proved to have a greater negative impact compared to 2022. Based on the assessments performed, the Company concluded that the carrying amount for the AIR MILES® Rights exceeded the recoverable amount and as a result, the Company recorded a further impairment loss of $3.8 million in connection with the AIR MILES® Rights for the year ended December 31, 2023.

In 2023, the Canadian real estate market saw a continued slowdown, which began in late 2022, due to higher inflation and a steady rise in interest rates. Despite this slowdown, Sutton paid 100% of the fixed royalty and management fee for the years ended December 31, 2023 and 2022. Based on the assessments performed, the Company concluded that the carrying amount for the SGRS Rights exceeded the recoverable amount and as a result, the Company recorded an impairment loss of $0.6 million in connection with the SGRS Rights for the year ended December 31, 2023 (2022 - impairment loss of $4.0 million).

Interest Expense on Credit Facilities

Fourth Quarter and Year

Interest expense on credit facilities for the three months ended December 31, 2023 increased $2.0 million compared to the prior quarter. Interest expense on credit facilities for the year ended December 31, 2023 increased $4.2 million compared to the prior year. The increases were due to: (i) a new US$15.0 million Strat-B LP term loan facility effective November 15, 2022; (ii) a $15.0 million increase in the ML LP loan effective November 15, 2022; (iii) a $12.0 million increase in the ML LP loan effective August 15, 2023; (iv) higher interest rates on the unswapped portion of the Company's term loan facilities; (v) a new $10.0 million BARB LP term loan facility effective October 4, 2023; (vi) a new non-amortizing $10.0 million DIV term loan facility effective October 4, 2023 (the "Additional Term Facility"); (vii) the higher coupon rate of the 2027 Debentures (defined below) bearing interest at an annual rate of 6.0% compared to an annual rate of 5.25% for the 2022 Debentures; and (viii) incremental interest accrued on the $49.1 million outstanding portion of the Acquisition Facility; partially offset by the interest for the $5.0 million balance on the debentures outstanding in the prior period and redeemed on December 20, 2022.

Other Finance Income (Costs), Net

The following table summarizes other finance income (costs), net for the three months and year ended December 31, 2023 and 2022:

	Three months ended December 31,		Years ended December 31,	
(000's)	**2023**	**2022**	**2023**	**2022**
Fair value adjustment on promissory note	$ 5,990	$ (215)	$ 5,704	$ (215)
Finance income	86	82	243	168
Foreign exchange (loss) gain	(1)	26	(22)	32
Distributions on Exchangeable Units[1]	(39)	(240)	(164)	(518)
Amortization of deferred financing charges	(199)	(210)	(739)	(851)
Accretion expense and other	(787)	(1,254)	(1,211)	(1,916)
	$ 5,050	$ (1,811)	$ 3,811	$ (3,300)

1) $0.2 million in total distributions for the three months and $0.5 and year ended December 31, 2022 paid from MRM LP to Mr. Mikes on MRM LP exchangeable units relates to both current and historical deferred royalty amounts. Distributions for the three months and year ended December 31, 2023 relate to current royalty amounts only.

Fourth Quarter and Year

Other finance income (costs), net of income, for the three months and year ended December 31, 2023, decreased by $6.9 million and $7.1 million respectively, compared to the same prior periods. The decrease for the three months and year ended December 31, 2023 was primarily due to the $6.1 million fair value adjustment on the BARB LP promissory note and the $0.5 million in total distributions on MRM LP Units relating to current and historical deferred royalty amounts.

Fair Value Adjustment on Financial Instruments

The fair value adjustment on financial instruments consists of fair value changes on the Company's interest rate swaps, the Company's investment in NND Royalties LP, the MRM LP exchangeable units and ML LP exchangeable units.

Fourth Quarter

The fair value loss on financial instruments in the fourth quarter of 2023 consists of a $2.3 million loss on the Company's interest rate swaps, a $0.5 million loss on the Company's investment in NND royalties LP and a $0.1 million loss on the MRM LP exchangeable units.

The fair value loss on financial instruments in the fourth quarter of 2022 consists of a $3.7 million loss on ML LP exchangeable units and a $0.1 million loss on the Company's investment in NND Royalties LP, offset by a $0.1 million gain on the MRM LP exchangeable units and a $0.1 million gain on the interest rate swaps.

Year

The fair value gain on financial instruments for the year ended December 31, 2023, consists of a $3.6 million gain on the Company's investment in NND royalties LP and a $0.1 million gain on the MRM LP exchangeable units, offset by a $1.6 million loss on the Company's interest rate swaps.

The fair value gain on financial instruments for the year ended December 31, 2022, consists of a $3.7 million gain on the interest rate swaps, a $2.9 million gain on the Company's investment in NND Royalties LP and a $0.1 million gain on the MRM LP exchangeable units, offset by a $3.7 million loss on ML LP exchangeable units.

Income Tax Expense

Fourth Quarter and Year

Income tax expense increased by $3.1 million and $3.9 million for the three months and year ended December 31, 2023, respectively, when compared to the comparable prior periods. The increases for the three months and year ended December 31, 2023 were primarily due to higher income before taxes.

Income tax expense includes US withholding tax which consists of United States federal taxes withheld at a rate of 10% of gross royalty income generated from sources within the United States. Income tax expense includes $0.2 million for the three months and $0.8 million for the year ended December 31, 2023 in US withholding tax on royalty income earned through Strat-B LP.

Undepreciated Capital Cost Allowance

The Company has intangible assets related to the SGRS Rights, ML Rights, AIR MILES® Rights, MRM Rights, Oxford Rights, Stratus Rights and BarBurrito Rights, which have an aggregate undepreciated capital cost allowance of approximately $358.8 million at December 31, 2023. In addition, pursuant to NND Royalties LP's limited partnership agreement, its undepreciated capital cost allowance of approximately $42.0 million at December 31, 2023 is allocated to the Company for tax purposes.

Other Comprehensive (Loss) Income

Fourth Quarter

The foreign currency translation adjustment for the three months ended December 31, 2023 relates to the translation of Strat-B LP's assets and liabilities from US dollar functional currency to Canadian dollar presentation currency. The $1.5 million other comprehensive loss is primarily due to foreign exchange loss on translation of US$60.0 million in intangible assets, partially offset by the foreign exchange gain on translation of US$15.0 million in long-term debt, between the September 30, 2023 rate ($1.3577 to US$1) and the year-end rate at December 30, 2023 ($1.3243 to US$1).

Year-To-Date

The foreign currency translation adjustment for the year ended December 31, 2023 relates to the translation of Strat-B LP's assets and liabilities from US dollar functional currency to Canadian dollar presentation currency. The $1.4 million other comprehensive loss is primarily due to foreign exchange loss on translation of US$60.0 million in intangible assets, partially offset by the foreign exchange gain on translation of US$15.0 million in long-term debt, between the December 31, 2022 rate ($1.3544 to US$1) and the year-end rate at December 31, 2023 ($1.3243 to US$1).

SELECTED ANNUAL INFORMATION

(000's except per share amounts)	2023	2022	2021
Revenue	$ 56,495	$ 45,183	$ 37,281
Net income	31,723	15,561	23,518
Total assets	567,351	458,450	380,764
Total non-current financial liabilities	289,958	202,725	114,900
Basic income per share	$ 0.22	$ 0.12	$ 0.19
Diluted income per share	0.22	0.12	0.19
Dividends declared per share	0.24	0.22	0.21

The increase in revenues from 2022 to 2023 was primarily due to incremental royalty revenue received through the acquisition of the Stratus Rights (November 15, 2022), incremental royalty revenue received through the acquisition of the BarBurrito Rights (October 4, 2023), Mr. Lube + Tires' positive SSSG, a supplementary financial measure, the addition of four net locations (May 1, 2022) and five new locations (May 1, 2023) to the Mr. Lube + Tires Royalty Pool, positive SSSG at Oxford and Mr. Mikes, the contractual 2% increase in the DIV Royalty Entitlement from Nurse Next Door, the contractual 2% increase in the Sutton Royalty Rate and the contractual 5% increase in the Stratus royalty, partially offset by lower royalty income from AIR MILES®.

The increase in net income, basic income per share and diluted income per share from 2022 to 2023 is largely due to other finance income on adjustments to promissory notes, the impairment reversal of the MRM Rights (see "Results of Operation – Impairment of Intangible Assets") and fair value adjustments on financial instruments (including with respect to interest rate swaps, exchangeable partnership units and DIV's investment in NND Royalties LP) offset by the impairment loss of the AIR MILES® Rights and SGRS Rights, and increases in income tax and interest expenses.

The increase in total assets from 2022 to 2023 was primarily due to the acquisition of the BarBurrito Rights, the addition of 5 new locations to the Mr. Lube + Tires Royalty Pool in May 2023, the impairment reversal related to the MRM Rights, Note receivable entered into in December 11, 2023, partially offset by the impairment loss related to the AIR MILES® Rights and SGRS Rights, a decrease in cash, a decrease in the fair value related to the investment in NND Royalties LP and a fair value loss on interest rate swap assets.

Non-current financial liabilities increased from 2022 to 2023 primarily due to the $50.0 million draw on the Acquisition Facility, effective October 2, 2023, the new $36.0 million promissory note in connection with the acquisition of the BarBurrito Rights, the incremental $12.0 million ML LP credit facility, effective August 15, 2023, the new non-amortizing $10.0 million BARB LP credit facility, the new $10.0 million Additional Term Facility, both effective October 4, 2023, partially offset by the reclassification of the NND Holdings Limited Partnership ("NNDH LP") credit facility from non-current to current and cumulative paydowns on the AM credit facility and the Acquisition Facility.

The increase in revenues from 2021 to 2022 was primarily due to Mr. Lube + Tires' positive SSSG, a supplementary financial measure, price increases, the addition of 13 stores (May 1, 2021) and four net locations (May 1, 2022) to the Mr. Lube + Tires Royalty Pool along with the increase in the Mr. Lube + Tires Royalty Rate (May 1, 2021), incremental royalty revenue received through the acquisition of the Stratus Rights (November 15, 2022), higher royalty income from Mr. Mikes (including three payments of $0.5 million, $0.6 million and $0.2 million in March 2022, September 2022 and November 2022, respectively, from Mr. Mikes representing partial payment of deferred contractual royalty fees and deferred contractual management fees described above), positive SSSG at Oxford, the contractual 2% increase in the DIV Royalty Entitlement from Nurse Next Door and the contractual 2% increase in the Sutton Royalty Rate.

The decrease in net income, basic income per share and diluted income per share from 2021 to 2022 is due to the impairment loss of the AIR MILES® Rights and SGRS Rights, an increase in income tax and interest expense, partially offset by the impairment reversal of the MRM Rights and the OX Rights (see "Results of Operation – Impairment of Intangible Assets") and fair value adjustments (including with respect to interest rate swaps, exchangeable partnership units and DIV's investment in NND Royalties LP).

The increase in total assets from 2021 to 2022 was primarily due to the acquisition of the Stratus Rights, the impairment reversals related to the MRM Rights and the OX Rights, the addition of 4 net new stores to the Mr. Lube Royalty Pool in May 2022 and the fair value gain on interest rate swap assets, partially offset by the impairment loss related to the AIR MILES® Rights and the SGRS Rights and the decrease in fair value related to the investment in NND Royalties LP.

Non-current financial liabilities increased from 2021 to 2022 primarily due to the new non-amortizing US$15.0 million Strat-B LP credit facility and the incremental $15.0 million ML LP credit facility, both effective November 15, 2022, in addition to the 2027 Convertible Debentures (refer to the section "Convertible Debentures").

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters:

	1	2	3	4	5	6	7	8
(000's except per share amounts)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Revenue	$ 16,393	$ 13,612	$ 14,149	$ 12,341	$ 12,720	$ 11,641	$ 11,080	$ 9,742
Net income (loss)	$ 9,092	$ 6,847	$ 9,094	$ 6,690	$ (4,506)	$ 6,728	$ 7,143	$ 6,196
Income (loss) per common share								
Basic	$ 0.06	$ 0.05	$ 0.06	$ 0.05	$ (0.03)	$ 0.05	$ 0.06	$ 0.05
Diluted	$ 0.06	$ 0.05	$ 0.06	$ 0.05	$ (0.03)	$ 0.05	$ 0.06	$ 0.05

Revenue

The fourth quarter of 2023 reflects the incremental revenue contribution from BarBurrito. Mr. Lube + Tires and Mr. Mikes continued to generate positive SSSG, a supplementary financial measure, at 14.0% and 7.3%, respectively, while Oxford was flat compared to the prior period. Stratus and Sutton continued to pay 100% of contractual royalties and the Stratus royalty saw an incremental 5% contractual increase in November 2023. These increases were partially offset by the AIR MILES® performance, as it continued to experience reduced results as a result of the Sobeys exit.

The third quarter of 2023, Mr. Lube + Tires and Mr. Mikes continued to generate positive SSSG, a supplementary financial measure, at 16.4% and 3.6%, respectively, Oxford was flat compared to the prior period with SSSG of -0.9%, however Oxford system sales were comparable to pre-pandemic levels. Stratus and Sutton continued to pay 100% of their contractual royalties, while AIR MILES® continued to experience reduced results following a weaker first and second quarter as a result of the Sobeys exit.

The second quarter of 2023 saw continued momentum from the strong performance seen in the first quarter of 2023. Once again, most of the Company's Royalty Partners saw strong performances, which were reflected in an overall increase in revenue when compared to the same quarter in the prior period. Mr. Lube + Tires, Oxford and Mr. Mikes continued to generate positive SSSG, a supplementary financial measure, at 21.1%, 8.6% and 5.5%, respectively, while AIR MILES®, due to the Sobeys exit, produce poor results following a weak first quarter. In addition, Mr. Lube + Tires added 5 new locations to the Mr. Lube + Tires royalty pool on May 1, 2023.

In the first quarter of 2023, most of the Company's Royalty Partners had strong performances, which were reflected in an overall increase in revenue when compared to the first quarter of 2022. Mr. Mikes, Mr. Lube + Tires, and Oxford continued to generate increases in royalty income as SSSG, a supplementary financial measure, was 30.7%, 17.6%, 15.8%, respectively. However, these increases were partially offset by weak results from AIR MILES® due to Sobeys exiting from the AIR MILES® program.

In the fourth quarter of 2022, Mr. Lube + Tires and Oxford continued to generate increases in royalty income as SSSG, a supplementary financial measure, was 17.0% and 16.1%, respectively. Mr. Mikes had system sales, a supplementary financial measure, comparable to pre-pandemic levels in the quarter. In addition, the fourth quarter of 2022 also reflects the incremental revenue contribution from Stratus. The strength in the quarter was offset by the Sobeys exit from the AIR MILES® program, which contributed to a 18.0% revenue decrease from AIR MILES® compared to the fourth quarter of 2021.

In the third quarter of 2022, DIV's Royalty Partners continued to experience positive trends. Mr. Lube + Tires' maintenance services, tire services and sales continued to grow compared to the same prior period. Oxford had system sales comparable to pre-pandemic levels. Mr. Mikes had system sales at near pre-pandemic levels and AIR MILES® had a 4.4% growth in gross billings compared to the same prior period.

In the second quarter of 2022, Mr. Lube + Tires' maintenance services, tire services and sales saw continued growth. Oxford saw a strong recovery with system sales comparable to pre-pandemic levels, and May and June 2022 system sales were the strongest May and June in Oxford's history. Mr. Mikes also saw a strong recovery to pre-COVID system sales levels after the removal of COVID-19 vaccine passports mandates in early 2022 and AIR MILES® had a 10.4% growth in gross billings compared to the same prior period. In addition, Mr. Lube + Tires added 4 net new locations to the Mr. Lube + Tires royalty pool on May 1, 2022.

The first quarter of 2022 was impacted by seasonality in both AIR MILES® and Mr. Lube + Tires, as both businesses typically see lower sales in the first quarter of the year compared to the prior quarter. However, the Company's Royalty Partners produced higher royalty income as reflected in a large increase in revenue when compared to the first quarter of 2021. This was largely driven by continued growth in Mr. Lube + Tires' maintenance services, tire services and sales carried over from the fourth quarter of 2021, together with the lifting of government COVID-19 restrictions during the quarter, particularly in Ontario, Alberta and BC, which positively impacted Oxford and Mr. Mikes system sales, a supplementary financial measure.

Refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.

Net Income (loss)

Net income reflects the trend in quarterly revenue and increase due to the net impairment reversal, offset by fluctuations associated with the fair value adjustments (including with respect to DIV’s investment in NND Royalties LP, interest rate swaps and exchangeable partnership units), and income tax expense.

FINANCIAL AND OTHER INSTRUMENTS

In the normal course of business, the Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, and interest rate risk. The Board of Directors of the Company, in consultation with management, has responsibility for the oversight of the Company’s risk management framework and closely monitors the Company’s internal controls and ability to pay future dividends.

Credit risk

Credit risk is associated with the Company’s cash, royalties and management fees receivable, amounts receivable, promissory note receivable and investment in NND Royalties LP. Credit risk on the Company’s cash and cash equivalents is mitigated by holding these amounts with Canadian chartered banks of high creditworthiness. Credit risk on the royalties and management fees receivable, promissory note receivable and the investment in NND Royalties LP is monitored through regular review of the Company’s Royalty Partners.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities and other contractual obligations. The Company monitors its consolidated cash flow to ensure that there is sufficient liquidity to meet liabilities when due. In addition, the Company manages its liquidity risk by preparing rolling cash flow forecasts, taking into consideration various scenarios and assumptions, monitoring the business operations of its Royalty Partners, and monitoring compliance with the terms of financing arrangements.

As at December 31, 2023, the Company had a cash balance of $4.0 million (December 31, 2022 - $7.4 million) and a working capital deficit of $5.7 million (December 31, 2022 – positive working capital of $8.7 million). The working capital deficit includes the NNDH LP term loan which matures on November 15, 2024. The Company plans to refinance the NNDH LP term loan and extend the term before the maturity date and expects that the term extension will be completed in 2024. This is based on the Company’s ability to generate positive cash flow from operations, including NND LP, and its history of being able to successfully refinance its debt.

Subsequent to the year end, the Company reduced its liquidity risk and improved its working capital position as follows: (i) AM LP made a contractual partial principal repayment of $0.63 million and a voluntary $3.2 million partial principal paydown on its credit facility, further reducing the outstanding principal balance to $10.1 million (refer to the section “Term Loan Facilities” below); and (ii) DIV made voluntary partial principal paydowns of $0.9 million in aggregate on the Acquisition Facility in January and early February 2024 and DIV completed a $54.0 million bought deal public offering of common shares and used the net proceeds to pay down in full the remaining $48.2 million outstanding balance on the Acquisition Facility in late February 2024 (refer to the section “Acquisition Facility” below). At December 31, 2023 the Company also had $6.7 million (December 31, 2022 - $6.2 million) in undrawn operating lines of credit.

As at December 31, 2023, the following table summarizes the Company's contractual obligations, including estimated interest payments and the interest rate swap arrangements, on a consolidated basis:

(000's)	Carrying amount	Contractual cash flow	2024	2025	2026	2027	Thereafter
Accounts payable and accrued liabilities	$ 1,803	$ 1,803	$ 1,803	$ -	$ -	$ -	$ -
Promissory note	33,763	40,952	-	-	-	-	40,952
Lease obligation	706	874	110	112	115	117	420
Long-term bank loans[1]	158,049	178,965	9,430	104,645	43,958	20,932	-
Short-term bank loans[2]	14,465	15,199	15,199	-	-	-	-
2027 Convertible debentures	48,586	63,525	3,150	3,150	3,150	54,075	-
Acquisition Facility[3]	48,967	57,577	5,704	13,186	38,688	-	-
Exchangeable ML LP units	1,181	1,181	-	1,181	-	-	-
AM LP term loan contractual paydown[4]	628	628	628	-	-	-	-
Total contractual obligations	$ 308,148	$ 360,704	$ 36,023	$ 122,274	$ 85,911	$ 75,124	$ 41,372

1) Includes the impact of interest rate swap agreements, including the swap agreement entered January 24, 2024, between MRM LP and a Canadian chartered bank. Defined below. Refer to the section "Term Loan Facilities".
2) The reclassification of the $14.5 NNDH loan from non-current to current.
3) As of February 26, 2024, the outstanding amount on the Acquisition Facility (defined below) has been fully paid down. Refer to the section "Acquisition Facility".
4) $0.6 million contractual partial principal paydown on the AM LP credit facility was paid on February 20, 2024.

It is not currently expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As at December 31, 2023, the Company was in compliance with all financial covenants associated with its Acquisition Facility and other credit facilities.

On June 2, 2023, AML LP entered into an amendment to its credit agreement with a Canadian chartered bank in order to obtain prospective covenant relief for the quarters ending June 30, 2023 and September 30, 2023. On December 7, 2023, AM LP amended and restated its credit agreement with a Canadian chartered bank in order to, among other things, obtain prospective covenant relief for the quarters ended December 31, 2023 and March 31, 2024. The foregoing amendments provide for modified covenant tests in respect of the Total Leverage Ratio (as defined in such credit agreements) for such fiscal quarters. The amendments also provide for a portion of the royalty payments accrued under the AIR MILES® Licenses during a fiscal quarter to be applied to pay down a portion of the principal of the loan, with such portion determined on a sliding scale depending on the Total Leverage Ratio for such fiscal quarter. Without the foregoing amendments to the credit agreement, AM LP would have been in breach of its covenant as at December 31, 2023. A copy of each of the amendments has been filed under DIV's profile on SEDAR+ at www.sedarplus.com. AM LP also has the ability to pay down its credit facility in part from time to time, without penalty, in order to maintain compliance with its covenants.

During Q1 2023, AM LP made a voluntary $2.4 million partial principal paydown on its $17.4 million credit facility to remain in compliance with its covenant, reducing the outstanding principal balance to $15.0 million.

During Q2 2023, AM LP made a $0.04 million voluntary further partial principal pay down on its credit facility.

During Q3 2023, pursuant to the terms of the aforementioned amendments to the credit agreement, AM LP made a contractual $0.43 million principal payment (representing 60% of the Q2 AIR MILES® royalty accrued less interest paid in the quarter).

During Q4 2023, AM LP made a contractual $0.58 million principal payment (representing 75% of the Q3 AIR MILES® royalty accrued less interest paid in the quarter).

During Q1 2024, AM LP made a contractual $0.63 million principal payment (representing 75% of the Q4 AIR MILES® royalty accrued less interest paid in the quarter).

During Q1 2024, AM LP made a further $3.2 million voluntary principal payment.

Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. During the fourth quarter of 2023, DIV was exposed to currency risk arising from cash denominated in US dollars. As at December 31, 2023, cash denominated in US dollars was US$0.2 million (2022 – US$0.2 million).

During the fourth quarter of 2023, Strat-B LP was exposed to currency risk arising from accounts payable and accrued liabilities denominated in Canadian dollars. As at December 31, 2023, accounts payable and accrued liabilities denominated in Canadian dollars was less than $0.01 million (2022 – $0.3 million).

DIV is primarily exposed to the impact of foreign exchange rate risk through its Royalty Partners with operations in the United States where the functional currency is the US dollar, and the Strat-B term loan which is a US dollars credit facility. DIV does not currently utilize hedging instruments to mitigate foreign currency exchange risks. Therefore, foreign currency fluctuations may affect DIV's earnings and cash flows.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company has bank loans that are subject to floating interest rates. An increase in prevailing interest rates will impact the floating interest rate portion of our bank loans and increase overall interest expense. As at December 31, 2023, the interest rate risk related to bank loans is mitigated by interest rate swap arrangements that fix the interest rates on $113.4 million of the Company's $173.8 million term loan facilities. Of the $222.9 million total of DIV's bank loan facilities as of December 31, 2023, $49.1 million related to the short and long-term portion of the Acquisition Facility then outstanding.

As at December 31, 2023, the Company had a note receivable (being the Sutton Promissory Note) of $2.1 million, that are subject to floating interest rates.

The investment in NND Royalties LP is a financial asset measured at fair value. The valuation of this financial asset includes an estimate of the discounted cash flow receivable from Nurse Next Door and takes into consideration the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the NND Exchange Mechanism (defined below). The NND Buy-Out Option and NND Exchange Mechanism are embedded derivatives with a negligible value at December 31, 2023. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 15.6% (December 31, 2022 – 14.4%). Although the cash flows are fixed and contractual, the fair value of the investment in NND Royalties LP will fluctuate because of changes in interest rates. As at December 31, 2023, the investment in NND Royalties LP was valued at $40.8 million and a fair value gain of $3.6 million was recorded for the year ended December 31, 2023.

CASH FLOWS

	Three months ended December 31,		Years ended December 31,	
(000's)	2023	2022	2023	2022
Cash flows generated from operating activities	$ 7,400	$ 8,152	$ 30,816	$ 28,377
Cash flows generated from financing activities	60,093	69,389	43,053	49,369
Cash flows used in investing activities	(72,466)	(79,308)	(77,225)	(79,308)
Net decrease in cash	(4,973)	(1,768)	(3,356)	(1,562)
Cash, beginning of the year	9,003	9,150	7,409	8,939
Effect of foreign exchange rate changes on cash	1	27	(22)	32
Cash, end of the year	$ 4,031	$ 7,409	$ 4,031	$ 7,409

Cash From Operating Activities

Cash generated from operating activities for the year ended December 31, 2023 was higher compared to the same prior year due to higher royalty income received, partially offset by higher interest paid, taxes paid and net working capital used in operating activities.

For the year ended December 31, 2023, if the US foreign exchange rate had been $0.01 to US$1 lower with all other variables held constant, revenue recognized and cash flows generated from operating activities for the year would have been approximately $0.07 million lower due to lower US dollar denominated revenue generate from Stratus.

Cash From Financing Activities

Cash generated from financing activities for the year ended December 31, 2023 was primarily due to the $50.0 million draw on the Acquisition Facility, the $12.0 million increase in ML LP credit facility, net of fees, the new $10.0 million BARB LP credit facility, net of fees and the new $10.0 million Additional Term Facility, net of fees, partially offset by dividends paid, the $11.9 million total paydown on the Acquisition Facility and partial principal payments of $3.4 million on the AM LP term loan. For the year ended December 31, 2022, cash generated from financing activities was due to proceeds from issuance of debt, the proceeds from the bought deal offering of the 2027 Debentures (defined below), proceeds from the 2022 Equity Offering (defined below), offset by outflows from the redemption of 2022 Debentures (defined below), repayment of debt and dividends paid. For further details, see "Capital Resources – Acquisition Facility" below.

Cash From Investing Activities

Cash used in investing activities for the year ended December 31, 2023 was due to cash outflows in relation to the acquisition of the BarBurrito Rights, cash paid for the roll in of 5 new stores to the Mr. Lube + Tires Royalty pool and the purchase of fixed assets. Cash used in investing activities for the year ended December 31, 2022 was due to cash outflows in relation to the acquisition of the Stratus Rights and the purchase of fixed assets.

CAPITAL RESOURCES

The Company's capital includes shareholders' equity, the Company's Acquisition Facility, term loan facilities and the 2027 Convertible Debentures, net of cash and cash equivalents. In managing its capital, the Company may issue new common shares, issue warrants, issue new debt, draw on its operating lines of credit, purchase common shares for cancellation pursuant to normal course issuer bids, temporarily suspend the DRIP, reduce the monthly dividend or reduce debt.

Acquisition Facility

DIV has a $50.0 million senior secured credit facility (the "Acquisition Facility") with a Canadian chartered bank that matures on April 20, 2026. The Acquisition Facility is subject to a customary annual standby fee and draws under the facility are subject to prevailing market interest rates at the time of the draw. The Acquisition Facility is secured by a general security interest over the assets of the Company and, if requested by the lender, may be secured by specific assignments of certain material agreements entered into by the Company from time to time.

On November 15, 2022, DIV drew $47.0 million on the Acquisition Facility to fund a portion of the purchase price of the acquisition of the Stratus Rights and on November 24, 2022, subsequent to completion of a public offering on November 23, 2022 (the "2022 Equity Offering"), the Company partially repaid $43.5 million on the Acquisition Facility, of which $3.5 million remained outstanding at December 31, 2022.

On May 1, 2023, DIV amended the credit agreement governing its Acquisition Facility to allow for a one-time advance of $7.5 million to fund the 2023 Amendment Consideration and 2021 True-up Consideration paid by DIV to Mr. Lube + Tires on such date (see "Royalty Pools – Mr. Lube + Tires" and "Royalty Pools – Mr. Lube + Tires Royalty Rate Increase and Mr. Lube + Tires Royalty Pool Additions"). The maximum size of the Acquisition Facility of $50.0 million was not increased to facilitate this one-time advance. On August 15, 2023, DIV utilized the proceeds from the amended ML LP credit facility agreement (refer to "Term Loan Facilities" below) to pay down the then outstanding balance on the Acquisition Facility in full.

On October 2, 2023, DIV drew $50.0 million from the Acquisition Facility in preparation for the completion of the acquisition of the BarBurrito Rights on October 4, 2023.

On October 4, 2023, in connection with the acquisition of the BarBurrito Rights, DIV amended the credit agreement governing its Acquisition Facility to add the $10.0 million Additional Term Facility. The Additional Term Facility is non-amortizing and has a floating interest rate based on CDOR rate plus a credit spread.

On October 27, 2023, DIV amended the credit agreement governing its Acquisition Facility to increase the interest-only period before amortization begins after each draw from six months to twelve months. In addition, the applicable bank credit spread on interest was increased by 0.25% and the applicable bank credit spread on standby fees was increased by 0.09%.

During the year ended December 31, 2023, the Company partially repaid $0.9 million on the Acquisition Facility. As at December 31, 2023, the outstanding balance on the Acquisition Facility was $49.1 million, of which $1.6 million is short term.

During the months of January and February 2024, the Company partially repaid a further $0.9 million on the Acquisition Facility and on February 26, 2024, subsequent to completion of a public offering on February 23, 2024 (the "2024 Equity Offering"), the Company fully repaid the remaining $48.2 million outstanding balance on the Acquisition Facility.

Copies of the amendments to the credit agreement governing the Acquisition Facility are available under DIV's profile on SEDAR+ at www.sedarplus.com.

Term Loan Facilities

As at December 31, 2023, the Company's subsidiaries had term loan facilities with a total drawn amount of $222.9 million of which $15.1 million is classified as short term debt and included within current liabilities (including the reclassification of the $14.5 million NNDH LP term loan to current liabilities due to its maturity date now being less than one year). These term loan facilities have floating interest rates based on the bankers' acceptance rate, CDOR, CORRA or SOFR, depending on the facility, plus a credit spread ranging from 1.90% to 2.80%.

The Company's subsidiaries also have operating lines of credit with a total value of $6.7 million that had undrawn balances at December 31, 2023 and March 21, 2024.

Management plans to refinance the non-amortizing loans before their respective maturity dates.

On March 2, 2023, AM LP made a $2.4 million partial principal paydown on its $17.4 million credit facility, reducing the outstanding principal balance to $15.0 million. During Q2 2023, AM LP made a voluntary further partial principal pay down of $0.04 million. During Q3 2023, Q4 2023 and Q1 2024 AM LP made contractual partial principal pay downs on its credit facility of $0.43 million, $0.58 million and $0.63 million respectively. On March 12, 2024, AM LP made a further voluntary partial principal pay down of $3.2 million on its credit facility.

On August 15, 2023, ML LP amended its credit facility agreement with an increase to the term loan facility from $67.9 million to $79.9 million, of which $10.9 million was used to pay down the then outstanding balance on the Acquisition Facility in full.

On October 4, 2023, BARB LP entered into a credit agreement with a Canadian chartered bank that consists of a non-amortizing $10.0 million term loan and a $0.5 million line of credit. The BARB LP loan and line of credit are secured by the BarBurrito Rights and the royalties payable to BarBurrito under the BarBurrito License and Royalty Agreement. On October 4, 2023, in connection with the acquisition of the BarBurrito Rights, DIV amended the credit agreement governing its Acquisition Facility to add the $10.0 million Additional Term Facility.

On December 27, 2023, MRM LP amended its credit facility agreement to extend the maturity date from June 24, 2024 to December 27, 2026. The amendment to the MRM LP credit facility resulted in an increase in the credit spread by 0.55%.

It is the Company's intention to acquire future royalty streams in separate legal entities without cross-collateralization so that, to the maximum extent possible, any liability exposure in one legal entity does not affect the balance sheet of any other legal entity. However, there can be no assurance that this will be achieved.

Convertible Debentures

As at December 31, 2023 and March 21, 2024, there was $52.5 million aggregate principal amount of unsecured subordinated convertible debentures issued and outstanding (the "2027 Convertible Debentures"). The 2027 Convertible Debentures mature on June 30, 2027 and bear interest at 6.00% per annum, payable on June 30th and December 31st of each year. The 2027 Convertible Debentures are convertible by their terms for an aggregate of 12,962,963 common shares at a conversion price of $4.05 per common share.

Common Shares

As at March 21, 2024, there were 164,491,769 common shares issued and outstanding.

Share Options

As at March 21, 2024, there were 4,875,001 options outstanding, which may be exercised to purchase an equivalent number of common shares at exercise prices ranging between $2.52 per share to $3.00 per share.

Restricted Share Units

As at March 21, 2024, there were 907,383 RSUs outstanding, which may be settled for an equivalent number of common shares or cash upon vesting.

DIVIDENDS TO SHAREHOLDERS

The Company currently has a dividend policy providing for the payment of a monthly dividend, subject to the approval of the Board of Directors.

The determination to declare and pay dividends is at the discretion of the Board of Directors, and until declared payable, the Company has no requirement to pay cash or other dividends to its shareholders. The Board of Directors reviews this dividend policy on an ongoing basis and may amend the policy at any time in light of the Company's then current financial position, profitability, cash flow, applicable legal requirements and other factors considered relevant by the Board of Directors. In addition, the Company is prohibited from paying dividends or making other distributions to its shareholders pursuant to the terms of the Acquisition Facility agreement if the Company is not in compliance with certain financial covenants set forth therein. The Company monitors the financial covenants under its and its subsidiaries' credit facilities closely in order to ensure compliance therewith prior to the payment of any distributions by its subsidiaries to the Company and the payment of any dividends by the Company to its shareholders.

The Company's dividends are deemed eligible dividends for Canadian tax purposes. Dividends declared in 2023 and 2022 are as follows:

2023	Payment date	Dividend / share	2022	Payment date	Dividend / share
December 2023	December 30, 2023	$ 0.02042	December 2022	December 30, 2022	$ 0.01958
November 2023	November 30, 2023	$ 0.02042	November 2022	November 30, 2022	$ 0.01958
October 2023	October 31, 2023	$ 0.02000	October 2022	October 31, 2022	$ 0.01958
September 2023	September 29, 2023	$ 0.02000	September 2022	September 29, 2022	$ 0.01833
August 2023	August 31, 2023	$ 0.02000	August 2022	August 31, 2022	$ 0.01833
July 2023	July 29, 2023	$ 0.02000	July 2022	July 29, 2022	$ 0.01833
June 2023	June 29, 2023	$ 0.02000	June 2022	June 29, 2022	$ 0.01833
May 2023	May 31, 2023	$ 0.02000	May 2022	May 31, 2022	$ 0.01833
April 2023	April 29, 2023	$ 0.02000	April 2022	April 29, 2022	$ 0.01833
March 2023	March 31, 2023	$ 0.02000	March 2022	March 31, 2022	$ 0.01833
February 2023	February 28, 2023	$ 0.02000	February 2022	February 28, 2022	$ 0.01833
January 2023	January 31, 2023	$ 0.02000	January 2022	January 31, 2022	$ 0.01833

The Board of Directors approved an increase to DIV's monthly dividend from $0.01833 per share ($0.22 per share on an annual basis) to $0.01958 per share ($0.235 per share on an annual basis) effective with the dividend declared in the month of October 2022, representing a full recovery to pre-pandemic levels. On November 14, 2022, due to the completion of the Stratus acquisition, the Board of Directors approved an increase to DIV's monthly dividend from $0.01958 per share ($0.235 per share on an annualized basis) to $0.0200 per share ($0.240 per share on an annualized basis), effective with the dividend declared in the month of January 2023. On October 4, 2023, due to the completion of the BarBurrito Transaction, the Board of the Directors approved an increase to DIV's monthly dividend from $0.020 per share ($0.240 per share on an annualized basis) to $0.02042 per share ($0.245 per share on an annualized basis), effective with the dividend declared in the month of November 2023. On February 14, 2024, the Board of the Directors approved an increase to DIV's monthly dividend from $0.02042 per share ($0.245 per share on an annualized basis) to $0.02083 per share ($0.250 per share on an annualized basis), effective with the dividend declared in the month of March 2024.

Dividend Reinvestment Plan

When active, the DRIP allows eligible holders of the Company's common shares to reinvest some, or all cash dividends paid in respect of their common shares in additional common shares of the Company. At the Company's election, these additional common shares may be issued from treasury or purchased on the open market. If the Company elects to issue common shares from treasury, the common shares will be purchased under the DRIP at a 3% discount to the volume weighted average of the closing price for the common shares on the TSX for the five trading days immediately preceding the relevant dividend payment date. The Company may, from time to time, change or eliminate the discount applicable to common shares issued from treasury.

TRANSACTIONS WITH RELATED PARTIES

In addition to information disclosed elsewhere in this MD&A, the Company had the following related party transactions during the year ended December 31, 2023. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MCM Agreement

In May 2021, DIV entered into a services agreement and cost sharing agreement with Maxam Capital Management Ltd. ("MCM"), an entity in respect of which Sean Morrison, the Company's President and CEO, is a director, and Mr. Morrison and Johnny Ciampi, one of the Company's directors, are minority shareholders, through which DIV provides certain office space and certain administrative services to MCM (the "MCM Agreements"). The transactions under MCM Agreements are not material to DIV.

Key Management Compensation

Key management personnel of the Company include Members of the Board of Directors, the President and CEO, and CFO. The table below summarizes the compensation of key management personnel included in net income:

(000's)	Three months ended December 31, 2023	2022	Years ended December 31, 2023	2022
Short-term benefits	$ 789	$ 565	$ 2,140	$ 1,861
Share-based compensation	377	354	1,379	1,177
	$ 1,166	$ 919	$ 3,519	$ 3,038

The increase in key management compensation from 2022 to 2023 is primarily due to higher management incentive amounts.

MATERIAL ACCOUNTING POLICIES

The Company's 2023 Financial Statements accompanying this MD&A were prepared in accordance with IFRS. The Company's material accounting policies are described in note 3 of the Company's 2023 Financial Statements.

Changes in material accounting policies

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the International Accounting Standards Board issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). Management adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in note 3 of the Company's 2023 Financial Statements in certain instances in line with the amendments.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued Presentation of Financial Statements (Amendments to IAS 1) and on October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after January 1, 2024. These amendments clarify the classification of liabilities as current or non-current and improve the information a company provides about long-term debt with covenants. For the purposes of non-current classification, the amendments remove the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance. In addition, covenants with which a company must comply after the reporting date do not affect the liability's classification at the reporting date. The Company has done an initial assessment of these amendments and does not anticipate an impact on the Company's business, financial statements or disclosure. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2024.

CRITICAL JUDGMENTS AND KEY ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires estimates and judgments to be made that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures. These estimates are based on historical experience and knowledge of economics, market factors, and the industries that the Company's Royalty Partners operate in, along with various other assumptions that are believed to be reasonable under the circumstances.

Significant estimates and judgments made by management in the application of IFRS that have a significant effect on the amounts recognized in its consolidated financial statements are as follows:

Critical Judgments

Consolidation

In applying the criteria outlined in IFRS 10 *Consolidated Financial Statements* ("IFRS 10") judgment is required in determining whether DIV controls SGRS LP, ML LP, MRM LP, NND Royalties LP, OX LP and BARB LP. Making this judgment involves taking into consideration the concepts of power over these entities, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of these entities to generate economic returns.

Using these criteria, management has determined that DIV ultimately controls SGRS LP, ML LP, MRM LP, AM LP, OX LP, Strat-B LP and BARB LP through its majority ownership of the respective general partners.

Although DIV has 99% ownership over the general partner of NND Royalties LP, management has determined that the definition of control pursuant to IFRS 10 is not met with respect to NND Royalties LP as DIV does not have the ability to direct the activities that most significantly affect the returns of NND Royalties LP for the reasons disclosed under the section "Control of NND Rights" below.

Control of NND Rights

In determining whether the Company controls an asset, the Company takes into consideration the control model in IFRS 15 *Revenues* ("IFRS 15"), and if there is an agreement to repurchase the asset. If an entity has a right to repurchase the asset, the buyer does not obtain control of the asset because the buyer is limited in its ability to direct the use of, and obtain substantially all of the remaining benefits from, the assets even though the buyer may have physical possession of the asset.

Nurse Next Door has the ability to repurchase the NND Rights from NND Royalties LP at any time after November 15, 2026 pursuant to the NND Buy-Out Option. Due to the NND Buy-Out Option, in accordance with IFRS 15, NND Royalties LP does not have control over the NND Rights and the Company cannot recognize the NND Rights as an intangible asset on its consolidated statement of financial position. Instead, the transaction is accounted for as a financing arrangement.

Determination of business combination or asset acquisition

At the time of acquisition, the Company considers whether or not the transaction represents a business combination or an asset acquisition. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. This requires the Company to make certain judgments as to whether or not the assets acquired during the transaction include the inputs, processes and outputs necessary to constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition. Under a business combination, acquisition-related costs are recognized as an expense. Under an asset acquisition, acquisition-related costs are capitalized to the respective asset. The Company has determined that the transactions related to the SGRS Rights, ML Rights, AIR MILES® Rights, MRM Rights, Oxford Rights, Stratus Rights and BarBurrito Rights were asset acquisitions and the acquisition-related costs were capitalized to the intangible asset.

Key Estimates and Assumptions

Fair Value of Exchangeable Partnership Units in SGRS LP, ML LP, MRM LP, OX LP and BARB LP ("Exchangeable Partnership Units")

The Company does not assign any value to the Exchangeable Partnership Units if they do not currently meet the relevant criteria for exchange into common shares of DIV (see note 4(b) in the Company's financial statements for the year ended December 31, 2023 for further information).

Intangible Assets

The Company carries the intangible assets at cost and are not amortized as they have an indefinite life.

The Company tests intangible assets for impairment annually or when there is any indication that an asset may be impaired. This requires the Company to use a valuation technique, which is dependent on a number of different assumptions that requires management to exercise judgment, to determine if impairment exists. These assumptions include the projected sales underlying the royalty payment, as well as the pre-tax discount rate used to determine the value-in-use. As a result, the estimated cash flows the intangible assets are expected to generate could differ materially from actual results. The significant estimates and assumptions used in the impairment tests are disclosed in the Company's financial statements for the year ended December 31, 2023.

Valuation of the Investment in NND Royalties LP

The Company's investment in NND Royalties LP is a financial instrument recorded at fair value. The valuation of NND Royalties LP includes an estimate of the discounted cash flows receivable from Nurse Next Door and takes into consideration a number of different variables that requires management to exercise judgment. These judgments include the discount rate used to calculate the fair value of the contractual cash flows receivable, the likelihood of Nurse Next Door exercising the NND Buy-Out Option and the likelihood of Nurse Next Door exercising its right to exchange NND Royalties LP Class B units for common shares of DIV, subject to meeting certain criteria (the "NND Exchange Mechanism"). As a result, the estimated cash flows that the investment in NND Royalties LP are expected to generate could differ materially from actual results.

RISK FACTORS

Investing in securities of DIV involves a high degree of risk. In addition to the risks identified elsewhere in this MD&A (including under "Forward Looking Information"), investors should carefully consider all of the risk factors associated with the Company and its business, identified in the Company's Annual Information Form dated March 21, 2024, a copy of which is available on SEDAR+ at www.sedarplus.com (the "AIF"). The occurrence of any of such risks, or other risks not presently known to DIV or that DIV currently believes are immaterial, could materially and adversely affect DIV's investments, prospects, cash flows, results of operations or financial condition, DIV's ability to pay cash dividends to its shareholders and DIV's ability to make principal and interest payments to holders of 2027 Debentures. In that event, the value of DIV's common shares, 2027 Debentures and any other securities it may have issued and outstanding from time to time, could decline and investors may lose all or part of their investment.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2023, management conducted an evaluation of the design and operating effectiveness of DIV's DC&P under the supervision of the CEO and the CFO. Based on the evaluation, the CEO and the CFO concluded that DIV's DC&P were effective as at December 31, 2023.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company has adopted the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission for the year ended December 31, 2023.

No changes were made in the Company's design of ICFR during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

As at December 31, 2023, management conducted an evaluation of the design and operating effectiveness of DIV's ICFR under the supervision of the CEO and the CFO. Based on the evaluation, the CEO and the CFO concluded that DIV's ICFR was effective as at December 31, 2023.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation: (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FORWARD LOOKING INFORMATION

Certain statements in this MD&A, and documents referred to herein, may constitute "forward-looking information" within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is generally identified by the use of terms and phrases such as "anticipate", "continue", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", "should" and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and DIV's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding DIV's future economic performance. DIV has based the forward-looking information contained herein on DIV's current expectations about future events. Some of the specific forward-looking information in this MD&A includes, but is not limited to, statements with respect to: DIV's objective to purchase additional stable and growing royalty streams from growing multi-location businesses and franchisors; DIV's objective to increase distributable cash per share, a non-IFRS measure, by making accretive royalty purchases; the remaining consideration payable to Mr. Lube + Tires for the five Mr. Lube + Tires locations added to the Mr. Lube + Tires Royalty Pool on May 1, 2023, including the timing thereof and DIV's intention to pay such consideration in the form of cash; Mr. Lube + Tires' deferral of the third royalty rate increase; DIV's intention to pay regular monthly cash dividends to shareholders; the Company's Board of Directors reviewing the Company's dividend on an ongoing basis and the possibility that the Board of Directors may amend the dividend policy at any time; when the DRIP is in place, DIV may, from time to time, change or eliminate the discount applicable to common shares issued from treasury under the DRIP; DIV's intention to acquire future royalty streams in separate legal entities without cross-collateralization; management's intent to refinance its non-amortizing loans before their respective maturity dates, including the Company's expectation that it will refinance and extend the term of the NNDH LP term loan in 2024 before the maturity date; the expected tax treatment of DIV's dividends to shareholders; DIV's access to available sources of debt and equity financing; the possibility of future increases in the royalty payments made by DIV's Royalty Partners to DIV; the expectation that the cash flows included in the maturity analysis in the table under the heading "Liquidity Risk" would not occur significantly earlier than as presented or in significantly different amounts than as presented; DIV may in managing its capital to issue new common shares, issue warrants, issue new debt, draw on its operating lines of credit, purchase common shares for cancellation pursuant to normal course issuer bids, temporarily suspend the DRIP, reduce the monthly dividend or reduce debt; and the Company's intention to adopt IASB's Non-current Liabilities with Covenants (Amendments to IAS 1) in its consolidated statements for the annual period beginning on January 1, 2024.

Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Company, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties and management fees from Sutton, Mr. Lube + Tires, Mr. Mikes, Nurse Next Door, Oxford, Stratus and BarBurrito and adjustments thereto; the payment of royalties from Loyalty Inc.; the ability to acquire and effect of additional royalties; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Company, Sutton, Mr. Lube + Tires, Loyalty Inc., Mr. Mikes, Nurse Next Door, Oxford, Stratus and BarBurrito; 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; the estimated incremental annual royalty income to DIV from the addition of five new locations to the Mr. Lube + Tires Royalty Pool will be consistent with DIV's expectations; the ability to receive equity and/or debt financing on acceptable terms, including the ability to re-finance existing loans on acceptable terms prior to their respective maturities dates; DIV will realize the expected benefits Transaction with BarBurrito; the businesses of DIV's respective Royalty Partners will not suffer any material adverse effect; tax laws not being changed so as to adversely affect DIV's financing capability, operations, activities, structure or dividends; the ability to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's or its Royalty Partner's respective operations; and competition for acquisitions, will be consistent with the economic climate. Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information contained herein since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Company's management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Company's high dependency on the operations of its Royalty Partners; prevailing yields on similar securities; the Company's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance of DIV and its Royalty Partners (including their respective franchisees) and may be reduced or suspended at any time; the unpredictability and volatility of prices of the Company's common shares and convertible debentures; leverage and restrictive covenants; failure to access financing; credit facilities risk; failure to re-finance or extend existing loans on reasonable terms prior to their respective maturities dates, or at all; the financial health of Royalty Partner cash flows; DIV and its Royalty Partners (including their respective franchisees) may be adversely impacted directly, or indirectly by prevailing economic or socioeconomic conditions; recent improvement trends experienced by certain of DIV's Royalty Partners (including their respective franchisees) may not continue and may regress; DIV's lenders may not agree to provide, or continue to provide, as applicable, covenant relief, at all or only on terms that are disadvantageous to DIV; the Royalty Partners' respective lenders may not agree to provide, or continue to provide, as applicable, covenant relief, at all or only on terms that are disadvantageous to the Royalty Partners; the actual incremental annual royalty income to DIV from the addition of five new locations to the Mr. Lube + Tires Royalty Pool may be less than expected; DIV and Mr. Mikes may not realize the intended benefits of the Amended MRM Royalty Agreements; Loyalty Inc. may not be successful in renewing sponsor contracts, and such contracts, if renewed, may be renewed on less advantageous terms than existing contracts; 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; failure to realize anticipated benefits of royalty acquisitions; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates and inflation; competition for royalty acquisition targets; failure to complete further royalty acquisitions or future royalty acquisitions not being accretive; dependence on the business of Sutton, Mr. Lube + Tires, Loyalty Inc., Mr. Mikes, Nurse Next Door, Oxford, Stratus and BarBurrito to fund dividends; Royalty Partners may not make their respective royalty payments in whole or in part or on time or at all; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; and foreign exchange exposure. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under "*Risk Factors*" and elsewhere in this MD&A and in the Company's Annual Information Form dated March 21, 2024, a copy of which is available on SEDAR+ at www.sedarplus.com. The information contained in this MD&A, including the documents referred to herein, identifies additional factors that could affect the operating results and performance of the Company. Readers are urged to carefully consider those factors.

The forward-looking information contained in this MD&A is expressly qualified in its entirety by this cautionary statement. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. The forward-looking information is disclosed as of the date of this MD&A (or in the case of information contained in a document referred to herein, as of the date of such document), and the Company assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law.

Third Party Information

This MD&A 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 MD&A nor ascertained the underlying assumptions relied upon by such sources.