Diversified Royalty Corp. (BEVFF)

Updated March 27th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$2.90	**5 Year Annual Expected Total Return:**	3.5%	**Market Cap:**	$502 M
Fair Value Price:	$2.25	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	03/13/2026
% Fair Value:	129%	**5 Year Valuation Multiple Estimate:**	-4.9%	**Dividend Payment Date:**	03/31/2026
Dividend Yield:	7.2%	**5 Year Price Target**	$2.36	**Years Of Dividend Growth:**	6
Dividend Risk Score:	F	**Sector:**	Consumer Discretionary	**Rating:**	Hold

Overview & Current Events

Diversified Royalty is a Canadian royalty firm that acquires trademark and royalty rights from multi-location businesses and franchisors across North America. Its portfolio includes a mix of service, retail, and consumer-facing brands such as Mr. Lube + Tires, Sutton, Oxford Learning, Mr. Mikes, Nurse Next Door, Stratus, BarBurrito, and the AIR MILES® Reward Program. The company earns royalty income based on system sales, agent counts, or fixed payments depending on the partner, and supplements this with management fees. Its model is structured around long-term royalty agreements that typically come with inflation-linked or fixed annual escalators.

On July 4th, Diversified Royalty raised its dividend by 10.1% to a monthly rate of CAD$0.0229 (i.e. ~USD$0.19 annualized).

On March 19th, 2026, Diversified Royalty reported its Q4 and full-year results for the period ending December 31st, 2025. Adjusted revenue for the quarter rose to about $14.63 million, reflecting continued contributions from Mr. Lube + Tires, Oxford, and the contractual annual increases from Stratus, Sutton, Nurse Next Door, and BarBurrito. Adjusted royalty income reached $14.6 million, driven by stable performance across the portfolio and partly offset by ongoing softness at AIR MILES. Distributable cash rose to roughly $9.75 million, or about $0.0574 per share vs. $0.0544 in the prior year's quarter. For FY2026, we expect $0.15 in distributable cash per share. All past figures in the table, though are in IFRS EPS.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.07	$0.09	$0.07	$0.10	($0.06)	$0.15	$0.09	$0.17	$0.11	$0.16	***$0.15***	***$0.16***
DPS	$0.17	$0.18	$0.16	$0.17	$0.16	$0.16	$0.17	$0.18	$0.17	$0.19	***$0.21***	***$0.22***
Shares[1]	113.2	106.4	108.0	109.5	118.8	135.5	126.8	144.1	163.7	171.0	***171.0***	***200.0***

From 2016 to 2019, DIV steadily grew earnings per share due to incremental royalty acquisitions and solid performance from its early partners, particularly Mr. Lube and Sutton. These years saw growth powered by the compounding effect of long-term royalty deals and expanding royalty pools, even though Diversified remained small and partner-dependent.

In 2020, EPS turned negative due to the impact of COVID-19, which disrupted several Royalty Partners, particularly in food service, education, and real estate, leading to temporary royalty deferrals and impairment charges, especially related to Mr. Mikes and Oxford. Despite these pressures, cash flow remained relatively stable due to fixed-payment partners and resilient brands like Mr. Lube.

The strong rebound in 2021 was driven by economic reopening and royalty pool expansions, particularly from Mr. Lube and the new addition of Nurse Next Door. EPS hit a high of $0.15, supported by accretive acquisitions and recovery in consumer-facing segments. In 2022 and 2023, EPS remained positive but fluctuated due to weaker performance from its brands and one-time impairment reversals or charges. AIR MILES underperformance and valuation adjustments affected results, especially in 2022. In 2024, EPS fell again, despite higher adjusted revenues, reflecting a return to normalized partner performance, higher financing costs, and modest FX impacts on U.S. royalty streams (like Stratus).In 2025, automotive and storage growth plus contractual increases offset AIR MILES softness to drive higher distributable cash.

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[1] Share count is in millions.

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Moving forward, EPS growth is expected to be limited to around 1%, driven by modest contractual royalty increases and contributions from newer partners, potentially offset by higher interest costs and uneven performance from more mature royalty streams.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	25.9	22.6	30.6	22.0	---	12.6	24.3	12.8	18.9	14.4	***19.3***	***15.0***
Avg. Yld.	9.4%	8.9%	7.5%	7.7%	7.8%	8.5%	7.8%	8.3%	8.2%	8.3%	***7.2%***	***9.3%***

Diversified Royalties' past valuation figures are of little significance. The company's net income has often been impacted by one-off items, such as write-offs, thus inflating the stock's P/E ratio. Today, shares are trading at 19.3x our expected DCFs for the year. While we don't believe shares are wildly overvalued, we have assigned a more prudent multiple of 15 times. The dividend yield hovers at hefty levels. While attractive, it does reflect the underlying risks attached to payouts.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	243%	200%	229%	170%	---	107%	189%	106%	155%	119%	***140%***	***140%***

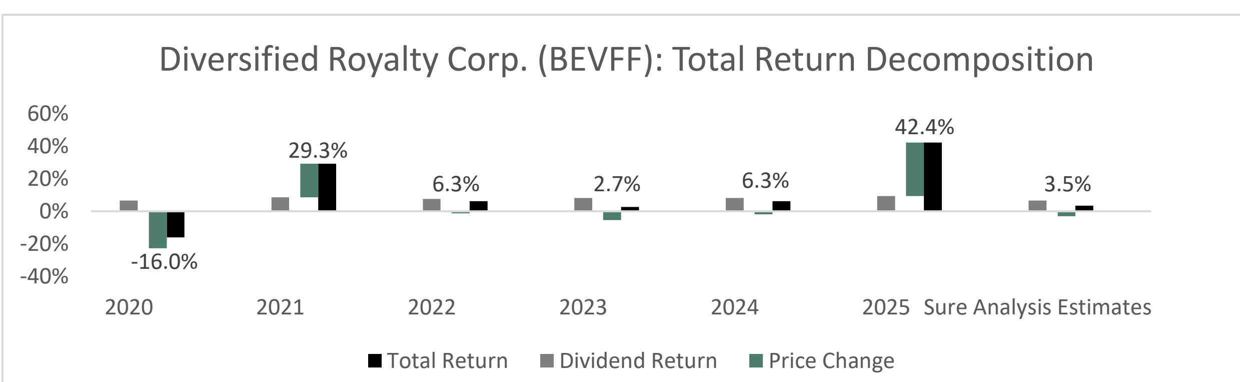
Diversified Royalty operates a low-risk, asset-light model built on long-term royalty contracts with solid businesses. Its royalty income is largely fixed or indexed to system sales, with minimal operating costs and no exposure to day-to-day business risk. This structure has proven durable, as cash flows held up well during the COVID-19 pandemic, with only modest deferrals and no permanent losses, and through the 2008 financial crisis.

That said, recession resiliency is not uniform across all Royalty Partners. Brands tied to discretionary spending, like Mr. Mikes or BarBurrito, are more vulnerable in downturns, and partner underperformance can lead to impairments or deferred payments, as seen with AIR MILES. While DIV benefits from some inflation-linked contracts and a growing partner base, many agreements offer only limited built-in growth. Without regular acquisitions, earnings may stagnate. The model is stable and income-focused, but relies heavily on management's ability to source and structure new deals to drive long-term growth.

Final Thoughts & Recommendation

Diversified Royalty offers a stable, income-oriented investment underpinned by long-term royalty contracts and low operating risk. While growth is modest without new acquisitions, its predictable cash flows and diversified partner base make it an interesting option for yield-focused investors seeking exposure to a different kind of asset class. We forecast annualized returns of 3.5% through 2031, driven by the starting yield and our low growth estimates, offset by the possibility of a valuation headwind. The stock earns a hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	15	21	16	21	23	23	30	35	42	47
SG&A Exp.	2	2	3	3	3	3	3	4	4	5
D&A Exp.						-	0	0	0	0
Operating Profit	13	19	14	18	20	20	26	31	38	43
Operating Margin	85.0%	90.2%	83.9%	85.7%	86.5%	87.2%	88.8%	89.3%	89.8%	89.9%
Net Profit	5	8	9	8	11	(7)	19	12	23	19
Net Margin	30.5%	37.9%	55.3%	37.9%	46.1%	-29.1%	63.1%	34.4%	56.2%	41.0%
Free Cash Flow	(123)	11	(31)	5	(13)	(17)	9	(39)	(34)	34
Income Tax	2	5	3	3	4	(2)	7	6	9	8

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	219	186	251	234	264	281	299	338	428	403
Cash & Equivalents	6	56	68	58	2	7	7	5	3	14
Accounts Receivable	2	1	3	3	3	3	4	4	4	4
Goodwill & Int. Ass.	205	127	179	173	216	236	251	294	386	355
Total Liabilities	45	31	90	92	120	132	148	165	249	202
Accounts Payable	1	0	1	1	1	1	2	1	0	0
Long-Term Debt	40	30	86	86	108	122	132	147	230	181
Shareholder's Equity	174	155	161	141	144	149	150	172	179	201
LTD/E Ratio	0.23	0.20	0.54	0.61	0.74	0.82	0.88	0.85	1.28	0.90

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	4.0%	4.1%	3.2%	4.3%	-2.4%	6.5%	3.8%	6.1%	4.7%
Return on Equity	3.2%	4.9%	5.7%	5.2%	7.4%	-4.5%	12.5%	7.4%	13.4%	10.2%
ROIC	2.7%	4.0%	4.1%	3.3%	4.4%	-2.5%	6.8%	4.0%	6.5%	4.9%
Shares Out.	85.8	113.2	106.4	108.0	109.5	118.8	135.5	126.8	144.1	163.7
Revenue/Share	0.18	0.19	0.15	0.19	0.21	0.19	0.22	0.27	0.29	0.29
FCF/Share	(1.43)	0.10	(0.29)	0.05	(0.12)	(0.14)	0.06	(0.31)	(0.24)	0.21

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.