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Diversified Royalty Corp. Announces Third Quarter Results

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

Vancouver, BC, November 9, 2017 – Diversified Royalty Corp. (TSX: DIV) (the "Corporation" or "DIV") is pleased to announce its financial results for the three months ("Third Quarter") ended September 30, 2017. A copy of this news release and DIV's unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis are available on SEDAR at www.sedar.com and on DIV's website at www.diversifiedroyaltycorp.com.

Recent Highlights

- Acquired the Canadian AIR MILES® trademarks and certain related Canadian intellectual property rights as well as two related license agreements (collectively, the "AIR MILES® Licenses") on August 25, 2017.
- Revenues of $5.4 million for the Third Quarter.
- Completed the offering of convertible unsecured subordinated debentures with an aggregate principal amount of $57.5 million, including the full exercise of the $7.5 million over-allotment option on November 7, 2017.

Third Quarter Results

In the Third Quarter of 2017, DIV generated $5.4 million of royalty revenue and management fees compared to $7.3 million in the Third Quarter of 2016. Revenues of $3.6 million were generated from Mr. Lube Canada Limited Partnership ("Mr. Lube"), $1.0 million were generated from Sutton Group Realty Services Ltd. ("Sutton"), and $0.8 million were generated from the AIR MILES® Licences.

Same-store-sales-growth ("SSSG") for Mr. Lube was 4.7% for the Third Quarter. Sutton's fixed royalty increases at a contractual rate of 2% per year, which effectively represents 2% SSSG. The AIR MILES® reward miles issued decreased by 7% in the Third Quarter due to reduced promotional activity by certain sponsors, according to Alliance Data Systems Inc.'s ("ADS") news release dated October 19, 2017. However, according to ADS, sponsor and collector engagement has been steadily improving since the negative media attention surrounding the then-planned expiration of AIR MILES reward miles at the end of 2016, and issuance growth is expected to improve in the fourth quarter.

LoyaltyOne, Co., the operator of the AIR MILES® reward program in Canada (the "AIR MILES® Program") signed a multi-year sponsorship renewal agreement with the Bank of Montreal ("BMO"), according to ADS' news release dated October 16, 2017. BMO is currently the largest sponsor participating in the AIR MILES® Program, and will, with the renewal of its sponsorship agreement, continue to issue AIR MILES® reward miles to consumer and business customers through its various BMO Mastercard products and debit spend within the BMO AIR MILES® Banking Plan.

Third Quarter Commentary

Sean Morrison, President and Chief Executive Officer of DIV stated, "We are pleased to report that Mr. Lube and Sutton generated strong operating results in the quarter, with revenue and Normalized EBITDA up compared to 2016. We are also excited to add the AIR MILES® Program, one of the most recognizable brands in Canada, to our royalty pool in the quarter."

Mr. Morrison continued, "With the completion of the offering for $57.5 million of convertible debentures, DIV will have approximately $88 million of cash on hand that will enable the Corporation to execute on its strategy of acquiring trademarks and royalties from a diverse group of high-quality businesses."

Distributable Cash

In the Third Quarter, distributable cash was $4.4 million ($0.0419 per share) compared to $6.3 million ($0.0554 per share) in the prior year. The decrease was due to the sale of the FW Rights on November 27, 2016, partially offset by the acquisition of the AIR MILES® Program on August 25, 2017.

In the Third Quarter, dividends declared were in excess of distributable cash. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Corporation intends to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time. The Corporation expects the payout ratio to remain over 100% until such time as further royalty acquisitions are completed and all excess cash has been deployed.

Net Income

Net income for the Third Quarter of 2017 was $3.1 million, compared to a net loss of $0.3 million in the prior year. The increase in net income was primarily due to a non-cash impairment loss of $1.4 million and additional income tax expense of $3.7 million, both related to the sale of the FW Rights that were recorded in the prior year. In addition, the Corporation generated incremental revenue of $0.8 million related to the acquisition of the AIR MILES® Program. These increases were partially offset by the sale of the FW Rights in November 2016.

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 Sutton, Mr. Lube and AIR MILES® trademarks in Canada. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 8,000 agents and over 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 170 locations across Canada and over $200 million of annual system sales. AIR MILES® is Canada's largest coalition loyalty program with over 200 leading brand-name sponsors; approximately two-thirds of Canadian households actively participate in the AIR MILES® Program.

DIV 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 expected growth in the issuance of AIR MILES reward miles in the fourth quarter of 2017; BMO will continue to issue AIR MILES® reward miles to consumer and business customers through its various BMO Mastercard products and debit spend within the BMO AIR MILES Banking Plan under the terms of the renewed contract; DIV's pursuit of its next royalty acquisition; DIV's intention to use the proceeds *from the offering of convertible debentures to execute on its strategy of acquiring trademarks and royalties from a diverse group of high-quality businesses; DIV's intention to use the proceeds from the sale of the FW Rights to fund future royalty acquisitions; DIV's ability to pay a predictable and stable dividend to shareholders; DIV's intention of achieving a payout ratio that approximates 100% over time; DIV's expectation that the payout ratio will remain over 100% until such time as further royalty acquisitions are completed; 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: BMO will continue to issue AIR MILES® reward miles to consumer and business customers through its various BMO Mastercard products and debit spend within the BMO AIR MILES Banking Plan under the terms of the renewed contract; DIV will use the net proceeds of the acquisition to fund future royalty acquisitions, or the timing thereof; DIV will be able to make monthly dividend payments to the holders of its common shares; DIV will complete any further royalty acquisitions; DIV will achieve a payout ratio that approximates 100% over time; DIV's payout will remain over 100% until such time as further royalty acquisitions are completed and all excess cash has been deployed; or DIV will 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 28, 2017 and the "Risk Factors" section of its Final Short Form Prospectus dated October 30, 2017, which are available under DIV's 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, and that DIV will complete additional accretive royalty acquisitions. 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.

Third Party Information

This news release includes information obtained from third party company filings and reports and other publicly available sources. Although DIV believes these sources to be generally reliable, such information cannot be verified with complete certainty. Accordingly, the accuracy and completeness of this information is not guaranteed. DIV has not independently verified any of the information from third party sources referred to in this news release nor ascertained the underlying assumptions relied upon by such sources.

Additional Information

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

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