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**EBITDA** for DIV is calculated as earnings before interest, taxes, depreciation and amortization. **Normalized EBITDA** is calculated as EBITDA before certain items including: share-based compensation, litigation expense, other finance income (costs), and fair value adjustment on interest rate swaps. **Distributable Cash** is defined as Normalized EBITDA less interest expense on credit facilities. **Payout Ratio** is calculated by dividing the total dividends declared during the period by the Distributable Cash generated in that period. **Payout Ratio, net of DRIP** is calculated as the difference of the total dividends declared during the period less dividends payable in shares through DIV’s dividend reinvestment plan divided by the Distributable Cash generated in that period. **SSSG** means same store sales growth is the percentage increase in store sales over the prior comparable period for locations that were open in both the current and prior periods, excluding stores that were permanently closed. **Market Capitalization** is calculated as the share price multiplied by the number of shares outstanding, which includes both publicly traded shares as well as the retained interest ownership by the operating company. **Enterprise Value** is calculated as Market Capitalization plus debt, less cash and the present value of the tax shield. **Pro-Forma Normalized EBITDA, Pro-Forma Distributable Cash, Pro-Forma Payout Ratio, Pro-Forma Payout Ratio, net of DRIP** and **Pro-Forma SSSG**, have corresponding meanings to Normalized EBITDA, Distributable Cash, Payout Ratio, Payout Ratio, net of DRIP and SSSG respectively, in each case, adjusted to give effect to the Acquisition, the Credit Facility, and the annual contractual 2% increase in the royalty payable by Sutton Group Realty Services Ltd. that took effect on July 1, 2017, as if each such transaction had occurred on January 1, 2017 and assuming an annual Royalty of $8.5 million. Similarly, **Pro-Forma Revenue** means DIV’s revenue after giving effect to such adjustments and assumptions.

See Appendix A to this presentation for non-IFRS reconciliations as well as the management’s discussion and analysis of DIV dated August 14, 2017 for the three and six months ended June 30, 2017.

This presentation includes market share information, industry data and forecasts obtained from independent industry publications, market research, analyst reports, company filings and reports, and other publicly available sources. Although DIV believes these sources to be generally reliable, market, industry and company data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey or report. Accordingly, the accuracy and completeness of this data is not guaranteed. DIV has not independently verified any of the data from third party sources referred to in this presentation nor ascertained the underlying assumptions relied upon by such sources.
Diversified Royalty Corp. (“DIV”) is purchasing the AIR MILES trademarks from Aimia Inc. (“Aimia”) for $53.75M, plus contingent consideration of up to $13.75M.

**Transaction Overview**

**Brand**
- AIR MILES is among the top brands in Canada with a 25 year track record of success

**Diversification**
- ~170 brand-name sponsors\(^{(1)}\) across various industry sectors, with ~11M members\(^{(2)}\)

**Annual Top-Line Royalty**
- ~$8.5M royalty based on 1.0% of AIR MILES annual gross billings\(^{(3)}\), representing ~32% of DIV’s Pro-Forma Revenues\(^*\)

**Capital Deployment**
- $36.35M of cash on hand plus $17.4M of debt

**Accretive Transaction**
- Going-in multiple of ~6.3x
- Effective multiple of ~7.2 to ~7.7x (if contingent consideration hurdles are met)

\(^*\)Pro-Forma Revenue is a Non-IFRS Measure – See “Non-IFRS Measures” and “Appendix A”
Aimia is the current owner and licensor of the AIR MILES trademarks and related intellectual property.

AIR MILES is considered one of the best-known coalition loyalty programs in the world, has been operating in Canada since 1992\(^4\), is the largest coalition loyalty program in Canada, has approximately 11 million members\(^2\) (67% of Canadian households\(^2\)) and over 170 brand name sponsors\(^1\) across all major spend categories.

*Source of sponsors – see footnote 9*
AIR MILES – Key Customers

- AIR MILES has several large sponsors with BMO representing ~24\%^{(5)} of revenue and Sobey’s representing ~19\%^{(5)} of revenue:
  - Sobey’s has recently expanded their sponsorship and is signed until 2024^{(1)}
  - BMO has been a partner since 1992^{(6)}, their contract renews every five years and their latest contract is up for renewal in 2018^{(1)}
- BMO continues to actively promote its AIR MILES credit cards and the AIR MILES website continues to promote BMO credit cards.
Canada’s AIR MILES Reward Program has been licensed in perpetuity to and is operated in Canada by LoyaltyOne, Co. ("LoyaltyOne"), the parent company of which is Alliance Data Systems Corporation ("ADS"). ADS is an NYSE listed company that provides loyalty and marketing services, such as private label credit cards, coalition loyalty programs and direct marketing and had reported revenues of US$7.1B for 2016\(^{(1)}\).

AIR MILES is a meaningful piece of ADS’ business with LoyaltyOne generating US$936M of revenue\(^{(7)}\) and US$203M of EBITDA\(^{(7)}\) in 2016 from the AIR MILES Reward Program in Canada.

Under two license agreements, LoyaltyOne pays an aggregate royalty equal to 1\(^{(3)}\)\% of the gross billings it generates from the AIR MILES program in Canada. Gross billings is primarily driven by AIR MILES issued but is also impacted by AIR MILES redemptions.
AIR MILES – 2016 Challenges and Outlook

- LoyaltyOne had a few missteps running the AIR MILES program in 2016:
  - In 2011, ADS announced AIR MILES points would expire after 5 years\(^{(1)}\) – public backlash and negative publicity built through 2016 – LoyaltyOne retracted the expiration policy in December 2016\(^{(1)}\)
  - The December 2016 AIR MILES automatic expiry date led to a rush to redeem AIR MILES balances – many members had challenges redeeming their points – long wait times, dropped calls, etc.

- The AIR MILES deadline resulted in a 60% increase redemptions in 2016\(^{(1)}\), which resulted in a temporary spike in gross billings. The negative publicity resulted in AIR MILES issuances being down 4% in Q1 2017\(^{(8)}\) and down 1% in Q2 2017\(^{(8)}\).

- In their Q2 2017 investor presentation, LoyaltyOne stated they were making “solid progress on sponsor/collector engagement” and “no sponsor attrition seen”.

- LoyaltyOne is forecasting 5+% run rate AIR MILES issuance growth by the end of 2017\(^{(8)}\).
AIR MILES – Issuance History

Air Miles Rewards Miles Issued\(^{(1)(10)}\) (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Miles Issued (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4,584</td>
</tr>
<tr>
<td>2011</td>
<td>4,940</td>
</tr>
<tr>
<td>2012</td>
<td>5,223</td>
</tr>
<tr>
<td>2013</td>
<td>5,421</td>
</tr>
<tr>
<td>2014</td>
<td>5,501</td>
</tr>
<tr>
<td>2015</td>
<td>5,743</td>
</tr>
<tr>
<td>2016</td>
<td>5,772</td>
</tr>
</tbody>
</table>
Royalty Pool

Expanding across diverse and attractive industries

Diversified Royalty Corp.

- Sutton LP
- Mr. Lube LP
- Air Miles LP
- Cash
- Next Business LP

~$33M
Impact to DIV

**Status Quo** (a)

- **$18.2M** Revenues
- **Mr. Lube** 79%
- **Sutton** 21%

**Pro-Forma**

- **$26.7M** Revenues*
- **Mr. Lube** 53%
- **Sutton** 15%
- **Air Miles** 32%

**$16.0M** Normalized EBITDA*

**$24.1M** Normalized EBITDA*

+ **$8.5M** (b)
+ **$8.2M**

(a) Based on the three months ended June 30, 2017, annualized, with Sutton at the July 1, 2017 royalty rate.

(b) The five year average royalty has been used for illustrative purposes.

*Normalized EBITDA, Pro-Forma Normalized EBITDA and Pro-Forma Revenue are Non-IFRS Measures – See “Non-IFRS Measures” and “Appendix A”
## Impact to DIV

### Status Quo\(^{(a)}\)

<table>
<thead>
<tr>
<th></th>
<th>Pro-Forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributable Cash*</td>
<td>$21.9M</td>
</tr>
<tr>
<td>+$7.4M</td>
<td></td>
</tr>
<tr>
<td>Distributable Cash* per Share</td>
<td>$0.2071</td>
</tr>
<tr>
<td>+$0.07</td>
<td></td>
</tr>
<tr>
<td>Payout Ratio*</td>
<td>107.4%</td>
</tr>
<tr>
<td>-55.4%</td>
<td></td>
</tr>
<tr>
<td>Payout Ratio, net of DRIP*</td>
<td>98.2%</td>
</tr>
<tr>
<td>-50.6%</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$33M</td>
</tr>
<tr>
<td>-$38M</td>
<td></td>
</tr>
</tbody>
</table>

### Pro-Forma

- Distributable Cash*: $21.9M
- Distributable Cash*: $0.2071
- Payout Ratio*: 107.4%
- Payout Ratio, net of DRIP*: 98.2%
- Cash: $33M

\(\text{(a)}\) Based on the three months ended June 30, 2017, annualized, with Sutton at the July 1, 2017 royalty rate.

* Distributable Cash, Pro-Forma Distributable Cash, Payout Ratio, Pro-Forma Payout Ratio, Payout Ratio, net of DRIP and Pro-Forma Payout Ratio, net of DRIP are Non-IFRS Measures – See “Non-IFRS Measures” and “Appendix A”
The acquisition of the AIR MILES trademarks and royalty was structured with contingent consideration subject to certain milestones being achieved in 2018/2019. The milestones relate to The Bank of Montreal AIR MILES sponsorship contract being renewed or replaced with an AIR MILES sponsorship contract with another one of the four other major Canadian Chartered banks and the royalty revenue post contract renewal or replacement.
The following table outlines the valuation metrics for the top line royalty funds:

<table>
<thead>
<tr>
<th>Comparable Companies</th>
<th>Share Price</th>
<th>Cap(1)</th>
<th>Cash</th>
<th>CCA(2)</th>
<th>NCL's(2)</th>
<th>PV of tax Shield(3)</th>
<th>Debt</th>
<th>EV(4)</th>
<th>DCPS(5)</th>
<th>Dividend Per share</th>
<th>EBITDA(6)</th>
<th>EV/EBITDA</th>
<th>TTM SSG</th>
<th>DCPS</th>
<th>Dividend Yield</th>
<th>Debt / EBITDA(7)</th>
<th>Payout Ratio(8)</th>
<th>% shrs o/s</th>
<th>trade/mo(9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;W</td>
<td>$33.55</td>
<td>535.155</td>
<td>3,375</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>60,000</td>
<td>591,780</td>
<td>$1.6232</td>
<td>$1.5960</td>
<td>30,460</td>
<td>19.4 x</td>
<td>1.1%</td>
<td>4.8%</td>
<td>4.8%</td>
<td>1.9 x</td>
<td>98.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Boston Pizza</td>
<td>$21.44</td>
<td>522.574</td>
<td>2,896</td>
<td>58,015</td>
<td>8,122</td>
<td>86,756</td>
<td>598,312</td>
<td>1,3711</td>
<td>13,800</td>
<td>42,422</td>
<td>14.1 x</td>
<td>-1.3%</td>
<td>6.4%</td>
<td>6.4%</td>
<td>2.0 x</td>
<td>100.7%</td>
<td>1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Keg</td>
<td>$20.50</td>
<td>306.543</td>
<td>2,267</td>
<td></td>
<td>-</td>
<td>-</td>
<td>14,000</td>
<td>318,276</td>
<td>1,0972</td>
<td>11,016</td>
<td>13.4 x</td>
<td>3.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>0.5 x</td>
<td>100.4%</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pizza Pizza</td>
<td>$16.48</td>
<td>514.398</td>
<td>1,896</td>
<td></td>
<td>-</td>
<td>-</td>
<td>47,000</td>
<td>559,502</td>
<td>0.8556</td>
<td>34,098</td>
<td>16.4 x</td>
<td>1.2%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>1.3 x</td>
<td>100.0%</td>
<td>1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIV - pre-transaction</td>
<td>$2.33</td>
<td>246.919</td>
<td>70,946</td>
<td>111,000</td>
<td>11,300</td>
<td>18,184</td>
<td>40,697</td>
<td>198,486</td>
<td>0.1367</td>
<td>0.2225</td>
<td>15,950</td>
<td>12.4 x</td>
<td>3.4%</td>
<td>5.9%</td>
<td>9.5%</td>
<td>-1.9 x</td>
<td>162.8%</td>
<td>4.9%</td>
<td></td>
</tr>
<tr>
<td>DIV - post-transaction</td>
<td>$2.33</td>
<td>246.919</td>
<td>33,000</td>
<td>164,750</td>
<td>11,300</td>
<td>25,709</td>
<td>66,347</td>
<td>254,557</td>
<td>0.2071</td>
<td>0.2225</td>
<td>24,105</td>
<td>10.6 x</td>
<td>3.7%</td>
<td>8.9%</td>
<td>9.5%</td>
<td>1.4 x</td>
<td>107.4%</td>
<td>4.9%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Market capitalization includes both publicly traded shares as well as the retained interest ownership by the operating company.
2. Tax shield is comprised of capital cost allowance ("CCA") on intellectual property and non-capital losses ("NCL"). Boston Pizza's balance in 2015 fairness opinion was 50% of cash consideration ($139 million), declining at 7% per year.
3. The present value of the tax shield discounts the CCA and NCL's at a 6% discount rate, applying a 26% effective tax rate.
4. Enterprise value ("EV") equals market capitalization + debt - cash - present value of tax shield.
5. Distributable Cash Per Share ("DCPS") calculated as annual dividend per share divided by the Payout Ratio.
6. For comparable companies EBITDA = Q2 2017 year-to-date, annualized. For DIV, EBITDA is pro-forma normalized EBITDA.
7. Ratio equals net debt (debt minus cash) divided by EBITDA.
8. Average of last 4 quarters as disclosed in respective MD&A's for the four comparable companies and current / pro-forma for DIV.
9. Three month average daily volume * number of average trading days/month divided by fully diluted shares outstanding (including retained interest).

At DIV's current share price:
- The average enterprise value to EBITDA multiples of the comps are 50% higher than DIV
- DIV's DCPS yield is also 63% higher than the average of the comps

*Normalized EBITDA, Pro-Forma Normalized EBITDA, Distributable Cash, Pro-Forma Distributable Cash, SSSG, Pro-Forma SSSG, Payout Ratio, Pro-Forma Payout Ratio, Enterprise Value and Market Capitalization are Non-IFRS Measures – See "Non-IFRS Measures" and "Appendix A"
DIV – Unique Strengths

➢ The historical performance of DIV’s current royalty streams is as good or better than top-line royalty comps in Canada:

➢ Diversification: Royalties from three of Canada’s leading brands with 25+ years track records of success

➢ Solid SSSG:

➢ Mr. Lube has generated 17 straight years of positive SSSG

➢ Best-in-class pro-forma TTM SSSG* (3.7%)

➢ All royalty partner business models are asset-light

➢ DIV’s acquisition model results in significant CCA tax pools, enhancing long term cash flows

➢ DIV has $33M of cash on hand to fund new acquisitions

➢ DIV has 7 analysts providing coverage and greater liquidity than the comps

➢ DIV has an experienced management team in place to source, diligence and execute accretive trademark and royalty acquisitions

* Pro-Forma SSSG is a Non-IFRS Measure – See “Non-IFRS Measures” and “Appendix A”
Deal Analysis

- **Brand.** AIR MILES is among the top brands in Canada with a 25 year track record of success and growth.

- **Credit.** AIR MILES is run by LoyaltyOne, a company generating ~US$900M\(^{(7)}\) of revenue and ~US$200M\(^{(7)}\) of EBITDA from this Canadian division. LoyaltyOne is owned by ADS, a US$12B market capitalization business. The underlying business paying DIV is highly profitable, well capitalized and the royalty payment is less than 5% of its EBITDA.

- **Diversification.** No correlation with Sutton and Mr. Lube, >170 brand name sponsors\(^{(1)}\) across various industry sectors, ~11M members\(^{(2)}\)

- **Size.** ~$8.5M royalty is a perfect size for DIV – representing 32% of DIV’s pro-forma revenues*

- **Payout Ratio.** DIV’s payout ratio improves from 162.8% to pro-forma 107.4% (148.8% to pro-forma 98.2% net of DRIP).

- The management and board of DIV believe the purchase of the AIR MILES trademarks and perpetual royalty is an excellent transaction for DIV.

*Pro-Forma Revenue, Payout Ratio, Pro-Forma Payout Ratio, Payout Ratio, net of DRIP and Pro-Forma Payout Ratio, net of DRIP are Non-IFRS Measures – See “Non-IFRS Measures” and “Appendix A”
➢ DIV’s board of directors currently plan to maintain DIV’s annual dividend at $0.2225 per share.
DIV's objective is to use its remaining $33 million of cash on hand combined with debt financing to fund its next trademark and royalty acquisition from a high quality business before the end of 2017.
## Appendix A

<table>
<thead>
<tr>
<th></th>
<th>Q2 2017</th>
<th>Sutton royalty rate increase</th>
<th>Q2 2017 annualized</th>
<th>Pro forma Air Miles</th>
<th>Pro-forma annualized results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (^{(b)})</td>
<td>$4,535</td>
<td>$19 $</td>
<td>$18,214 $</td>
<td>$8,500 $</td>
<td>$26,714 $</td>
</tr>
<tr>
<td>Operating expenses (^{(c)})</td>
<td>(782)</td>
<td>-</td>
<td>(3,128)</td>
<td>(350)</td>
<td>(3,478)</td>
</tr>
<tr>
<td>Finance costs, net (^{(d)})</td>
<td>(84)</td>
<td></td>
<td>(336)</td>
<td>(690)</td>
<td>(1,026)</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>3,669</td>
<td>19</td>
<td>14,750</td>
<td>7,460</td>
<td>22,210</td>
</tr>
<tr>
<td>Income tax expense (^{(e)})</td>
<td>(979)</td>
<td>(5)</td>
<td>(3,935)</td>
<td>(1,940)</td>
<td>(5,875)</td>
</tr>
<tr>
<td>Net income and other comprehensive income</td>
<td>$2,690</td>
<td>$14 $</td>
<td>$10,815 $</td>
<td>$5,520 $</td>
<td>$16,335 $</td>
</tr>
<tr>
<td>Interest expense on credit facilities</td>
<td>367</td>
<td>-</td>
<td>1,468</td>
<td>690</td>
<td>2,158</td>
</tr>
<tr>
<td>Income taxes</td>
<td>979</td>
<td>5</td>
<td>3,935</td>
<td>1,940</td>
<td>5,875</td>
</tr>
<tr>
<td>EBITDA</td>
<td>4,036</td>
<td>19</td>
<td>16,218</td>
<td>8,150</td>
<td>24,368</td>
</tr>
</tbody>
</table>

Adjustments:
- Share-based compensation: $169
- Litigation: $47
- Other finance income, net: $(155)
- Fair value adjustment on interest rate swaps: $(128)

Normalized EBITDA: $3,969

Less: interest expense on credit facilities: $367

Distributable cash: $3,602

Dividends declared: $5,885

Dividends declared, net of DRIP: $5,389

Distributable cash per share: $0.0340

Dividend per share: $0.0556

Shares outstanding as at June 30, 2017: 105,947

Payout ratio: 163.6%

Payout ratio, net of DRIP: 149.6%

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\(^{(a)}\) The Sutton royalty rate grows by 2.0% per year, effective July 1st each year. During the three months ended June 30, 2017, the Sutton Royalty Income was $929.

\(^{(b)}\) Air Miles royalty income is based on the historical five year average royalty.

\(^{(c)}\) Incremental costs related to salaries and benefits, professional fees and general and administration expenses.

\(^{(d)}\) Incremental interest expense on the $17.4M new term debt credit facility with an interest rate equal to the Bankers Acceptance Rate plus 2.25%, and assumed 50% of principal swapped to a fixed rate at an estimated cost of 4.47%.

\(^{(e)}\) Incremental tax expense based on an effective tax rate of 26%.

*EBITDA, Normalized EBITDA, Distributable Cash, Payout Ratio, Payout Ratio net of DRIP are Non-IFRS Measures – See “Non-IFRS Measures”*
Endnotes

2) http://www.airmilesincentives.ca/res/pdf/RM_AMI_Newsletter_Winter_WEB.PDF
3) 0.1% as per the Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc. (assigned by Air Miles International Holdings N.V. to Air Miles International Trading B.V. by a novation agreement dated as of July 18, 2001), as filed on EDGAR on January 13, 2000; plus 0.9% as per the Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, dated July 24, 1998, by and between Air Miles International Trading B.V. and Loyalty Management Group Canada Inc., as filed on EDGAR (https://www.sec.gov/edgar.shtml) January 13, 2000.
4) https://www.airmiles.ca/arrow/AboutUs
5) The Form 10-K filed by Alliance Data Systems on February 27, 2017 states that BMO and Sobey’s represent 17% and 13% of LoyaltyOne’s revenues (US$1,338M), respectively. In addition, the Q4 2016 Investor Presentation prepared by Alliance Data Systems on January 26, 2017 states that Air Miles generated US$936M of revenue. This results in BMO representing approximately 24% of Air Miles revenue (17% * US$1,338M / US$936M) and Sobey’s representing approximately 19% of Air Miles revenue (13% * US$1,338M / US$936M).
9) https://www.loyalty.com/loyalty-programs/air-miles/