

## MEDIA RELEASE

for immediate distribution

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

Edmonton, Alberta | November 7, 2024

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

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "Melcor is pleased to report results for the third quarter of 2024. Revenue was \$59.51 million, down from \$88.78 million in Q3-2023, and year-to-date revenues reached \$178.96 million compared to \$190.11 million in 2023. The revenue decline is primarily due to a reduction in US sales over the comparative period, with no US sales recorded in 2024. Funds from operations ("FFO") were also affected by the timing of US sales, resulting gross profit decrease of \$12.03 million in the quarter and down \$5.44 million year-to-date. Other factors impacting FFO include higher general and administration expenditures in the period and year-to-date related to the potential transaction with the REIT. As a result, FFO decreased by 26.4% to \$16.51 million in the quarter (Q3-2023: \$22.42 million. Year-to-date FFO increased 7.4% to \$50.37 million (2023: \$46.89 million).

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

In Canada, our Land division has recognized year-to-date revenue of \$85.63 million, up 20.7% over last year (2023: \$70.93 million). Single-family homes sales increased to 521 lots from 455 lots and multi-family, commercial and other land sales were stable with 27.55 acres sold in 2024 compared to 27.27 acres in 2023.

Our Properties division completed one building in the quarter (16,942 sf) at our Winterburn Point development. As at September 30, 2024, an additional four buildings (103,268 sf) of properties are under active development.

Overall revenue from our Properties and REIT divisions was stable at \$29.00 million (Q3-2023: \$28.32 million), and \$88.75 million year-to-date (\$87.07 million). We sold eleven residential units in Arizona for net proceeds of \$4.78 million year-to-date.

We remain focused and committed to maintaining a strong balance sheet. In the past 12 months have reduced our general debt by 7.8% (Q3-2023: \$696.16 million) and since year end general debt is down 4.2% (December 31, 2023: \$670.17 million). Despite ongoing challenges and market pressures from higher interest rates and ongoing inflation, we continue to provide steady results. Our diverse portfolio of assets enables us to strategically focus on areas where we see demand.

Today the Board declared a dividend of \$0.11 per share, payable on December 31, 2024 to shareholders of record on December 13, 2024. The dividend is an eligible dividend for Canadian tax purposes."

## Transaction with Melcor REIT:

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the "GP") pursuant to which, among other steps, Melcor will acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for \$4.95 per unit in cash consideration ("REIT LP Sale").

Details on the transaction with the REIT are as follows:

- The REIT will use the proceeds from the REIT LP sale to redeem and cancel all of the REIT's participating trust units in exchange for a cash payment of \$4.95 per trust unit, less any pre-arrangement distributions, if any, and applicable withholdings (collectively with the REIT LP Sale, the "Transaction")
- The Arrangement Agreement included a "Go-Shop Period" which expired on October 15, 2024 with no superior proposal having been received.
- The Transaction is the result of a rigorous arm's length negotiation process that was undertaken between a committee of the independent trustees of the REIT (the "Independent Committee") and its experienced, qualified and independent financial and legal advisors, on the one hand, and Melcor and its advisors, on the other hand. The Independent Committee was and is composed entirely of independent trustees of the Board who are free from any conflict of interest with respect to the Melcor and REIT management.

Melcor, REIT LP and the REIT entered into a separate Backstop Loan Agreement pursuant to which Melcor has agreed to make an unsecured loan to the REIT LP, as borrower, in the principal amount up to the aggregate principal amount of the debentures outstanding on redemption in full, excluding any accrued and unpaid interest thereon. The Backstop Loan Agreement was subject to consent of the REIT's senior lenders, which was received on November 6, 2024. Amounts advanced pursuant to the Backstop Loan Agreement, if any, will mature three years from the date of advance with a fixed interest rate of 12%, paid semi-annually and is prepayable, in whole or in part, at anytime prior to maturity

with no penalty and will be postponed and subordinate to amounts advanced by the REIT's senior lenders. This loan will eliminate upon consolidation.

Further details regarding the Transaction is contained in a REIT management information circular which was filed on SEDAR+ under the REIT's profile at [www.sedarplus.ca](http://www.sedarplus.ca) and is on the the REIT website at <https://melcorreit.ca/special-meeting/>.

## Financial Highlights

Financial highlights of our performance are summarized below:

### Third quarter:

- Revenue was down 33.0% to \$59.51 million (Q3-2023: \$88.78 million)
- Gross profit was down 29.6% to \$28.61 million (Q3-2023: \$40.64 million)
- Net income was down (221.1)% to \$34.98 million (Q3-2023: \$28.88 million)
- Funds from operations (FFO) was down 26.4% to \$16.51 million (Q3-2023: \$22.42 million)
- Basic earnings per share was down 222.3% to loss of \$1.15 per share (Q3-2023: income \$0.94 per share)

### Year-to-date:

- Revenue was down 5.9% to \$178.96 million (2023: \$190.11 million)
- Gross profit was down 5.9% to \$87.31 million (2023: \$92.74 million)
- Net income was down 97.8% to \$1.14 million (2023: \$52.67 million)
- Funds from operations (FFO) was up 7.4% to \$50.37 million (2023: \$46.89 million)
- Basic earnings per share was down 97.6% to \$0.04 per share (2023: \$1.70 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.

Revenue was down 33.0% to \$59.51 million in Q3-2024 (Q3-2023: \$88.78 million) and down 5.9% to \$178.96 million year-to-date (2023: \$190.11 million), with gross profit down 29.6% to \$28.61 million in Q3-2024 (Q3-2023: \$40.64 million) and down 5.9% to \$87.31 million year-to-date (2023: \$92.74 million). This decrease is attributed to the timing of US sales. In 2023, US Land sales accounted for \$34.31 million of the divisions revenue year-to-date and \$16.87 million in gross-profit. Excluding the impact of US land sales, both the land division and overall consolidated revenue is up compared to 2023.

Overall, FFO decreased by 26.4% to \$16.51 million in the quarter (Q3-2023: \$22.42 million), and is up 7.4% to \$50.37 million year-to-date (2023: \$46.89 million). FFO was affected by the timing of US sales which led to a decrease in gross profit, down 29.6% or \$12.03 million in the quarter, and down of 5.9% or \$5.44 million year-to-date. FFO was also impacted by an increase in general and administration expenses which is up \$1.97 million in the quarter and \$3.32 million year-to-date. These decreases were offset by a reduction on income taxes paid of \$6.10 million in the quarter and \$3.58 million year-to-date. Distributions to REIT unitholders also impacts both net income and FFO and in the quarter had a positive impact of \$1.56 million and to date in 2024 had a positive impact of \$4.15 million. Note that distributions on Class B units are eliminated on consolidation and do not impact overall financial results of Melcor.

In the third quarter we recorded a net loss of \$34.98 million (Q3-2023: net income of \$28.88 million) and to date in 2024 have net income of \$1.14 million (2023: net income of \$52.67 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. Non-cash fair value items impacting net income include:

- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. In Q3-2024 the fair value adjustment on REIT units was a loss of \$27.09 million compared to a gain of \$0.26 million in Q3-2023 contributing a swing of \$27.35 million negatively affecting our net income in the quarter. To date in 2024, we have recorded losses of \$9.72 million (2023: gains of \$8.04 million) as the REIT unit price has increased, contributing a swing \$17.76 million negatively affecting our net income position.
- *Fair value adjustments on investment properties:* to date in 2024, we have recorded fair value losses on investment properties of \$17.64 million in the quarter (Q3-2023: fair value gain of \$5.74 million) and \$25.61 million year-to-date (2023: fair value loss \$1.53 million).

These non-cash gains and losses 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.

As of September 30, 2024, we have classified two properties as held for sale (under IFRS), including one retail property located in Grande Prairie, AB and one industrial property located in Lethbridge, AB with a combined 332,000 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.

In the past 12 months we have reduced our general debt by 7.8% (Q3-2023: \$696.16 million) and since year end general debt is down 4.2% (December 31, 2023: \$670.17 million). Our debt to equity ratio on September 30, 2024 was 0.72, down from 0.77 in Q3-2023, 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 down 57.3% or \$36.70 million in the period to \$27.33 million (Q3-2023: \$64.03 million), and down 18.6% or \$19.61 million to \$85.63 million year-to-date (2023: \$105.24 million). The reduction in our revenue is attributed to our US region, which to date in 2024 has not recognized any revenue or sales. Our Canadian markets had an increase in revenue of \$14.70 million or 20.7% year-to-date. Year-to-date we have sold 521 lots (2023 - 455), and 27.55 acres sold (2023: 22.75 acres) of multi-family, commercial and industrial land sales in our Canadian market. Edmonton contributed our largest sales volume with 291 single-family lot sales and 24.12 acres sold year-to-date, and our Calgary region more than doubled its single-family home sales over 2023 with 150 lot sales year-to-date (2023: 63) and 1.10 acres sold (2023: 3.15 acres) year-to-date.

Our **Properties** division currently has 103,268 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 \$1.02 million fair value gain in the period and a \$1.89 million fair value gain year-to-date. Additionally, our Properties division has completed construction on two retail buildings year-to-date, contributing an additional 48,742 sf to our portfolio of income-generating properties located within our Woodbend Retail development and our Winterburn Point development.

Our **Properties** and **REIT** divisions accounted for 48.7% of revenue, after intersegment eliminations compared to 31.9% in Q3-2023. Occupancy increased over year-end to 86.5% (December 31, 2023: 86.2%) and was down over last year (Q3-2023: 87.8%). The REIT has faced ongoing challenges, primarily on its office assets. To date in 2024 we have recorded fair value losses of \$17.44 million on these assets, and have seen occupancy decrease compressing both rental revenue and NOI.

Our **Golf** division, was stable over 2023 with 115,595 rounds played to date (2023: 116,568), and year-to-date revenues of \$10.70 million (2023: \$10.36 million). Subsequent to the period, our Edmonton courses closed for the season in October 2024, with our Black Mountain course located in Kelowna, BC still operating until weather permits.

We continue to strategically assess our investment properties owned, with an aim to focus on our core Alberta market. In 2023 we sold two properties including one office property in our REIT division (Melcor REIT) located in Kelowna, BC for \$19.50 million, and one retail property in our Properties division located in Lethbridge, AB for gross proceeds of \$3.50 million. On May 10, 2024, we closed on the sale of a 29,000 sf office property in our REIT division located in Kelowna, BC for gross proceeds of \$7.80 million, resulting in net proceeds of \$7.48 million.

## SHAREHOLDER HIGHLIGHTS

### Melcor Developments:

- We have repurchased 269,003 shares for cancellation pursuant to the NCIB at a cost of \$3.18 million to date in 2024.
- We have paid quarterly dividends of \$0.11 per share on March 29, 2024, June 28, 2024, and September 27, 2024. The dividends were eligible dividends for Canadian tax purposes.
- On November 7, 2024, we declared a quarterly dividend of \$0.11 per share, payable on December 31, 2024, to shareholders of record on December 13, 2024. The dividend is an eligible dividend for Canadian tax purposes.

## Selected Highlights

(\$000s except as noted)	Three months ended September 30			Nine months ended September 30		
	2024	2023	Change %	2024	2023	Change %
Revenue	<b>59,508</b>	88,781	(33.0)	<b>178,963</b>	190,105	(5.9)
Gross margin <sup>1</sup>	<b>48.1 %</b>	45.8 %	5.0	<b>48.8 %</b>	48.8 %	–
Net income	<b>(34,984)</b>	28,883	(221.1)	<b>1,144</b>	52,669	(97.8)
Net margin <sup>1</sup>	<b>(58.8)%</b>	32.5 %	(280.9)	<b>0.6 %</b>	27.7 %	(97.8)
FFO <sup>2</sup>	<b>16,507</b>	22,416	(26.4)	<b>50,370</b>	46,893	7.4
<b>Per Share Data (\$)</b>						
Basic earnings	<b>(1.15)</b>	0.94	(222.3)	<b>0.04</b>	1.70	(97.6)
Diluted earnings	<b>(1.15)</b>	0.94	(222.3)	<b>0.04</b>	1.69	(97.6)
FFO <sup>3</sup>	<b>0.54</b>	0.73	(26.0)	<b>1.64</b>	1.51	8.6
Dividends	<b>0.11</b>	0.16	(31.3)	<b>0.22</b>	0.48	(54.2)

As at (\$000s except share and per share amounts)	September 30,		
	2024	December 31, 2023	Change %
Total assets	<b>2,072,614</b>	2,097,473	(1.2)
Shareholders' equity	<b>1,202,220</b>	1,209,578	(0.6)
Total shares outstanding	<b>30,393,450</b>	30,662,453	(0.9)
<b>Per Share Data (\$)</b>			
Book value <sup>(3)</sup>	<b>39.56</b>	39.45	0.3

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 nine months ended September 30, 2024, which can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR+ ([www.sedarplus.ca](http://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 September 30, 2024, which is available on SEDAR+ ([www.sedarplus.ca](http://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 September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Net income (loss) for the period</b>	<b>(34,984)</b>	28,883	1,144	52,669
Amortization of operating lease incentives	<b>2,239</b>	2,105	6,419	6,374
Fair value adjustment on investment properties	<b>17,643</b>	(5,736)	25,614	1,528
Depreciation on property and equipment	<b>494</b>	491	1,059	1,062
Stock based compensation expense	<b>333</b>	293	914	771
Non-cash finance costs	<b>4,010</b>	(1,924)	3,883	(1,509)
Gain on sale of asset	<b>(3)</b>	(41)	(56)	(48)
Deferred income taxes	<b>(318)</b>	160	2,189	(1,250)
Fair value adjustment on REIT units	<b>27,093</b>	(1,815)	9,204	(12,704)
<b>FFO</b>	<b>16,507</b>	22,416	50,370	46,893

## Properties

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Segment Earnings</b>	<b>22</b>	4,972	<b>11,340</b>	15,976
Fair value adjustment on investment properties	<b>5,395</b>	(674)	<b>4,745</b>	(1,527)
Amortization of operating lease incentives	<b>602</b>	652	<b>1,988</b>	1,879
<b>Divisional FFO</b>	<b>6,019</b>	4,950	<b>18,073</b>	16,328

## REIT

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Segment Earnings (loss)</b>	<b>(4,362)</b>	11,202	<b>4,594</b>	21,552
Fair value adjustment on investment properties	<b>12,873</b>	(1,051)	<b>22,887</b>	8,365
Amortization of operating lease incentives	<b>1,206</b>	968	<b>3,098</b>	3,019
<b>Divisional FFO</b>	<b>9,717</b>	11,119	<b>30,579</b>	32,936

**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 4.80 million sf in commercial real estate assets and 455 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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