

SIR Royalty Income Fund

Investor Presentation (TSX: SRV.UN)

July 2018



Caution Concerning Forward-Looking Statements

Statements in this presentation, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute “forward-looking” information within the meaning of securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this presentation, such statements may include, among other language, such words as “may”, “will”, “should”, “would”, “expect”, “believe”, “plan”, “anticipate”, “intend”, “estimate” and other similar terminology. These statements reflect Management’s current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this presentation. Readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based, except as expressly required by law.

In formulating the forward-looking statements contained herein, Management has assumed that business conditions affecting SIR’s restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. Recent changes in employment law, including announced increases in minimum wages, are factored into management’s assumptions. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. The Fund includes in publicly available documents filed from time to time with securities commissions and The Toronto Stock Exchange, a discussion of the risk factors that can cause anticipated outcomes to differ from actual outcomes. For more information concerning the Fund’s risks and uncertainties, please refer to the March 14, 2018 Annual Information Form which is available under the Fund’s profile at www.sedar.com.

Investment Highlights

- Diversified portfolio of well-known restaurant brands
- Experienced management team with strong alignment of interests with unitholders
- Corporate ownership model provides greater control and flexibility for performance-enhancement initiatives
- Consistent track record of investment in new and existing restaurants
- Proven ability to generate long-term growth in Royalty Pool revenue
- Reliable monthly cash distributions of \$0.10 per unit, representing \$1.20 per unit on an annualized basis





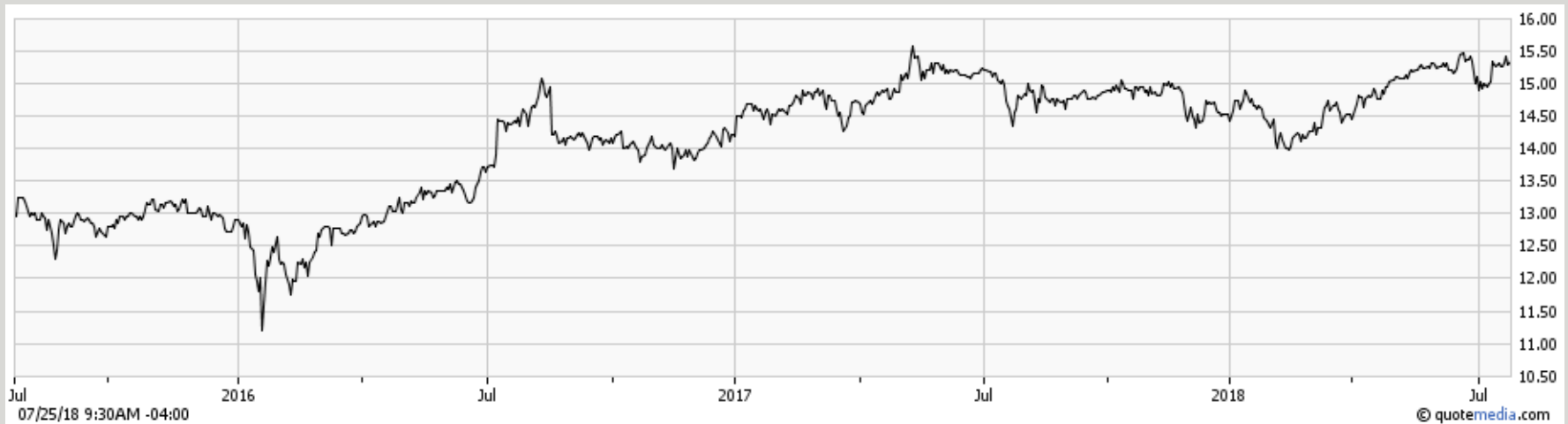
SIR Corp.

- SIR: 'Service Inspired Restaurants'
- A leading Canadian operator of casual and fine dining restaurants
- Founded in 1990 by Fowler family
- Employees: ~ 5,500
- Fiscal 2017 Revenue: \$293.3 million

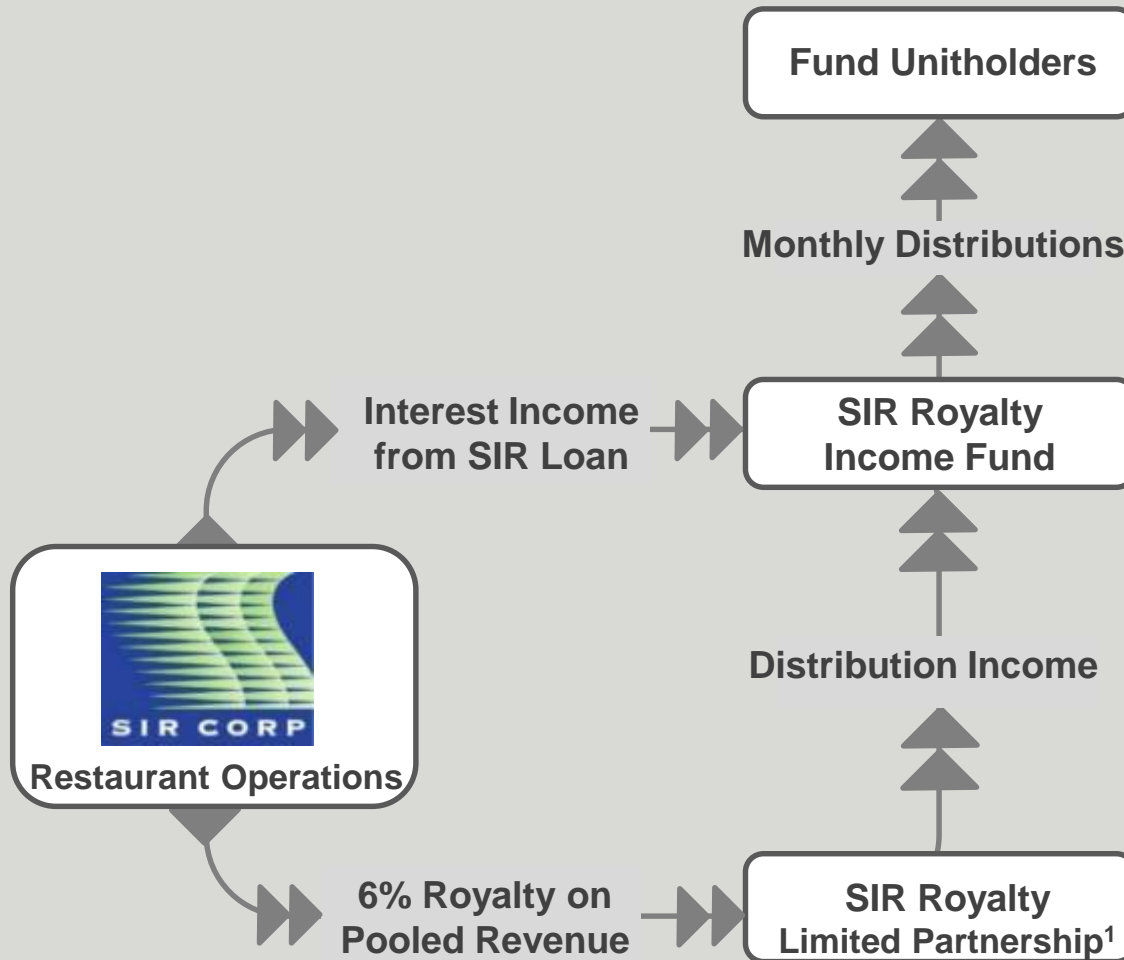
SIR Royalty Income Fund

- IPO: October 2004 (TSX: SRV.UN)
- Market Cap: ~ \$128 million
- Recent close: \$15.27 (July 24, 2018)
- Units outstanding: ~ 8.4 million
- Annualized distribution per unit: \$1.20
- Effective current distribution yield: ~ 7.9%

SRV.UN 3-year unit price performance



SIR Royalty Income Fund Structure



NOTES:
The above illustration is for descriptive purposes only and is qualified in its entirety by the description in the actual agreements and by the Fund's prospectus on SEDAR. As at May 10, 2018 SIR Corp. held a 19.4% retained interest in SIR Royalty Limited Partnership.

Experienced Management Team with Strong Alignment of Interests

Experienced Management Team



Peter Fowler, President & CEO

- Director of SIR Corp. since 1992
- CEO since 2004 and the largest shareholder of SIR Corp.
 - Helped create SIR Concepts and continues to focus on Concepts
- CEO of SIR GP Inc. and a Trustee of SIR Royalty Income Fund since 2004



Paul Bogнар, COO & EVP

- Joined SIR Corp. in 2012
- Head of Marketing, Human Resources, Finance, IT and Purchasing Departments
 - Previous: President of Simmons Canada; various senior positions with Maytag Canada



Jeff Good, CFO

- Joined SIR Corp. in 2000
- Helped launch SIR Royalty Income Fund
 - 20 + years experience in finance and accounting in the restaurant industry
 - CFO of SIR GP Inc.
 - Previous: VP Finance, Oliver Bonacini



Bruce Elliott, VP, Business Development

- Joined SIR Corp. in 2011 as COO and EVP
- Appointed President of Jack Astor's (Mar. 2012)
- Appointed VP, Business Development (Jan. 2014)
 - Previous: partner at Level 5 Strategic Brand Advisors; President of Labatt Breweries; and senior management positions at Second Cup

Board of Trustees

Peter Fowler: CEO and Director of SIR Corp., President of SIR GP Inc.

Kim van Nieuwkoop: Senior VP of Human Resources and General Counsel, SIR Corp.

Peter Luit: Managing Director, CXO Advisory Services Inc.; Chair of Audit Committee (*Independent Trustee*)

John McLaughlin: President, Treasury Technologies International; Chair of Board (*Independent Trustee*)

William Rogers: President, The Commercial Capital Corporation; Chair of Corporate Governance Committee (*Independent Trustee*)

SIR Corporate Ownership Model



Control

- Implement best practices across restaurant network
- Coordinate roll-out of new restaurant locations and food & beverage offerings
- Leverage supplier relationships and delivery logistics



Flexibility

- Ability to change restaurant design with minimal lead time
- Allows for constant menu innovation
- Unlike franchises, business change can be affected without lengthy approvals or negotiations



REDS.

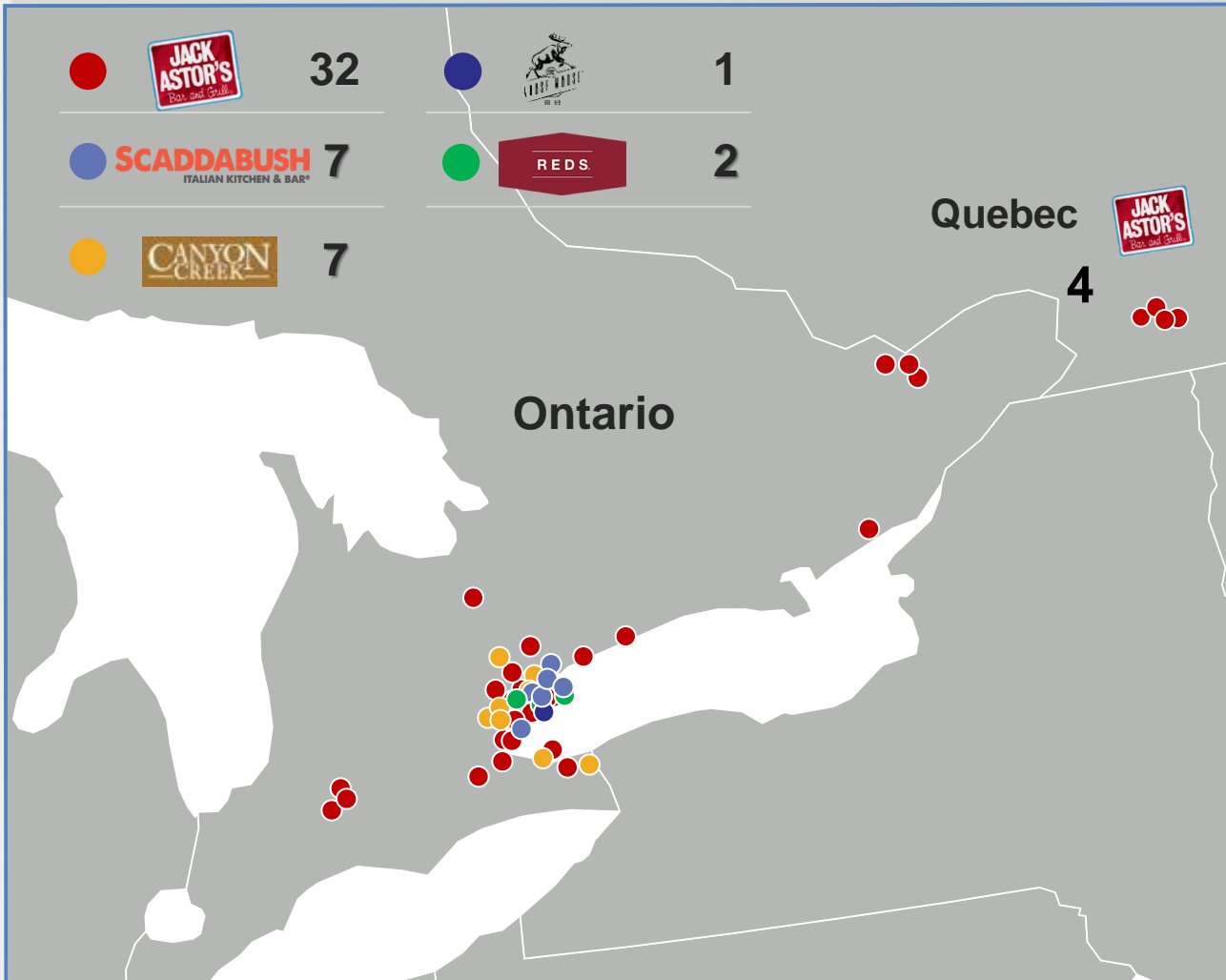
Consistency

- Consistent customer experience at all restaurant locations creates superior brand value



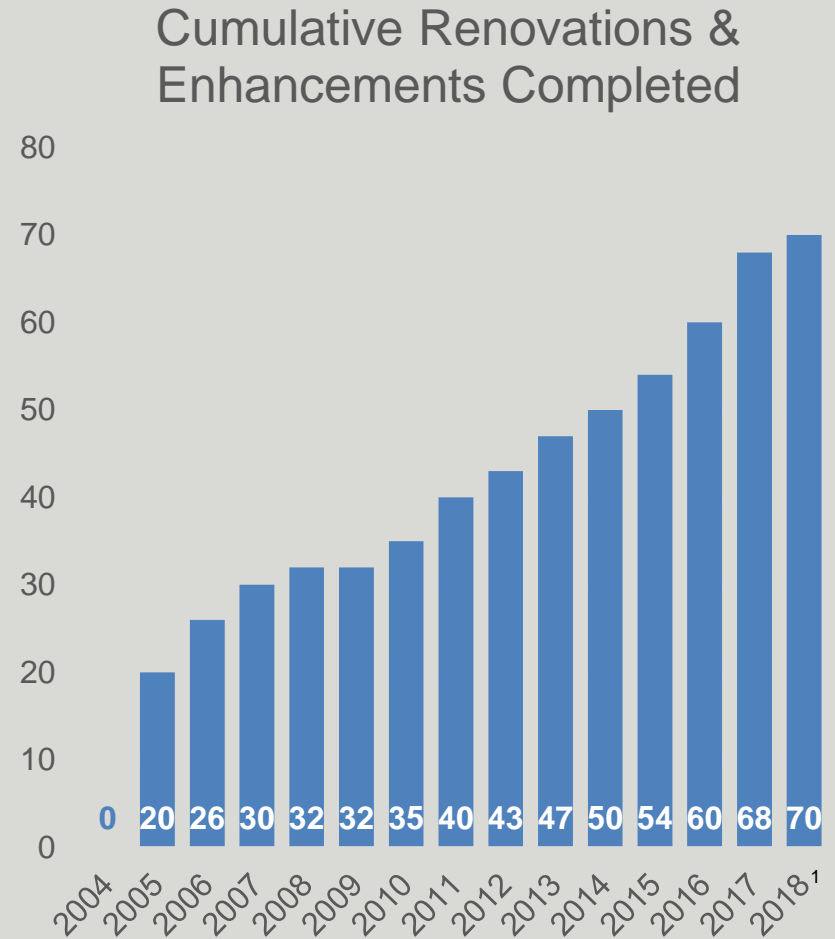
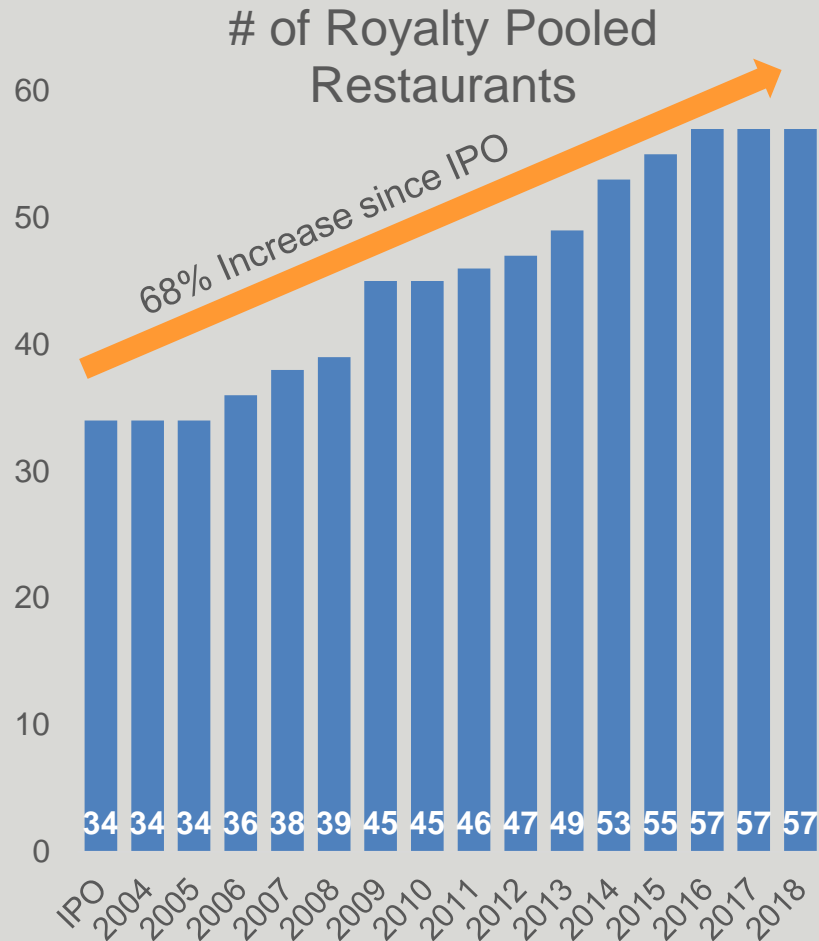
Greater control enables rapid implementation of operational and growth initiatives in response to consumer trends and competitive activity

57 Royalty Pooled Restaurants



Investing in New and Existing Locations

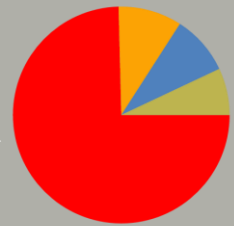
Consistent Track Record



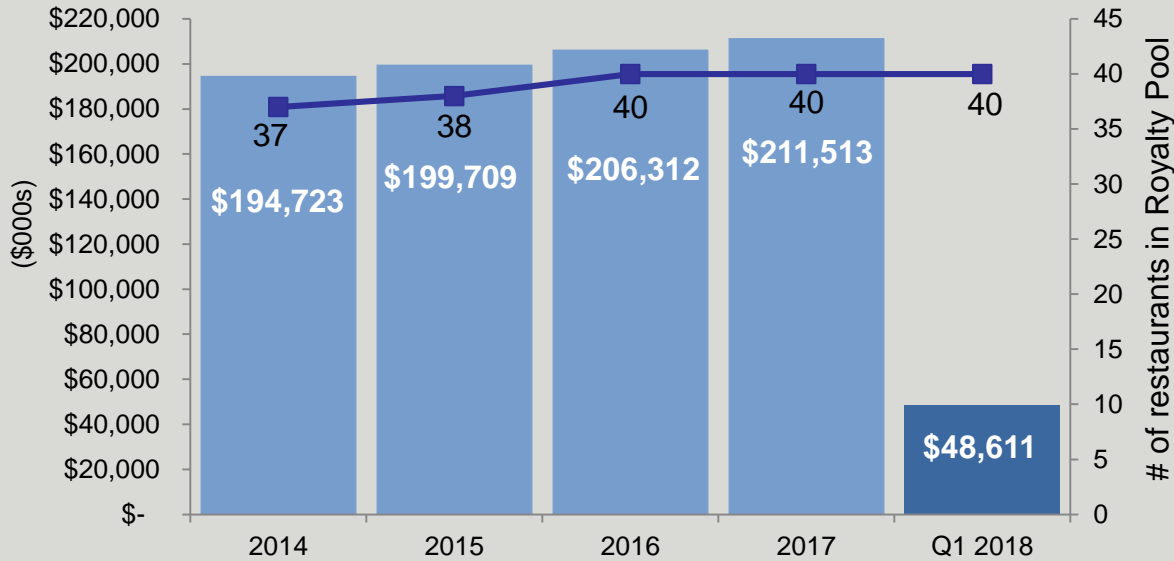
Delivering on our commitment since inception



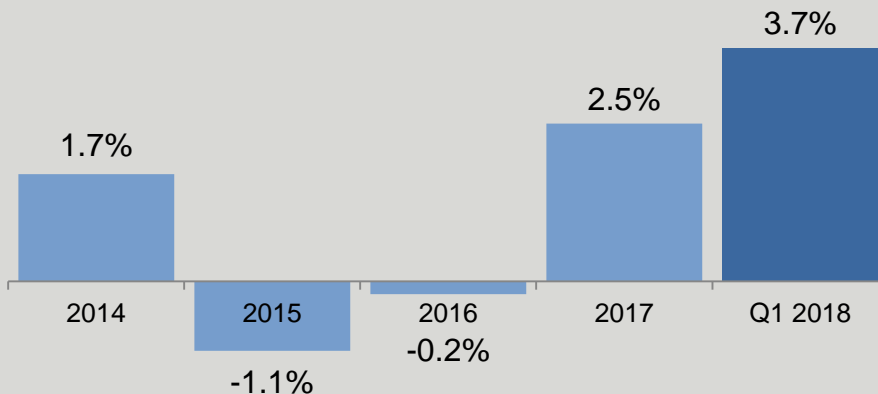
70.6% of Royalty Pooled Revenue in Q1 2018



Pooled Revenue



Same Store Sales




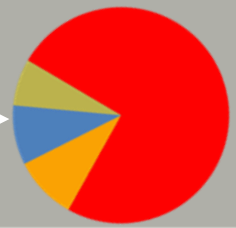
Investing in Existing Restaurants

Jack Astor's

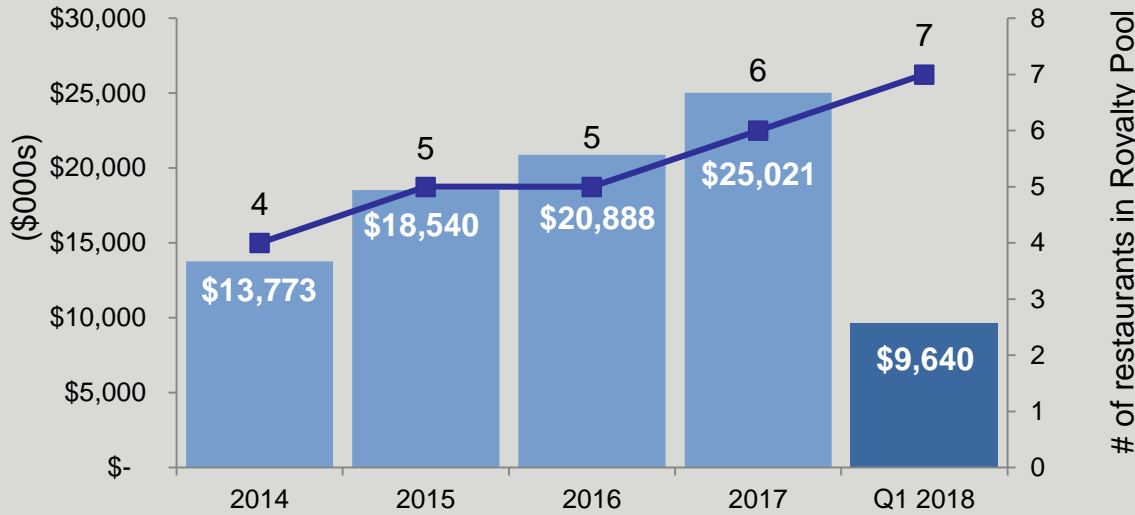


16 *Jack Astor's locations renovated in 2016 - YTD2018*

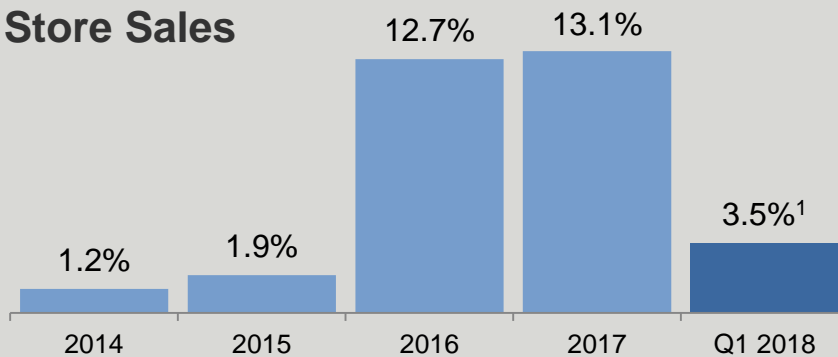
The initial  "Evolution" generated average same store sales increases of over 10% in year one after completion



Pooled Revenue



Same Store Sales



1. Scaddabush same store sales growth for Q1 2018 includes four Scaddabush locations (Richmond Hill, Mississauga, and Scarborough, Ontario and Yonge and Gerrard in downtown Toronto). The new Scaddabush locations in Oakville, Vaughan, and Etobicoke, Ontario and on Front Street in downtown Toronto are excluded as they were not open and included in Pooled Revenue for the entire comparable periods in 2018 and 2017



Investing in New Restaurants

Scaddabush

SCADDABUSH
ITALIAN KITCHEN & BAR®

+ 3 **SCADDABUSH**
ITALIAN KITCHEN & BAR®

Front St., Toronto | Oakville, ON | Vaughan, ON

Added to Royalty Pool on January 1, 2018

+ 1 **SCADDABUSH**
ITALIAN KITCHEN & BAR®

Etobicoke, ON

To be added to Royalty Pool on January 1, 2019



Conversions & New Locations

Scaddabush

SCADDABUSH
ITALIAN KITCHEN & BAR®

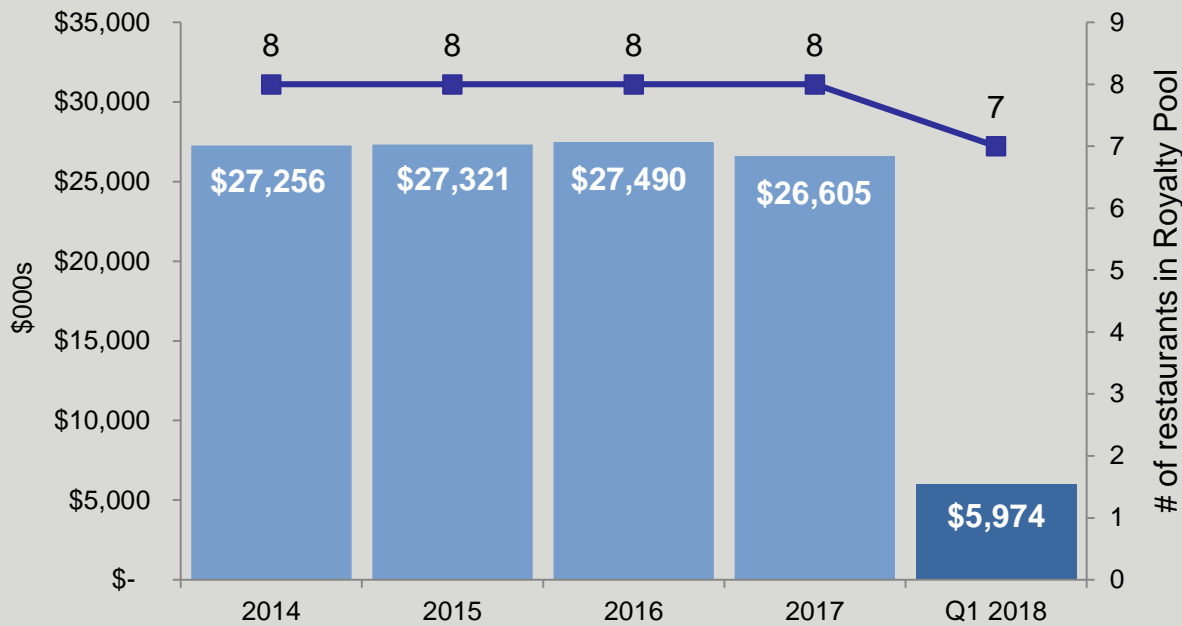
| Project | Location | Completion |
|----------------|------------------------------------|---|
| Conversion | Mississauga | Opened (July 2013) |
| Conversion | Richmond Hill | Opened (Sept. 2015) |
| New restaurant | Downtown Toronto (Yonge & Gerrard) | Opened (Feb. 2014) |
| New restaurant | Scarborough | Opened (July 2016) Added to Royalty Pool in January 2017 |
| New restaurant | Downtown Toronto (Front St.) | Opened (Nov. 2016) Added to Royalty Pool in January 2018 |
| Conversion | Oakville | Opened (April 2017) Added to Royalty Pool in January 2018 |
| Conversion | Vaughan | Opened (July 2017) Added to Royalty Pool in January 2018 |
| Conversion | Etobicoke | Opened (Nov. 2017) To be added to Royalty Pool in January 2019 |



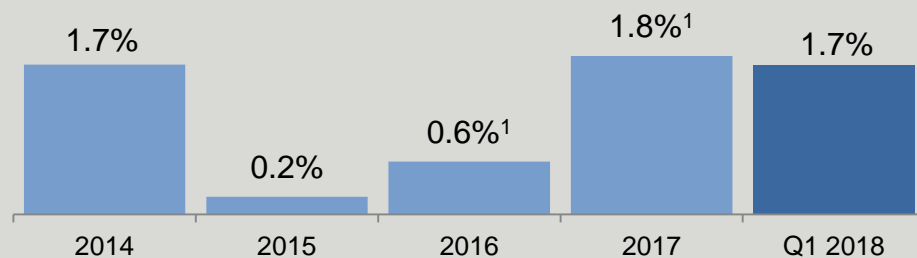
Alice Fazooli's concept now successfully transitioned to Scaddabush



Pooled Revenue



Same Store Sales



1. A competitive intrusion at one location impacted sales in the second half of 2016 and in 2017. This restaurant, located in Etobicoke, Ontario, was permanently closed effective October 15, 2017. A new Scaddabush restaurant was opened at this location on November 28, 2017. Sales from this closed Canyon Creek location were excluded from the calculation of same store sales growth for 2017



Investing in Existing Restaurants Canyon Creek

CANYON
CREEK



SIR has initiated a comprehensive plan to improve the long-term performance of Canyon Creek

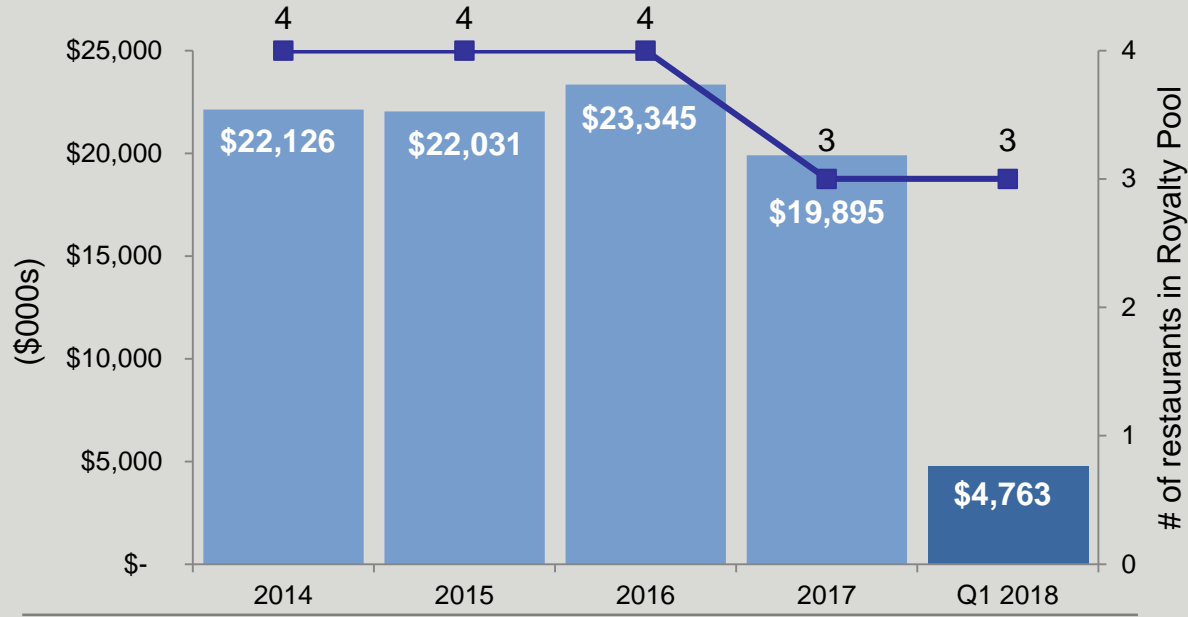


6.9% of Royalty Pooled Revenue in Q1 2018 →

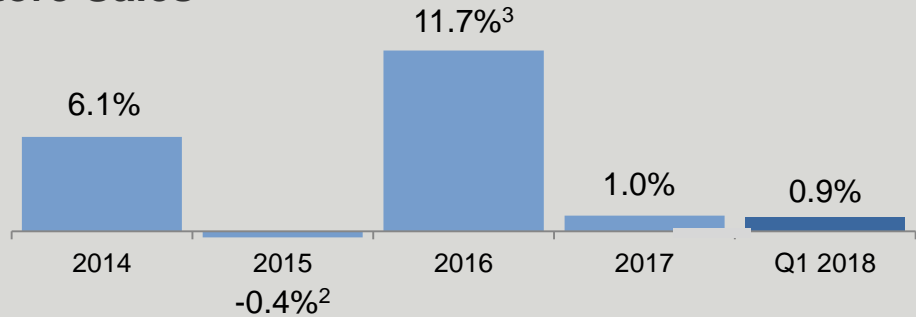


Signature Restaurants

Pooled Revenue¹



Same Store Sales



1. Pooled revenue includes contributions from Far Niente/FOUR/Petit Four up to the effective date of closure on Oct. 15, 2016
 2. Far Niente was closed for 40 days to complete restoration work following a burst pipe on the premises, resulting in a same store sales decline of 18.8%
 3. Same store sales for 2016 does not include contribution from Far Niente/FOUR/Petit Four



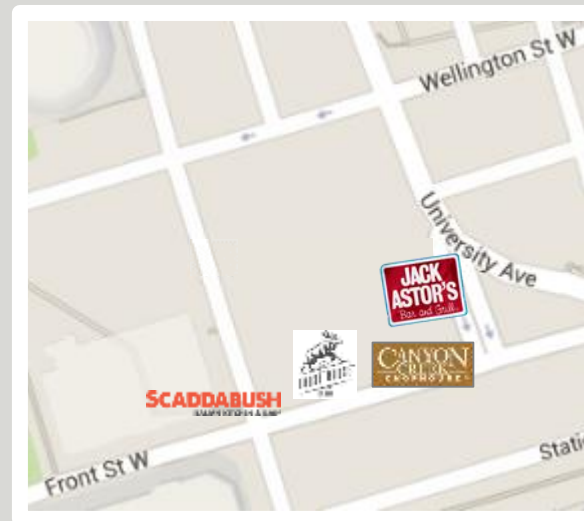
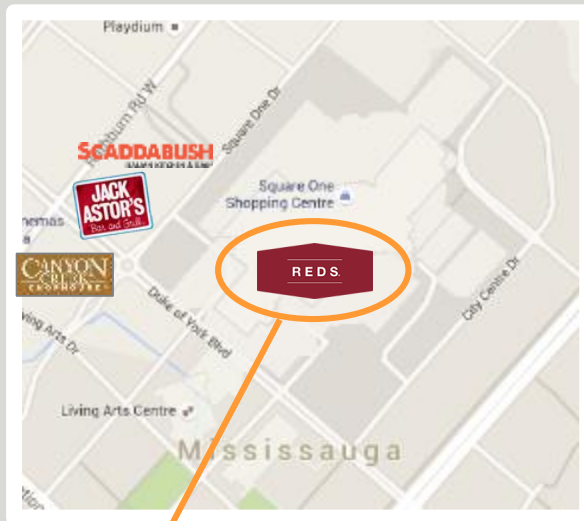
Strategic Advantage

Brand Diversification

*Square One Mall,
Mississauga*

*Front Street,
Downtown Toronto*

*Scarborough
Town Centre*



+1

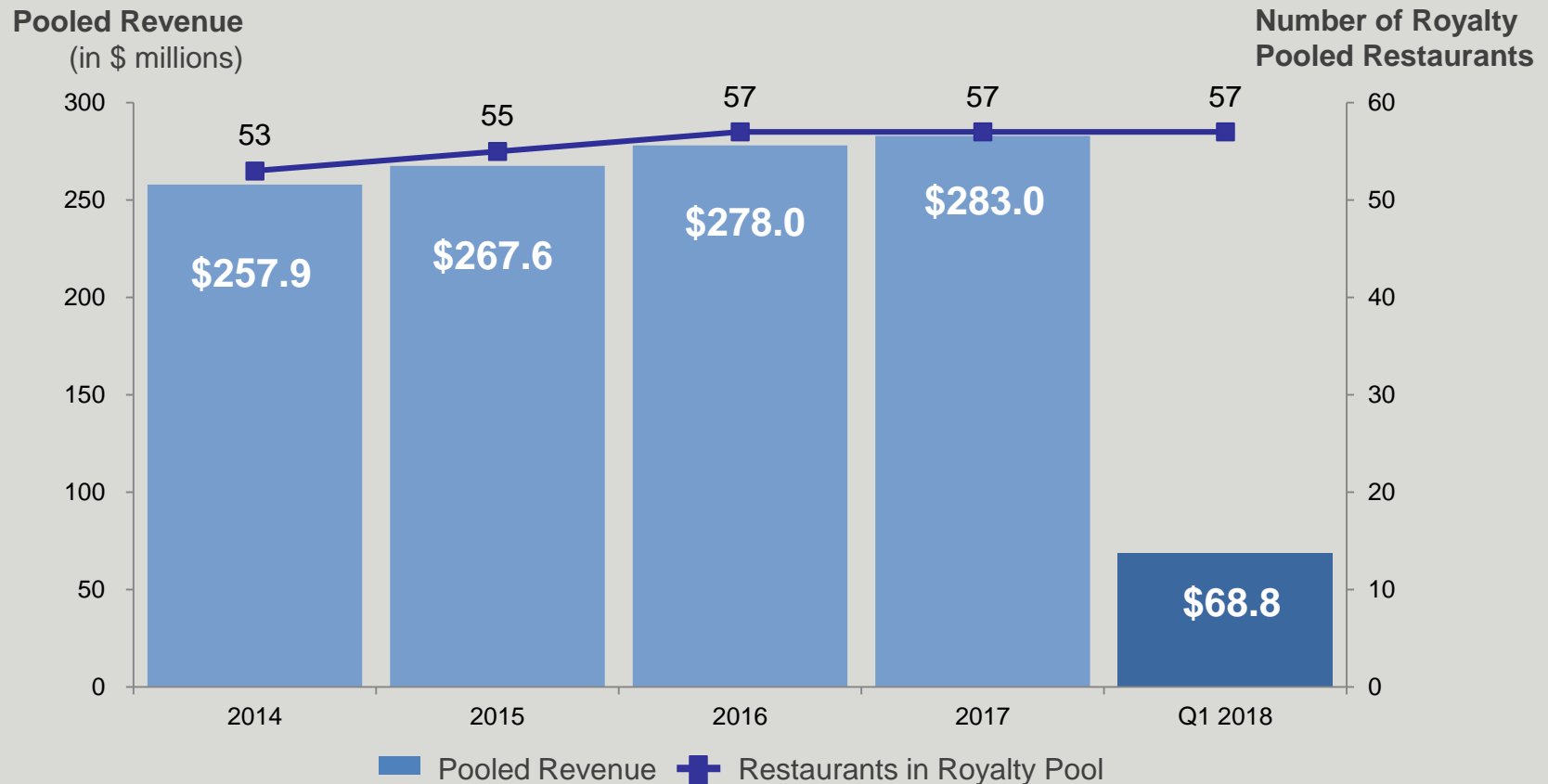


Opened December 2017 | to be added to Royalty Pool Jan. 1, 2019

Diverse portfolio of restaurant brands enables SIR to position more than one restaurant brand at prime, high-traffic locations

Royalty Pooled Restaurants

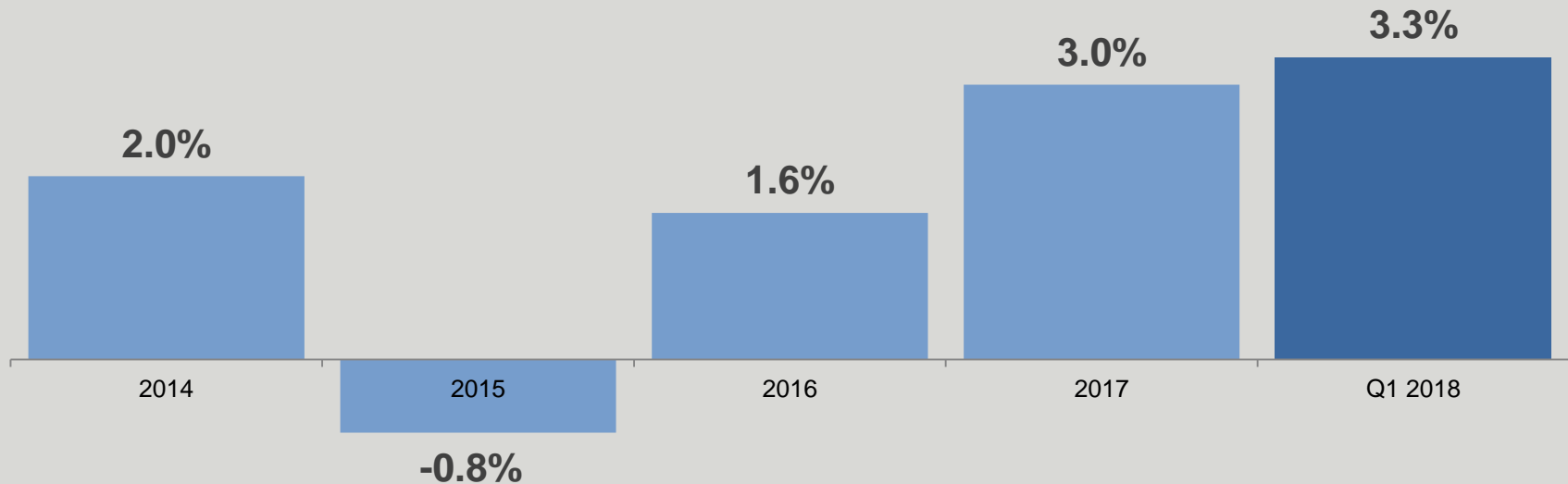
Steady Revenue Growth



Strong track record of growing Royalty Pooled Revenue through restaurant additions and enhancements

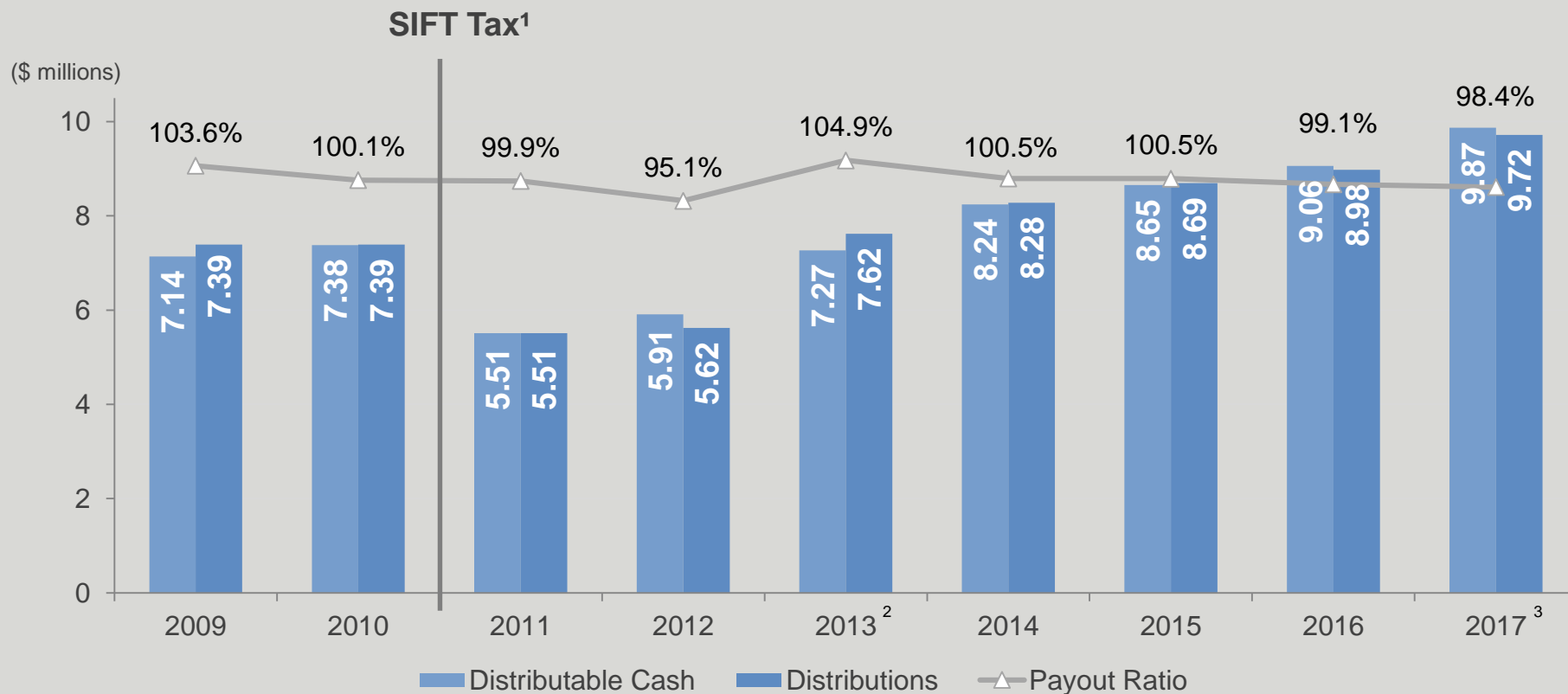
Royalty Pooled Restaurants

Same Store Sales Growth



Jack Astor's renovation program and strong performance of Scaddabush drove same store sales growth in 2017 and Q1 2018

Historical Cash Distributions & Payout Ratio

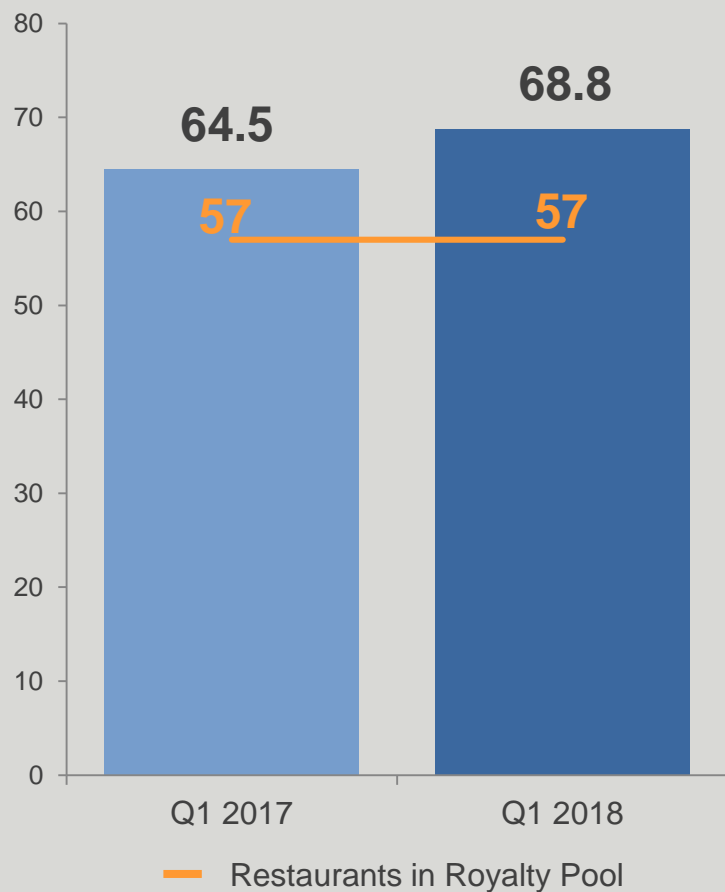


The Fund's payout ratio is intended to average 100% per annum over the long term. The Fund's payout ratio from inception in 2004 through to 2017 is 99.3%.

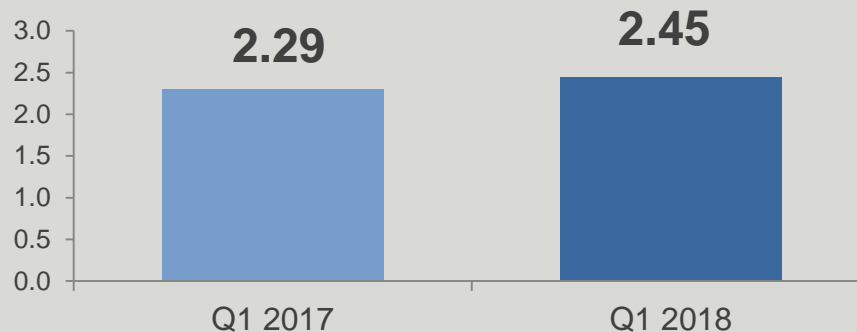
1. The reduction in distributions beginning in 2011 was equal to the estimated SIFT tax payable on the Fund's 2011 income
2. Cash distributed to unitholders in 2013 includes the special year-end distribution of \$0.05 per unit that was declared in December 2012 and paid on January 11, 2013. The Fund also increased monthly distributions to \$0.095 / unit effective for the June 2013 distribution. The payout ratio was significantly affected by these items
3. Cash distributed to unitholders in 2017 includes the special year-end distribution of \$0.02 per unit that was declared and paid in December 2017

Q1 2018 Financial Review

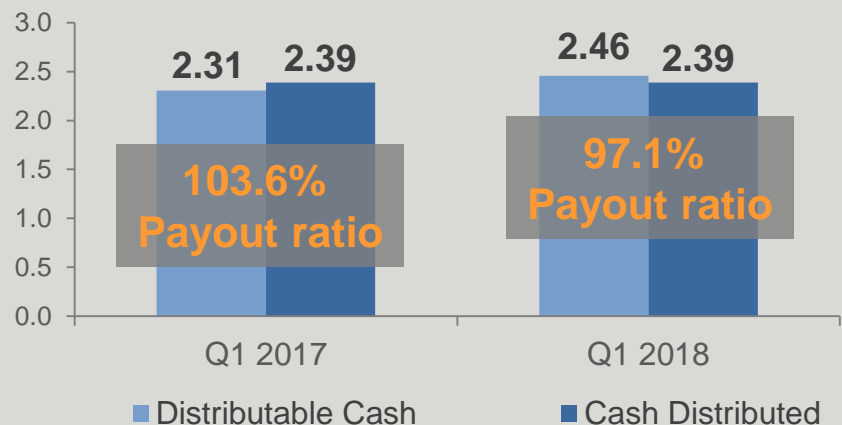
Pooled Revenue (\$ millions)



Adjusted Net Earnings (\$ millions)¹



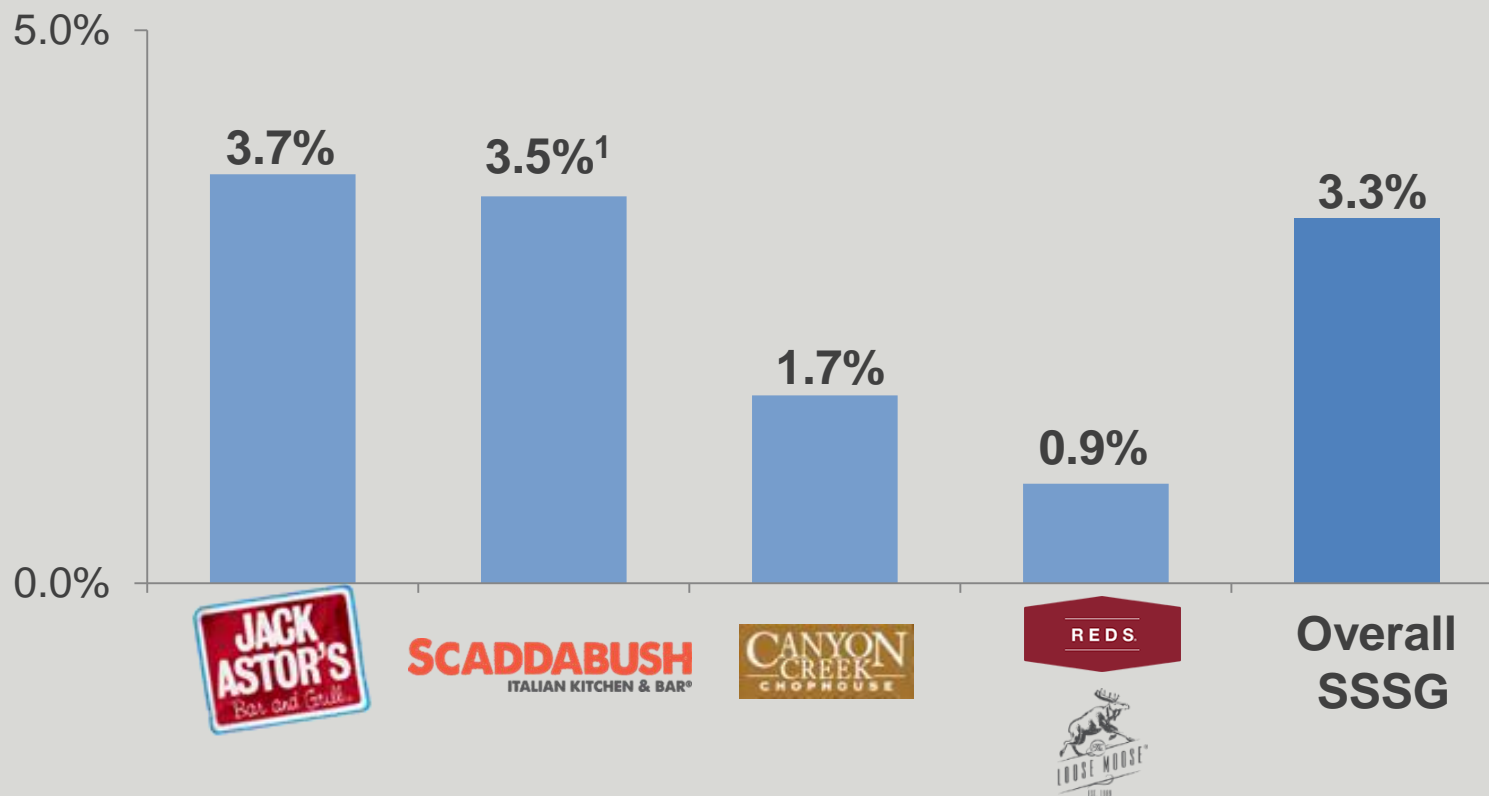
Cash Distributions (\$ millions)



1. Adjusted Net Earnings is calculated by replacing the gain or loss on the SIR Loan as reported in the statement of earnings with the interest received on the SIR Loan during the period and the corresponding deferred tax expense or recovery from the net earnings for the period

Q1 2018 Same Store Sales Growth

(3-month period ended March 31, 2018)



1. Scaddabush same store sales growth for Q1 2018 includes four Scaddabush locations (Richmond Hill, Mississauga, and Scarborough, Ontario and Yonge and Gerrard in downtown Toronto). The new Scaddabush locations in Oakville, Vaughan, and Etobicoke, Ontario and on Front Street in downtown Toronto are excluded as they were not open and included in Pooled Revenue for the entire comparable periods in 2018 and 2017

Outlook



- Ongoing Jack Astor's renovation program to drive same store sales growth
 - Renovations of 16 locations completed since start of program in 2016



- Three Scaddabush restaurants added to Royalty Pool effective January 2018
- New Scaddabush opened at Sherway Gardens, Etobicoke in November 2017 to be added to Royalty Pool effective January 2019
- Commitment in place to lease property in Mimico neighbourhood of Etobicoke to build a new Scaddabush restaurant



- Active plan to improve long-term performance of Canyon Creek



- Third Reds location opened at Square One Mall, Mississauga in December 2017, to be added to Royalty Pool effective January 2019