DIVERSIFIED ROYALTY CORP

Management's Discussion and Analysis

For the three and six months ended June 30, 2024

August 9, 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 and six months ended June 30, 2024 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2024 (the "Q2 2024 Financial Statements") and the annual consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2023. The Q2 2024 Financial Statements of the Company are presented in thousands of Canadian dollars and have been prepared in accordance IAS 34, *Interim Financial Reporting.*

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 Q2 2024 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 Q2 2024 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 June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Distributions received from NND LP	$ 1,291	$ 1,261	$ 2,591	$ 2,534
Add: NND Royalties LP expenses	12	16	14	20
DIV Royalty Entitlement	1,303	1,277	2,605	2,554
Less: NND Royalties LP expenses	(12)	(16)	(14)	(20)
DIV Royalty Entitlement, net of NND Royalties LP expenses	**$ 1,291**	**$ 1,261**	**$ 2,591**	**$ 2,534**

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 or the 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 and Mr. Mikes Restaurants in the 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 Q2 2024 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 three and six months ended June 30, 2024 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 June 30, 2024, Mr. Lube + Tires had 166 locations, of which 144 were in the Mr. Lube + Tires Royalty Pool (with one such location having permanently closed). 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 June 30, 2024, 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 June 30, 2024, Oxford had 159 locations, of which 146 were in the Oxford Royalty Pool (of which 7 locations have permanently closed). 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"): royalties are based on the actual system sales of the Mr. Mikes restaurants in the royalty pool (the "Mr. Mikes Royalty Pool"). As at June 30, 2024, Mr. Mikes had 46 restaurants, of which 44 are in the 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$6.3 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 June 30, 2024, Stratus had 74 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 June 30, 2024, BarBurrito had 332 franchise locations of which 225 were in the BarBurrito Royalty Pool (as defined below). 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 June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Consolidated:				
Revenue	$ 16,781	$ 14,149	$ 31,861	$ 26,490
Adjusted revenue[1, 2]	18,084	15,426	34,466	29,044
Royalty income	16,632	14,023	31,565	26,237
Adjusted royalty income[1, 2]	17,935	15,300	34,170	28,791
Normalized EBITDA[2]	16,830	14,333	32,197	27,053
Distributable cash[2]	11,627	9,773	21,200	18,608
Income from operations	15,005	12,723	28,679	23,842
Net income - basic	8,212	9,094	15,717	15,784
Net income - diluted	8,212	9,841	15,717	15,784
Dividends declared	10,307	8,548	19,614	17,039
Weighted average number of shares outstanding - basic	164,869	142,449	158,576	141,994
Weighted average number of shares outstanding - diluted	166,462	156,763	160,128	143,432
Basic income per share	$ 0.05	$ 0.06	$ 0.10	$ 0.11
Diluted income per share	0.05	0.06	0.10	0.11
Distributable cash per share[2]	0.0705	0.0686	0.1337	0.1311
Dividends declared per share	0.0625	0.0600	0.1237	0.1200
Total assets	$ 577,477	$ 462,308	$ 577,477	$ 462,308
Total non-current financial liabilities	260,642	205,279	260,642	205,279
Adjusted Revenue [2] by Royalty Partner				
Mr. Lube + Tires	$ 8,180	$ 7,553	$ 14,824	$ 13,307
Stratus[3]	2,162	2,020	4,291	4,054
BarBurrito	2,101	-	4,201	-
Nurse Next Door[1]	1,323	1,297	2,646	2,594
Oxford	1,213	1,237	2,395	2,444
Sutton	1,094	1,073	2,190	2,148
Mr. Mikes	1,083	1,134	2,099	2,260
AIR MILES®	928	1,112	1,820	2,237
Mr. Lube + Tires SSSG[2]	8.4%	21.1%	11.0%	19.6%
Oxford SSSG[2, 4]	-2.3%	8.6%	-2.2%	12.1%
Mr. Mikes SSSG[2]	-0.8%	5.5%	-3.2%	16.6%

1) 2024 and 2023 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) Stratus adjusted revenue for the three and six months ended June 30, 2024 was US$1.6 million and US$3.2 million, respectively, translated at an average foreign exchange rate of $1.3682 to US$1 and $1.3583 to US$1, respectively. (Three and six months ended June 30, 2023 - US$1.5 million and US$3.0 million, respectively, translated at an average foreign exchange rate of $1.3430 to US$1 and $1.3475 to US$1, respectively).
4) After the impact of foreign currency translation, SSSG was -2.0% and -2.1% for the three and six months ended June 30, 2024, respectively, compared to 9.3% and 12.9% for the three and six months ended June 30, 2023, respectively.

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:

(000's)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Mr. Lube + Tires	$ 8,122	$ 7,495	$ 14,707	$ 13,192
Stratus[2]	2,161	2,020	4,291	4,054
BarBurrito	2,080	-	4,160	-
Oxford	1,202	1,227	2,374	2,424
Sutton	1,067	1,046	2,135	2,093
Mr. Mikes	1,072	1,123	2,078	2,237
AIR MILES®	928	1,112	1,820	2,237
Royalty income	**$ 16,632**	**$ 14,023**	**$ 31,565**	**$ 26,237**
DIV Royalty Entitlement[1]	1,303	1,277	2,605	2,554
Adjusted royalty income[1]	**$ 17,935**	**$ 15,300**	**$ 34,170**	**$ 28,791**
Management fees	149	126	296	253
Adjusted revenue[1]	**$ 18,084**	**$ 15,426**	**$ 34,466**	**$ 29,044**

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 and six months ended June 30, 2024 was US$1.6 million and US$3.2 million, respectively, translated at an average foreign exchange rate of $1.3682 and $1.3583 to US$1, respectively (three and six months ended June 30, 2023 – royalty income of US$1.5 million and US$3.0 million, respectively, translated at an average foreign exchange rate of $1.3430 and $1.3475 to US$1, respectively).

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 included 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 was $4.7 million, representing 80% of the total estimated consideration of $5.9 million. The initial consideration of $4.7 million was elected by DIV to be paid in cash (the "2023 Amendment Consideration"). The initial consideration was based on the forecast system sales of such locations for the 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.

In addition, Mr. Lube + Tires elected in 2024 to defer (i) 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), and (ii) the addition of eligible flagship locations to the Mr. Lube + Tires Royalty Pool to the next adjustment date in respect of which such locations are eligible to added to the Mr. Lube + Tires Royalty Pool.

Second 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 $108.9 million in the second quarter of 2024, compared to $100.6 million in the second quarter of 2023. SSSG for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool was reported by Mr. Lube + Tires as 8.4% in the second quarter of 2024, compared to SSSG of 21.1% in the second quarter of 2023. 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 $8.1 million in the second quarter of 2024, an increase of 8.4% compared to the second quarter of 2023. The increase in royalty income was due to 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-To-Date

System sales were $194.6 million for the six months ended June 30, 2024, compared to $174.6 million for the six months ended June 30, 2023. SSSG for the Mr. Lube + Tires locations within the Mr. Lube + Tires Royalty Pool was reported by Mr. Lube + Tires as 11.0% for the six months ended June 30, 2024, compared to SSSG of 19.6% for the six months ended June 30, 2023. 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 $14.7 million for the six months ended June 30, 2024, an increase of 11.5% compared to the same prior period. The increase in royalty income was due to SSSG as well as the addition to the Mr. Lube + Tires Royalty Pool of five new Mr. Lube + Tires locations on May 1, 2023.

As at June 30, 2024, of the 144 store locations in the Mr. Lube + Tires Royalty Pool, 143 locations were operating and 1 location was permanently closed, for which ML LP is collecting make-whole payments from Mr. Lube + Tires.

AIR MILES® Reward Program

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"). 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.

Second Quarter and Year-To-Date

For the second quarter of 2024, royalty income of $0.9 million was generated from the AIR MILES® Licenses compared to $1.1 million generated in the second quarter of 2023, a decrease of 16.5%. In the six months ended June 30, 2024, royalty income of $1.8 million was generated from the AIR MILES® Licenses compared to $2.2 million in the same prior period of 2023, a decrease of 18.6%. The decrease is largely due to continued softness in the AIR MILES® Rewards Program.

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, 2024, the monthly Sutton Royalty Rate was increased from $65.906 per agent to $67.224 per agent. There are currently 5,400 agents in the Sutton Royalty Pool.

Second Quarter and Year-To-Date

Royalty income was $1.1 million for the three months and $2.1 million for the six months ended June 30, 2024, 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 June 30, 2024, of the 146 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.

Second Quarter and Year-To-Date

System sales, a supplementary financial measure, reported by Oxford for Oxford locations within the Oxford Royalty Pool were $15.5 million in the second quarter of 2024 and $30.6 million for the six months ended June 30, 2024, compared to $15.8 million and $31.3 million in the same respective prior periods of 2023.

Oxford reported that Oxford locations in the Oxford Royalty Pool generated SSSG, a supplementary financial measure, on a constant currency basis of -2.3% in the second quarter of 2024 and -2.2% for the six months ended June 30, 2024 (after the impact of foreign currency translation, SSSG was -2.0% and -2.1%, respectively), compared to 8.6% and 12.1% for the same respective prior periods of 2023 (after the impact of foreign currency translation, SSSG was 9.3% and 12.9%, respectively). Oxford’s SSSG for the last four quarters, since the third quarter of 2023, have remained flat to slightly down primarily due to the completion of the Ontario Government funding of student learning supports, which included private tutoring, in the second half of 2023, which has negatively impacted Oxford system sales. Refer to “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” in this MD&A.

Royalty income from Oxford was $1.2 million and $2.4 million for the three and six months ended June 30, 2024, respectively, compared to $1.2 million and $2.4 million in the same respective prior periods of 2023.

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 for a fixed royalty payment. On November 9, 2022, DIV, MRM LP, MRM Royalties GP Inc. and Mr. Mikes, as applicable, entered into an amended set of agreements effective June 13, 2022, including an amended and restated royalty agreement, pursuant to which Mr. Mikes now 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 (the “Mr. Mikes Royalty Pool), which include all 44 Mr. Mikes restaurants in operation as of June 13, 2022.

Second Quarter and Year-To-Date

Mr. Mikes reported that SSSG, a supplementary financial measure, for Mr. Mikes restaurants in the Mr. Mikes Royalty Pool was approximately -0.8% in the second quarter of 2024 and -3.2% for the six months ended June 30, 2024, compared to 5.5% and 16.6% for the same respective prior periods of 2023. The lower SSSG percentage in the current period is due to lower restaurant guest traffic. In addition, in the comparable period, SSSG was measured against quarters that included the impact from COVID-19 related government regulations, including vaccine mandates.

Royalty income from Mr. Mikes was $1.1 million in the second quarter of 2024 and $2.1 million for the six months ended June 30, 2024 compared to $1.1 million and $2.2 million for the same respective prior periods of 2023 (which included partial payment of deferred contractual royalty and management fees of $0.05 million and $0.09 million, respectively).

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.

Second Quarter and Year-To-Date

The DIV Royalty Entitlement was $1.3 million for the three months and $2.6 million for the six months ended June 30, 2024, and reflects the contractual 2.0% increase effective October 1, 2023, compared to the same prior periods in 2023. Refer to the “Description of Non-IFRS Financial Measures, Non-IFRS Ratios and Supplementary Financial Measures” section 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$6.3 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.

Second Quarter and Year-To-Date

Royalty income was $2.2 million for the three months and $4.3 million for the six months ended June 30, 2024 (US$1.6 million and US$3.2 million, respectively, translated at an average foreign exchange rate of $1.3682 and $1.3583 to US$1, respectively), and reflects the contractual 5.0% increase effective November 15, 2023, compared to the same prior periods in 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 total purchase price 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 be 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.

Second Quarter and Year-To-Date

Royalty income was $2.1 million for the three months and $4.2 million for the six months ended June 30, 2024, which reflects the total fixed monthly payments for the periods.

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 June 30,		Six months ended June 30,	
(000's except per share amounts and payout ratio%)	**2024**	**2023**	**2024**	**2023**
Net income	$ 8,212	$ 9,094	$ 15,717	$ 15,784
Interest expense on credit facilities	3,405	2,958	7,325	5,768
Income tax expense	3,273	3,467	6,222	5,970
Depreciation expense	25	26	51	50
EBITDA[1]	14,915	15,545	29,315	27,572
Adjustments:				
Share-based compensation	536	350	930	680
Other finance costs, net	1,020	406	1,974	803
Fair value adjustment on financial instruments	(905)	(3,202)	(2,559)	(4,483)
Payment of lease obligations	(27)	(27)	(54)	(53)
DIV Royalty Entitlement, net of NND Royalties LP expenses[1]	1,291	1,261	2,591	2,534
Normalized EBITDA[1]	16,830	14,333	32,197	27,053
Add: interest income	100	34	186	111
Less: mandatory principal payments on credit facilities[2]	(15)	-	(643)	-
Less: distributions on exchangeable MRM units	(33)	(38)	(74)	(73)
Less: current tax expense[3]	(1,850)	(1,597)	(3,141)	(2,714)
Less: interest paid on credit facilities	(3,405)	(2,958)	(7,325)	(5,768)
Distributable cash[1]	**$ 11,627**	**$ 9,774**	**$ 21,200**	**$ 18,608**
Distributable cash per share[1]	$ 0.0705	$ 0.0686	$ 0.1337	$ 0.1311
Dividends declared per share	0.0625	0.0600	0.1237	0.1200
Weighted average number of shares outstanding - basic	164,869	142,449	158,576	141,994
Payout Ratio[1]	**88.6%**	**87.5%**	**92.5%**	**91.6%**

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) Representing the mandatory contractual partial paydowns on the AM LP Credit Facility in February and May 2024.
3) 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 June 30, 2024	2023	Six months ended June 30, 2024	2023
Cash flows generated from operating activities	$ 11,205	$ 6,062	$ 22,055	$ 12,992
Current tax expense[2]	(1,850)	(1,597)	(3,141)	(2,714)
Accrued interest on convertible debentures	788	788	-	-
Accrued interest on bank loans	(443)		(443)	
Distributions on exchangeable MRM units	(33)	(38)	(74)	(73)
Mandatory principal payments on credit facilities[3]	(15)	-	(643)	-
Payment of lease obligations	(27)	(27)	(54)	(53)
NND LP expenses	(18)	(16)	(21)	(20)
Accrued DIV Royalty Entitlement, net of distributions	18	(60)	21	(56)
Foreign exchange and other	86	(526)	128	(480)
Changes in working capital	415	3,547	678	4,607
Taxes paid	1,501	1,641	2,999	4,406
Note receivable	-	-	(305)	-
Distributable cash[1]	**$ 11,627**	**$ 9,774**	**$ 21,200**	**$ 18,608**

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) Representing the mandatory contractual partial paydowns on the AM LP Credit Facility in February and May 2024.

Distributable Cash

In the second quarter of 2024, distributable cash, a non-IFRS financial measure, increased to $11.6 million compared to $9.8 million in the prior period (an increase of $0.0019 per share). The increase in distributable cash was primarily due to higher adjusted revenue, a non-IFRS measure (see “Revenue” below), partially offset by higher general and administrative expenses, interest expense, professional fees, and salaries and benefits. 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 six months ended June 30, 2024, distributable cash increased to $21.2 million compared to $18.6 million in the prior period (an increase of $0.0026 per share). The increase in distributable cash was primarily due to higher adjusted revenue, partially offset by higher general and administrative expenses, interest expense, professional fees, and salaries and benefits. The increase in distributable cash per share, was primarily due to an increase in distributable cash, partially offset by a higher weighted average number of common shares outstanding.

Dividends Declared

In the second quarter of 2024, the Company declared dividends in the aggregate amount of $10.3 million ($0.0625 per share), compared to $8.5 million ($0.0600 per share) in the same prior period of 2023. The increase in the total amount of dividends declared was due to a higher weighted average number of common shares outstanding in the second quarter of 2024 and the increase in the monthly dividend per share in November 2023 and March 2024 (see “Dividends to Shareholders”).

For the six months ended June 30, 2024, the Company declared dividends in the aggregate amount of $19.6 million ($0.1237 per share), compared to $17.0 million ($0.1200 per share) in the same prior period of 2023. The increase in the total amount of dividends declared was due to a higher weighted average number of common shares outstanding for the six months ended June 30, 2024 and the increase in the monthly dividend per share in November 2023 and March 2024.

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 second quarter of 2024, the payout ratio was 88.6% on dividends of $0.0625 per share for the quarter compared to the payout ratio in the second quarter of 2023 of 87.5% based on dividends of $0.0600 per share. On a pro forma basis, if the dividends in the second quarter of 2023 were paid out at $0.0625 per share, the payout ratio would have been 91.1%.

For the six months ended June 30, 2024, the payout ratio was 92.5% on dividends of $0.1237 per share compared to the payout ratio in the same prior period of 2023 of 91.6% based on dividends of $0.1200 per share. On a pro forma basis, if the dividends for the six months ended June 30, 2023 were paid out at $0.1237 per share, the payout ratio would have been 94.4%.

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 Q2 2024 Financial Statements:

	Three months ended June 30, 2024		Six months ended June 30,	
(000's)	**2024**	**2023**	**2024**	**2023**
Royalty income	$ 16,632	$ 14,023	$ 31,565	$ 26,237
Management fees	149	126	296	253
	16,781	14,149	31,861	26,490
Expenses:				
Salaries and benefits	680	610	1,309	1,095
Share-based compensation	536	350	930	680
General and administration	350	277	566	524
Professional fees	210	189	377	349
	1,776	1,426	3,182	2,648
Income from operations	15,005	12,723	28,679	23,842
Interest expense on credit facilities	(3,405)	(2,958)	(7,325)	(5,768)
Other finance costs, net	(1,020)	(406)	(1,974)	(803)
Fair value adjustment on financial instruments	905	3,202	2,559	4,483
Income before income taxes	11,485	12,561	21,939	21,754
Income tax expense	3,273	3,467	6,222	5,970
Income for the period	**$ 8,212**	**$ 9,094**	**$ 15,717**	**$ 15,784**
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustment	635	(1,344)	1,996	(1,392)
Other comprehensive income (loss) for the period	**$ 635**	**$ (1,344)**	**$ 1,996**	**$ (1,392)**
Total comprehensive income for the period	**$ 8,847**	**$ 7,750**	**$ 17,713**	**$ 14,392**

Revenue

Second Quarter

Revenue in the second quarter of 2024 was $16.8 million compared to $14.1 million in the comparable quarter in 2023. After taking into account the DIV Royalty Entitlement, a non-IFRS measure related to Nurse Next Door, adjusted revenue, a non-IFRS measure, was $18.1 million in the second quarter of 2024 compared to $15.4 million in the comparable quarter in 2023. 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, the 5% contractual increase in the Stratus royalty, 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 SSSG from Oxford and Mr. Mikes and 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-To-Date

Revenue for the six months ended June 30, 2024 was $31.9 million compared to $26.5 million in the prior period of 2023. After taking into account the DIV Royalty Entitlement, a non-IFRS measure related to Nurse Next Door, adjusted revenue was $34.5 million in the second quarter of 2024 compared to $29.0 million in the prior period 2023. 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 five new locations (May 1, 2023) to the Mr. Lube + Tires Royalty Pool, the 5% contractual increase in the Stratus royalty, 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 SSSG from Oxford and Mr. Mikes and lower royalty income from AIR MILES®.

Salaries and Benefits

Second Quarter and Year-To-Date

Salaries and benefits expense increased by $0.1 million and $0.2 million for the three and six months ended June 30, 2024, respectively, when compared to the same prior periods. The increase is primarily due to higher salaries and management incentive amounts.

Share-based Compensation

Second Quarter and Year-To-Date

Share-based compensation increased by $0.2 million and $0.3 million for the three and six months ended June 30, 2024, respectively, when compared to the same prior periods. The increase is primarily due to the grant of deferred share units ("DSU's") to directors in the first quarter, which vest in the year of grant and incremental share-based compensation expense related to Director's fees and executive compensation.

General and Administration

Second Quarter and Year-To-Date

General and administration expense increased by $0.1 million for the three months and $0.04 million for the six months ended June 30, 2024 when compared to the same prior period. The increase was primarily due to an increase in filing and reporting expenses and business development costs.

Professional Fees

Second Quarter and Year-To-Date

Professional fees are comprised of legal, audit, tax, advisory, and consulting services. Professional fees increased by $0.02 million for the three months and $0.03 million for the six months ended June 30, 2024 when compared to the same prior period. The increase was primarily due to incremental consulting fees and increased accounting, tax and legal expenses.

Interest Expense on Credit Facilities

Second Quarter and Year-To-Date

Interest expense on credit facilities for the three and six months ended June 30, 2024 increased by $0.4 million and $1.6 million, respectively, compared to the same prior periods. The increase was due to: (i) a $12.0 million and a $5.0 million incremental draws on the ML LP loan effective August 15, 2023 and May 8, 2024, respectively; (ii) a new $10.0 million BARB LP term loan facility effective October 4, 2023; (iii) a new non-amortizing $10.0 million DIV term loan facility effective October 4, 2023 (the "Additional Term Facility") obtained in connection with the acquisition of the BarBurrito Rights; (iv) a $2.0 million incremental draw on the OX LP loan effective May 8, 2024; (v) higher interest rates on the unswapped portion of the Company's term loan facilities; and (vi) incremental interest accrued on the $49.1 million outstanding portion of the Acquisition Facility until it was repaid on February 26, 2024, partially offset by the lower interest expense on the AM LP term loan due to the $3.2 million and $1.4 million partial principal payments.

Other Finance Costs

Second Quarter and Year-To-Date

(000's)		Three months ended June 30, 2024		2023		Six months ended June 30, 2024		2023
Finance income	$	100	$	34	$	186	$	111
Foreign exchange gain (loss)		-		14		-		(17)
Distributions on Exchangeable Units		(33)		(38)		(74)		(73)
Accretion expense and other		(131)		(141)		(183)		(280)
Amortization of deferred financing charges		(199)		(95)		(403)		(187)
Fair value adjustment on promissory notes		(757)		(180)		(1,501)		(357)
	$	(1,020)	$	(406)	$	(1,974)	$	(803)

Other finance costs, for the three and six months ended June 30, 2024, increased by $0.6 million and $1.2 million, respectively, compared to the same prior periods. The increase was primarily due to the fair value adjustment on the MRM LP and BARB LP promissory notes.

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.

Second Quarter

The fair value gain on financial instruments in the second quarter of 2024 consists of a $1.3 million gain on the Company's investment in NND royalties LP and a $0.1 million gain on the MRM LP exchangeable units, partially offset by a $0.4 million loss on the Company's interest rate swaps.

The fair value gain on financial instruments in the second quarter of 2023 consists of a $1.7 million gain on the Company's investment in NND royalties LP, a $1.4 million gain on the Company's interest rate swaps and a $0.1 million gain on the MRM LP exchangeable units.

Year-To-Date

The fair value gain on financial instruments for the six months ended June 30, 2024 consists of a $2.7 million gain on the Company's investment in NND royalties LP and a $7 thousand gain on the MRM LP exchangeable units, partially offset by a $0.2 million loss on the Company's interest rate swaps.

The fair value gain on financial instruments for the six months ended June 30, 2023 consists of a $3.8 million gain on the Company's investment in NND royalties LP, a $0.6 million gain on the Company's interest rate swaps and a $0.1 million gain on the MRM LP exchangeable units.

Income Tax Expense

Second Quarter and Year-To-Date

Income tax expense decreased by $0.2 million and increased by $0.3 million for the three and six months ended June 30, 2024, respectively, when compared to the comparable prior periods. The changes were driven by lower income before taxes and higher income before taxes for the three and six months ended June 30, 2024, respectively, when compared to the comparable prior periods.

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 $0.4 million for the six months ended June 30, 2024 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 $348.4 million at June 30, 2024. In addition, pursuant to NND Royalties LP's limited partnership agreement, its undepreciated capital cost allowance of approximately $40.9 million at June 30, 2024 is allocated to the Company for tax purposes.

Other Comprehensive Income (Loss)

Second Quarter

The foreign currency translation adjustment for the three months ended June 30, 2024 relates to the translation of Strat-B LP's assets and liabilities from US dollar functional currency to Canadian dollar presentation currency. The $0.6 million other comprehensive income is primarily due to foreign exchange gain on translation of US$60.0 million in intangible assets, partially offset by the foreign exchange loss on translation of US$15.0 million in long-term debt, between the March 31, 2024 rate ($1.3540 to US$1) and the period-end rate at June 30, 2024 ($1.3679 to US$1).

Year-To-Date

The foreign currency translation adjustment for the six months ended June 30, 2024 relates to the translation of Strat-B LP's assets and liabilities from US dollar functional currency to Canadian dollar presentation currency. The $2.0 million other comprehensive income is primarily due to foreign exchange gain on translation of US$60.0 million in intangible assets, partially offset by the foreign exchange loss on translation of US$15.0 million in long-term debt, between the December 31, 2023 rate ($1.3243 to US$1) and the period-end rate at June 30, 2024 ($1.3679 to US$1).

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)	**Q2 2024**	**Q1 2024**	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**
Revenue	$ 16,781	$ 15,080	$ 16,393	$ 13,612	$ 14,149	$ 12,341	$ 12,720	$ 11,641
Net income (loss)	$ 8,212	$ 7,505	$ 9,092	$ 6,847	$ 9,094	$ 6,690	$ (4,506)	$ 6,728
Income (loss) per common share								
Basic	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.06	$ 0.05	$ (0.03)	$ 0.05
Diluted	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.06	$ 0.05	$ (0.03)	$ 0.05

Revenue

The second quarter of 2024 saw continued momentum from Mr. Lube + Tires from the first quarter of 2024 and continued to generate positive SSSG, a supplementary financial measure. Oxford and Mr. Mikes continued slightly negative results from the first quarter of 2024, at -2.3% and -0.8% respectively, while AIR MILES® produced poor results following a weak first quarter of 2024. Stratus, Sutton and BarBurrito paid 100% of their contractual royalties.

The first quarter of 2024 reflects the incremental revenue contribution from BarBurrito. Mr. Lube + Tires generated positive SSSG at 14.6%, while Mr. Mikes and Oxford were slightly down compared to the prior period. Stratus and Sutton paid 100% of contractual royalties. The increases were partially offset by negative AIR MILES® performance as a result of the completion of the Sobeys exit in Q2 2023.

The fourth quarter of 2023 reflects the incremental revenue contribution from BarBurrito. Mr. Lube + Tires and Mr. Mikes generated 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 paid 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.

In the third quarter of 2023, Mr. Lube + Tires and Mr. Mikes generated 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 paid 100% of their contractual royalties, while AIR MILES® experienced 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 generated positive SSSG, a supplementary financial measure, at 21.1%, 8.6% and 5.5%, respectively, while AIR MILES®, due to the Sobeys exit, produced 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 generated 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 generated 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 experienced 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.

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, 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 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 June 30, 2024, the Company had a cash balance of $12.5 million (December 31, 2023 - $4.0 million) and positive working capital of $16.9 million (December 31, 2023 – deficit of $5.7 million).

As at June 30, 2024, the Company also had $6.7 million (December 31, 2023 - $6.7 million) in undrawn operating lines of credit.

As at June 30, 2024, 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	$ 3,568	$ 3,568	$ 3,568	$ -	$ -	$ -	$ -
Promissory note	35,264	40,952	-	-	29,909	9,504	1,540
Lease obligation	672	847	83	112	115	117	420
Long-term bank loans	175,340	204,182	5,313	10,540	69,120	119,209	-
2027 Convertible debentures	49,087	63,525	3,150	3,150	3,150	54,075	-
Total contractual obligations	$ 263,931	$ 313,074	$ 12,114	$ 13,802	$ 102,294	$ 182,905	$ 1,960

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 June 30, 2024, the Company was in compliance with all financial covenants associated with its Acquisition Facility and other credit facilities.

On December 7, 2023, AM LP amended and restated its credit agreement with a Canadian chartered bank in order to, among other things, obtain covenant relief for the quarters ended December 31, 2023 and March 31, 2024. The amendment provides for modified covenant tests in respect of the Total Leverage Ratio (as defined in such credit agreement) for the quarter. The amendment also provides for a portion of the royalty payments accrued under the AIR Miles® Licences 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.

During the six months ended June 30, 2024, pursuant to the terms of the aforementioned amendments to the credit agreement, AM LP made contractual $0.63 million and $0.015 million principal payments (representing 75% of the Q4 2023 and 25% of the Q1 2024 AIR MILES® royalty accrued less interest paid in the respective quarters).

During the six months ended June 30, 2024, AM LP made further $3.2 million and $1.41 million voluntary principal payments. With the voluntary payments, AM LP was in compliance with its covenant as at June 30, 2024. A copy of the amendment has been filed under DIV's profile on SEDAR+ at www.sedarplus.ca. 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.

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 second quarter of 2024, DIV was exposed to currency risk arising from cash denominated in US dollars. As at June 30, 2024, cash denominated in US dollars was US$0.2 million (December 31, 2023 – US$0.2 million).

During the second quarter of 2024, Strat-B LP was exposed to currency risk arising from accounts payable and accrued liabilities denominated in Canadian dollars. As at June 30, 2024, accounts payable and accrued liabilities denominated in Canadian dollars was less than $10 thousand (December 31, 2023 – $0.01 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 LP 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 June 30, 2024, the interest rate risk related to bank loans is mitigated by interest rate swap arrangements that fix the interest rates on $103.6 million of the Company's $176.2 million term loan facilities.

As at June 30, 2024, the Company had a note receivable (being the Sutton Promissory Note) of $1.8 million, that is subject to a floating interest rate.

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 June 30, 2024. The contractual cash flows receivable from Nurse Next Door were discounted at a rate of 15.9% (December 31, 2023 – 15.6%). 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 June 30, 2024, the investment in NND Royalties LP was valued at $40.9 million and fair value gains of $1.3 million and $2.7 million were recorded for the three and six months ended June 30, 2024, respectively.

CASH FLOWS

(000's)	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash flows generated from operating activities	$ 11,205	$ 6,062	$ 22,055	$ 12,992
Cash flows used in financing activities	(3,588)	(227)	(13,570)	(10,105)
Cash flows used in investing activities	(8)	(4,755)	(8)	(4,755)
Net increase (decrease) in cash	7,609	1,080	8,477	(1,868)
Cash, beginning of the period	4,899	4,428	4,031	7,409
Effect of foreign exchange rate changes on cash	-	17	-	(16)
Cash, end of the period	$ 12,508	$ 5,525	$ 12,508	$ 5,525

Cash From Operating Activities

Cash generated from operating activities for the six months ended June 30, 2024 was higher compared to the same prior period due to higher royalty income received, lower taxes paid, higher net working capital, and partial principal payment received on the note receivable, partially offset by higher interest paid.

For the six months ended June 30, 2024, 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 period would have been approximately $0.03 million lower due to lower US dollar denominated revenue generated from Stratus.

Cash From Financing Activities

Cash used in financing activities for the six months ended June 30, 2024 was primarily due to the $49.1 million total paydown on the Acquisition Facility, partial principal payments of $5.2 million on the AM LP term loan and dividends paid, offset by proceeds from the 2024 Equity Offering (defined below). For further details, see “Capital Resources – Acquisition Facility”.

Cash From Investing Activities

There were no significant cash flows generated from or used in investing activities during the six months ended June 30, 2024.

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 subject to a credit spread. Draws under the Acquisition Facility are interest only for twelve months, then amortize over 60 months. 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.

As at December 31, 2023, the Company had a $49.1 million outstanding balance on the Acquisition Facility. During the months of January and February 2024, the Company partially repaid $0.45 million, respectively on the Acquisition Facility and on February 26, 2024, subsequent to completion of the 2024 Equity Offering, the Company fully repaid the remaining $48.2 million outstanding balance on the Acquisition Facility. As at June 30, 2024 the outstanding balance on the Acquisition Facility was nil.

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.

Copies of the credit agreement, and the amendments thereto, governing the Acquisition Facility are available under DIV’s profile on SEDAR+ at www.sedarplus.com.

Term Loan Facilities

As at June 30, 2024, the Company and the Company’s subsidiaries had term loan facilities with a total drawn amount of $176.2 million. These term loan facilities have floating interest rates based on CORRA or SOFR, depending on the facility, plus a credit spread ranging from 2.11% 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 June 30, 2024 and August 9, 2024.

During the six months ended June 30, 2024, AM LP made contractual partial principal pay downs on its credit facility of $0.63 million and $0.15 million. On March 12, 2024 and May 22, 2024, AM LP made further voluntary partial principal pay downs of $3.2 million and $1.41 million, respectively, on its credit facility, reducing the outstanding principal balance to $8.7 million as at June 30, 2024.

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

On June 11, 2024, NND LP amended the terms of its credit agreement to extend the maturity date to May 15, 2026, from November 15, 2024, which includes an increase in the credit spread by 0.35%.

On May 8, 2024, ML LP amended the terms of its credit agreement to extend the maturity date to May 8, 2027 from May 1, 2025. ML LP also amended its credit facility agreement with an increase to the term loan facility from $79.9 million to $84.9 million which included a reduction in the credit spread by 0.10%. The proceeds from the increase to the ML LP term loan were drawn to fund working capital and for general corporate purposes.

On May 8, 2024, OX LP amended the terms of its credit agreement to extend the maturity date to May 8, 2027 from April 27, 2025. OX LP amended its credit facility agreement with an increase to the term loan facility from $9.0 million to $11.0 million, the proceeds of which were drawn to fund working capital and for general corporate purposes.

On May 8, 2024, DIV amended the terms of its senior credit agreement governing the Acquisition Facility and the Additional Term Facility to extend the maturity date on its $10.0 million Additional Term Facility to April 4, 2026 from April 4, 2025.

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 June 30, 2024 and August 9, 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

On February 23, 2024, the Company completed a public offering of 20,320,500 common shares, including 2,650,000 common shares pursuant to the full exercise of the over-allotment option, at a price of $2.66 per common share, for gross proceeds of $54.0 million (the "2024 Equity Offering"). After deducting issuance costs of $3.0 million, net proceeds were $51.0 million.

This table below compares the estimated and actual use of proceeds from the Equity Offering for the specific uses identified in the final prospectus:

(000's)	Estimated Use of Proceeds	Actual Use of Proceeds	Variance
Net proceeds to fully repay outstanding amounts under the Acquisition Facility	$ 48,182	$ 48,182	$ -
Payment of underwriter fees	2,432	2,432	-
Remaining net proceeds used for working capital and general corporate purposes	2,948	2,815	133
Offering transaction costs	491	624	(133)
Total	**$ 54,053**	**$ 54,053**	**$ -**

DIV primarily used the net proceeds of the 2024 Equity Offering to repay $48.2 million outstanding balance on the Acquisition Facility in full and used the remaining net proceeds, which had been added to working capital, to partially fund the voluntary principal payment of $3.2 million made on the AM LP term loan.

As at August 9, 2024, there were 165,451,880 common shares issued and outstanding.

Share Options

As at August 9, 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 August 9, 2024, there were 885,880 restricted share units outstanding, which may be settled for an equivalent number of common shares or cash upon vesting.

Deferred Share Units

As at August 9, 2024, there were 182,128 DSU's outstanding, which may be settled for an equivalent number of common shares.

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 2024 are as follows:

2024	Payment date	Dividend / share
August 2024	August 30, 2024	$ 0.02083
July 2024	July 31, 2024	$ 0.02083
June 2024	June 28, 2024	$ 0.02083
May 2024	May 31, 2024	$ 0.02083
April 2024	April 30, 2024	$ 0.02083
March 2024	March 28, 2024	$ 0.02083
February 2024	February 29, 2024	$ 0.02042
January 2024	January 31, 2024	$ 0.02042

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 acquisition, 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

The DRIP, which is currently active, 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 six months ended June 30, 2024. 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").

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:

	Three months ended June 30,		Six months ended June 30,	
(000's)	**2024**	**2023**	**2024**	**2023**
Salaries and benefits	$ 535	$ 497	$ 1,088	$ 926
Share-based compensation	536	350	930	678
	$ 1,070	$ 847	$ 2,017	$ 1,604

The increase in key management compensation for the six months ended June 30, 2024 compared to 2023 is primarily due to the increase in executive salaries and benefits and incremental share-based compensation expense primarily related to DSU's granted to directors, which settle in common shares when the individual ceases to be a director of the Company.

MATERIAL ACCOUNTING POLICIES

The Company's Q2 2024 Financial Statements accompanying this MD&A were prepared using the same accounting policies as the Company's annual financial statements for the year ended December 31, 2023 except for certain pronouncements disclosed below.

Changes in material accounting policies

Amendments to IAS 1 – Classification of Liabilities as current or non-current

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements titled Non-current Liabilities with Covenants. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override and incorporate the previous amendments, Classification of Liabilities as Current or Non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024 and adoption of these amendments did not have an effect on the Company's financial statements.

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.

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 six months ended June 30, 2024.

No changes were made in the Company’s design of ICFR during the six months ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

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 financial 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 and the addition of eligible locations to the Mr. Lube Royalty Pool; 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; 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; and 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.

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; 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; positive trends experienced by certain of DIV's Royalty Partners (including their respective franchisees) may not continue and may regress, and negative trends experienced by certain of DIV's Royalty Partners (including their respective franchisees) may 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; 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.