Diversified Royalty Corp. Announces Third Quarter 2016 Results

For Immediate Release – not for distribution to US news wire services or for US dissemination

Vancouver BC, November 14, 2016 – Diversified Royalty Corp. (TSX: DIV) (the "Company" or "DIV") is pleased to announce its financial results for the three months ended September 30, 2016 ("Third Quarter"). A copy of this news release and DIV's unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis of DIV are available on SEDAR at www.sedar.com and on DIV's website at www.diversifiedroyaltycorp.com.

Third Quarter Results

In the Third Quarter, DIV generated $7.3 million of royalty revenue and management fees. Revenues of $3.4 million were generated from Mr. Lube Canada Limited Partnership ("Mr. Lube"), $3.0 million were generated from Franworks Franchise Corp. ("Franworks") and $0.9 million were generated from Sutton Group Realty Services Ltd. ("Sutton").

Mr. Lube

The same-store-sales-growth ("SSSG") of the 117 Mr. Lube flagship stores in the royalty pool was 1.4% for the Third Quarter. Mr. Lube's Third Quarter SSSG was negatively impacted by the sales performance of its Alberta based stores. Mr. Lube's year-to-date ("YTD") SSSG was 4.4%.

Franworks

As previously announced, on August 31, 2016, DIV entered into an agreement to sell the trademarks and rights related to the Franworks restaurants businesses (the "FW Rights") for $90.0 million in cash, the cancellation of 8,992,187 DIV common shares held by Original Joe's Franchise Group Inc. ("OJFG"), a wholly owned subsidiary of Franworks, the extinguishment of OJFG's right to receive 637,051 DIV common shares related to the April 1, 2015 royalty pool adjustment (the "Roll-In Shares") and the extinguishment of OJFG's right to receive accrued dividends on the Roll-In Shares to the date of closing.

The SSSG of the 82 Franworks restaurants in the royalty pool for the Third Quarter was minus 9.7% in Canadian dollars (excluding the impact of translating US sales into Canadian dollars, the estimated SSSG was minus 9.6%). SSSG results for Franworks continue to be challenged by current economic conditions in Alberta and other prairie provinces. Franworks' restaurants generated positive SSSG in Ontario. Franworks' YTD SSSG was minus 6.6% in Canadian dollars (excluding the impact of translating US sales into Canadian dollars, the estimated YTD SSSG was minus 6.9%).

The sale of the FW Rights is currently expected to be completed by the end of November 2016, upon which the Company's royalty arrangements with Franworks will be terminated and the Company's exposure to Alberta will decrease from approximately 30% to 17% of royalty income.

Sutton

Sutton's fixed royalty increases at a contractual rate of 2% per year with the first increase effective July 1, 2016. From DIV's perspective, this annual contractual royalty rate increase effectively represents 2% SSSG. In addition, on July 4, 2016, there were 215 agents added to the Sutton royalty pool, increasing the number of agents from 5,185 to 5,400.

Third Quarter and YTD Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, “DIV’s overall Third Quarter SSSG was minus 3.0%, which was primarily impacted by the minus 9.7% SSSG results for Franworks. Excluding Franworks, DIV’s Third Quarter SSSG would have been positive 1.5%. DIV’s YTD SSSG was minus 0.6% and excluding Franworks was positive 3.9%.”

Mr. Morrison continued, “With the completion of the sale of the FW Rights expected to close by the end of November 2016, DIV’s exposure to the economic weakness in Alberta will be significantly reduced. In addition, DIV will be well-positioned to re-deploy its capital and acquire additional royalty streams from growing, multi-location businesses and franchisors.”

Distributable Cash

In the Third Quarter of 2016, distributable cash was $6.3 million ($0.0554 per share) compared to $5.0 million ($0.0554 per share) in the Third Quarter of 2015. The increase in distributable cash was driven by the additional royalty income generated from the Mr. Lube royalty acquisition completed in August 2015 and Sutton’s roll-in of 215 new agents on July 1, 2016.

Net Loss

The Corporation had a net loss of $0.3 million during the Third Quarter, which was driven by a non-cash impairment loss of $1.4 million and additional income tax expense of $3.7 million, both related to the forthcoming sale of the FW Rights. After excluding these two items, net income would have been $4.8 million for the Third Quarter.

Outlook

Mr. Lube

With YTD SSSG of 4.4%, Mr. Lube is well on its way to achieving its 17^{th} consecutive year of positive SSSG.

Franworks

DIV expects to use $15.0 million of the cash proceeds from the sale of the FW Rights to extinguish its $15.0 million term loan facility currently secured against the FW Rights, with the remaining $75.0 million to be added to DIV’s cash balance, net of transaction costs paid.

Sutton

Sutton continues to focus on opening new franchise offices and helping their existing franchisees add new agents by investing in training and recruiting resources. Sutton is having another solid year in 2016.

Business Development

Since entering into the agreement to sell the FW Rights on August 31, 2016, DIV has been actively pursuing its next trademark and royalty acquisition. DIV, however, does not provide comment on the specific timing or status of its negotiation of trademark and royalty transactions until such time as these transactions become probable.

Dividend

Following the sale of the FW Rights, DIV will have approximately $80 million of cash on its Balance Sheet, which management is actively looking to re-deploy by pursuing DIV’s next trademark and royalty acquisition. Accordingly, DIV currently intends on continuing to pay its monthly dividend of $0.01854 per share. However, DIV’s board will continue to monitor and reevaluate the Company’s dividend policy on an ongoing basis.

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About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV currently owns the Franworks, Sutton, and Mr. Lube trademarks. Franworks operates 99 mid-tier casual neighborhood pub restaurants under the Original Joe's, State & Main, and Elephant & Castle brands and generates approximately $225 million of gross sales annually. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 7,900 agents and 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 170 locations across Canada and approximately $200 million of annual system sales.

DIV is currently paying a dividend and expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward Looking Statements

Certain statements contained in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "intend", "may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: the sale of the FW Rights, including the terms thereof and the expected timing therefor; the expected use by DIV of the cash proceeds of the sale of the FW Rights, including the use of approximately $15 million of the cash proceeds to extinguish existing term debt and the use of the remainder to pursue the acquisition of additional royalty streams; the expected impact of the sale of the FW Rights on DIV, including DIV's exposure to Alberta; DIV's expectations with respect to Mr. Lube's SSSG for the remainder of 2016; DIV's expectations for Sutton's performance for the remainder of 2016; management's pursuit of new trademark and royalty acquisitions; DIV's intention to continue to pay its currently monthly dividend and the board's ongoing review of DIV's dividend policy; DIV's ability to pay a predictable and stable dividend to shareholders; and DIV's corporate objectives. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events, performance, or achievements of DIV to differ materially from those anticipated or implied in such forward-looking statements. DIV believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. In particular, there can be no assurance that: the sale of the FW Rights will close on the terms currently contemplated, or at all; DIV will use the cash proceeds from the sale of the FW Rights for the purposes currently contemplated; DIV will complete acquisitions of additional royalties, or that such transactions will be successful; Mr. Lube will continue to have positive SSSG in 2016; Mr. Lube and Sutton's performance for the remainder of 2016 will be consistent with DIV's current expectations; DIV will be able to make monthly dividend payments to the holders of its common shares; or achieve any of its corporate objectives. Given these uncertainties, readers are cautioned that forward-looking statements included in this news release are not guarantees of future performance, and such forward-looking statements should not be unduly relied upon. More information about the risks and uncertainties affecting DIV's business and the businesses of its royalty partners can be found in the "Risk Factors" section of its Annual Information Form dated March 29, 2016, which is available under the Hardwoods' profile on SEDAR at www.sedar.com.

In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV and its royalty partners will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV. The forward-looking statements are made as of the date of this news release and DIV assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

Non-IFRS Financial Measures

Management believes that disclosing certain non-IFRS financial measures provides readers with important information regarding the Company's financial performance and its ability to pay dividends. 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 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 measures should not be construed as a substitute or an alternative to cash flows from operating activities as determined in accordance with IFRS.

"Distributable Cash" and "Same Store Sales Growth" are used as non-IFRS measures in this press release. For further details, see the "Description of Non-IFRS and Additional IFRS Measures" in the Company's management's discussion and analysis for the three and nine months ended September 30, 2016.

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.

Additional Information

Additional information relating to the Company and other public filings are available on SEDAR at www.sedar.com.

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