

MEDIA RELEASE

for immediate distribution

Melcor Developments announces second quarter results, declares quarterly dividend of \$0.11 per share

Edmonton, Alberta | August 6, 2024

Melcor Developments Ltd. ("Melcor") (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the second quarter ended June 30, 2024. The second quarter Management Discussion & Analysis (MD&A) and Condensed Interim Financial Statements are available on our website (www.melcor.ca) under Investors, or on SEDAR+ (www.sedarplus.ca).

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "Melcor is pleased to report results for the second quarter of 2024. Revenue for the quarter increased 6.8% to \$69.71 million (Q2-2023: \$65.25 million), and 17.9% to \$119.46 million year-to-date (2023: \$101.32 million). Funds from operations increased 15.4% to \$20.12 million in the quarter (Q2-2023: \$17.43 million), and 38.3% to \$33.86 million year-to-date (2023: \$24.48 million).

Alberta's land and housing industry has experienced a period of growth driven by demand in residential and commercial projects. We continue to see our province positively impacted by migration, leading to continued demand for suburban living, particularly in Edmonton and Calgary.

Our Land division produced strong results, with revenue up 12.9% to \$37.23 million in the quarter (Q2-2023: \$32.99 million) and up 41.5% to \$58.30 million year-to-date (2023: \$41.21 million). Earnings were up 9.1% to \$14.98 million in the quarter (Q2-2023: \$13.73 million), and up 39.8% to \$21.87 million year-to-date (2023: \$15.64 million). Edmonton continues to contribute the largest volumes of sales with 151 single-family lot sales to date (2023: 134), with our Calgary region and Red Deer region doubling their single-family lot sales over 2023 at 114 (2023: 51) and 51 (2023: 7) respectively.

Our Properties division continues to grow our portfolio via our internal development. We completed one building (31,800 sf) in our Woodbend development earlier in the year and as at June 30, 2024 an additional four buildings (120,596 sf) of properties under active development.

Our leasing team has been actively pursuing and securing new leases across all asset classes, successfully increasing our occupancy levels over year-end to 86.5% (December 31, 2023 - 86.2%). Overall revenue from our Income Properties, including our Properties and REIT divisions, was stable at \$29.16 million (Q2-2023: \$28.93 million), and \$59.76 million year-to-date (\$58.75 million). We have sold several residential units in Arizona for net proceeds of \$2.73 million year-to-date. On May 10, 2024, our REIT division (Melcor REIT) closed on the sale of a 29,000 sf office property located in Kelowna, BC for gross proceeds of \$7.80 million, resulting in net proceeds of \$7.48 million.

We remain focused and committed to maintaining a strong balance sheet. In the past 12 months have reduced our general debt, which includes our mortgages and credit facilities, by 5.65% (Q2-2023: \$699.38 million). Despite ongoing challenges of market pressures from higher interest rates and ongoing inflation impacting the cost of business, we continue to provide steady results. Our diverse portfolio of assets enables us to strategically focus on areas where we see demand. We remain positioned to bring on new product for our builder partners as the market demands and committed to provide best-in-class services for our tenants.

Today the Board declared a dividend of \$0.11 per share, payable on September 27, 2024 to shareholders of record on September 13, 2024. The dividend is an eligible dividend for Canadian tax purposes."

Financial Highlights

Financial highlights of our performance are summarized below:

Second quarter:

- Revenue was up 6.8% to \$69.71 million (Q2-2023: \$65.25 million)
- Gross profit was up 3.6% to \$35.09 million (Q2-2023: \$33.87 million)
- Net income was up 7.9% to \$23.34 million (Q2-2023: \$21.63 million)
- Funds from operations (FFO) was up 15.4% to \$20.12 million (Q2-2023: \$17.43 million)
- Basic earnings per share was up 10.1% to \$0.76 per share (Q2-2023: \$0.69 per share)

Year-to-date:

- Revenue was up 17.9% to \$119.46 million (2023: \$101.32 million)
- Gross profit was up 12.7% to \$58.70 million (2023: \$52.10 million)
- Net income was up 51.9% to \$36.13 million (2023: \$23.79 million)
- Funds from operations (FFO) was up 38.3% to \$33.86 million (2023: \$24.48 million)
- Basic earnings per share was up 55.3% to \$1.18 per share (2023: \$0.76 per share)

The real estate industry is impacted by the cyclical nature of development, demand for product, the timing of raw and multi-family land sales and lot registrations. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

Net income was up 7.9% to \$23.34 million in Q2-2024 (Q2-2023: \$21.63 million) and up 51.9% to \$36.13 million year-to-date (2023: \$23.79 million). Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties, REIT units, the revaluation of interest rate swaps and the conversion feature on our convertible debenture. The change in the REIT's unit price has a counter-intuitive impact on net income as an increase in unit value decreases net income. In Q2-2024 the fair value adjustment on REIT units swung by \$1.17 million in the period negatively contributing to net income comparative to Q2-2023 and \$9.59 million year-to-date over positively contributing to net income comparative to 2023. These gains are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

FFO was up 15.4% to \$20.12 million in Q2-2024 (Q2-2023: \$17.43 million) and up 38.3% to \$33.86 million year-to-date (2023: \$24.48 million). The increase in FFO is a direct result of the increase in revenue in our Land division.

In the past 12 months have reduced our general debt, which includes our mortgages and credit facilities, by 5.65% (Q2-2023: \$699.38 million). Our debt to equity ratio on June 30, 2024 was 0.68, down from 0.78 in Q2-2023, and 0.73 at the start of the year. We remain focused on maintaining a strong balance sheet and being prudent with spend in the current inflationary market.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was up 12.9% or \$4.24 million in the period to \$37.23 million (Q2-2023: \$32.99 million), and up 41.5% or \$17.09 million to \$58.30 million year-to-date (2023: \$41.21 million). Revenue growth was attributed to an increase in single-family lot sales to 325 (2023 - 195), and 23.30 acres sold of multi-family, commercial and industrial land sales (2023: 5.18 acres). Edmonton contributed our largest sales volume with 151 single-family lot sales and 19.87 acres sold year-to-date, and our Calgary more than doubling its single-family home sales over 2023 with 114 lot sales year-to-date (2023: 51) and 1.10 acres sold year-to-date.

Our **Properties** division currently has 120,596 sf under active development or awaiting lease-up on four projects (Chestermere Station, Woodbend Market, Winterburn Point, and Greenwich). Construction and leasing activity resulted in a \$0.82 million gain in the period and \$0.87 million gain year-to-date. Additionally, our Properties division has completed construction on one retail building year-to-date, contributing an additional 31,800 sf to our portfolio of income-generating properties located within our Woodbend Retail development.

Our **Income Properties** (Properties and REIT) accounted for 41.8% of revenue, after intersegment eliminations compared to 44.3% in Q2-2023. Occupancy increased over year-end to 86.5% (December 31, 2023: 86.2%) and was down over last year (Q2-2023: 87.8%).

Our **Golf** division, was stable over 2023 with 49,346 rounds played to date (2023: 52,322), and year-to-date revenues of \$5.44 million (2023: \$5.41 million). As of April 22, all our golf courses have been opened.

On May 10, 2024, we sold our Richter Street property. This property was 29,000 sf office property located in Kelowna, BC for gross proceeds of \$7.80 million, or net proceeds of \$7.48 million after transaction costs. This property was pledged as collateral on a different investment property and as such the bank required \$5.08 million from the net proceeds be held as additional security in short term investments. Net cash of \$2.40 million was used to reduce borrowings on our credit facility. This property was held in Melcor REIT.

As of June 30, 2024, we have classified four retail properties as held for sale, including three located in Regina, SK, and one located in Grande Prairie, AB outside our core Alberta market with a combined 481,000 sf. These assets were listed for sale due to their geographic location and is consistent with our strategic decision to focus on our core Alberta markets and on debt repayment. Net cash from the sale of these assets is expected to be used to pay down the revolving credit facility and reduce our overall debt. These properties are all held in Melcor REIT.

We continue to strategically assess our assets within our REIT division, with an aim to focus on our core Alberta market.

SHAREHOLDER HIGHLIGHTS

We continue to return value to our shareholders:

Melcor Developments:

- We have repurchased 183,055 shares for cancellation under normal course issuer bids (NCIB) at a cost of \$2.12 million to date in 2024. On June 7, 2024 Melcor entered into a new NCIB as the previous one was set to expire.
- On May 14, 2024, we declared a quarterly dividend of \$0.11 per share paid on June 28, 2024, to shareholders of record on June 14, 2024.
- On August 6, 2024, we declared a quarterly dividend of \$0.11 per share, payable on September 27, 2024, to shareholders of record on September 13, 2024. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- The REIT paid a monthly distribution in the amount of \$0.04 per unit in January 2024. No additional distributions have been made in the year.
- On February 22, 2024, the Board of Trustees of Melcor REIT announced the establishment of an Independent Committee (the "Independent Committee") to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent Committee has retained BMO Capital Markets as financial advisor and DLA Piper (Canada) LLP as legal counsel to evaluate a broad range of strategic alternatives to maximize unitholder value. The REIT will continue to provide updates to the market as they become available.

Selected Highlights

(\$000s except as noted)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change %	2024	2023	Change %
Revenue	69,707	65,247	6.8	119,455	101,324	17.9
Gross margin ¹	50.3 %	51.9 %	(3.1)	49.1 %	51.4 %	(4.5)
Net income	23,340	21,633	7.9	36,128	23,786	51.9
Net margin ¹	33.5 %	33.2 %	0.9	30.2 %	23.5 %	28.5
FFO ²	20,115	17,432	15.4	33,863	24,477	38.3
Per Share Data (\$)						
Basic earnings	0.76	0.69	10.1	1.18	0.76	55.3
Diluted earnings	0.76	0.69	10.1	1.18	0.76	55.3
FFO ³	0.65	0.56	16.1	1.10	0.78	41.0
Dividends	0.11	0.16	(31.3)	0.22	0.32	(31.3)

As at (\$000s except share and per share amounts)	June 30, 2024	December 31, 2023	Change %
Total assets	2,086,842	2,097,473	(0.5)
Shareholders' equity	1,244,016	1,209,578	2.8
Total shares outstanding	30,479,398	30,662,453	(0.6)
Per Share Data (\$)			
Book value ⁽³⁾	40.81	39.45	3.4

1 Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

2 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

3 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2024, which can be found on the company's website at www.Melcor.ca or on SEDAR+ (www.sedarplus.ca).

Non-GAAP & Non-Standard Measures

FFO is a key measure of performance used by real estate operating companies; however, that is not defined by IFRS Accounting Standards, do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS Accounting Standards measure is more fully defined and discussed in the Melcor's management discussion and analysis for the period ended June 30, 2024, which is available on SEDAR+ (www.sedarplus.ca).

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See tables below for reconciliation of FFO:

Consolidated

(\$000s)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income for the period	23,340	21,633	36,128	23,786
Amortization of operating lease incentives	42	1,949	4,180	4,269
Fair value adjustment on investment properties	(862)	4,780	7,971	7,264
Depreciation on property and equipment	423	426	565	571
Stock based compensation expense	285	248	581	478
Non-cash finance costs	1,100	(2,363)	(127)	415
Gain on sale of asset	(6)	(7)	(53)	(7)
Deferred income taxes	1,626	(678)	2,507	(1,410)
Fair value adjustment on REIT units	(5,833)	(8,556)	(17,889)	(10,889)
FFO	20,115	17,432	33,863	24,477

Properties

(\$000s)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Segment Earnings	6,535	7,683	11,318	11,004
Fair value adjustment on investment properties	(1,225)	(2,470)	(650)	(853)
Amortization of operating lease incentives	636	466	1,386	1,227
Divisional FFO	5,946	5,679	12,054	11,378

REIT

(\$000s)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Segment Earnings	8,447	2,058	8,956	10,350
Fair value adjustment on investment properties	958	7,830	10,014	9,416
Amortization of operating lease incentives	933	993	1,892	2,051
Divisional FFO	10,338	10,881	20,862	21,817

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding.

About Melcor Developments Ltd.

Melcor is a diversified real estate development and asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 170 communities and commercial projects across Western Canada and today manages 4.79 million sf in commercial real estate assets and 460 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2024 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A and the additional disclosure under Business Environment and Risk in this MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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