

## PRESS RELEASE

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# Melcor Developments announces first quarter results, declares quarterly dividend of \$0.13 per share

Edmonton, Alberta | May 8, 2019

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended March 31, 2019. Revenue for the quarter was \$34.88 million, down 21% over Q1-2018. Lower sales in the Community Development division led to a 53% decrease in divisional revenue. Investment Properties revenue grew by 27% over Q1-2018 as a result of new transfers from the Property Development division and third party acquisitions, which led to 27% growth in owned gross leasable area.

Net income for the quarter was \$1.59 million or \$0.05 per share (basic) compared with a net income of \$14.65 million or \$0.44 per share (basic) in the same period of 2018. Net income is impacted by non-cash fair value adjustments on investment properties and on REIT units. Funds from operations (FFO) was \$5.68 million or \$0.17 per share compared with \$4.92 million or \$0.15 per share in the same period of 2018. The FFO increase compared with last year is primarily due to the negative tax impact from the sale of assets to Melcor REIT in Q1-2018. FFO eliminates the elements that have no cash impact on our business from net income and management believes FFO better reflects Melcor's true operating performance.

Darin Rayburn, Melcor's President and Chief Executive Officer, commented on the quarter: "We continue to operate in a challenging economic climate in the markets and real estate asset classes where we are active. Income Properties division revenue growth reported this quarter is consistent with our strategy to grow our commercial assets. We increased our owned commercial Gross Leasable Area (excluding REIT) by 27% over Q1-2018 via transfers from Property Development and third party acquisitions. Our income-generating divisions (including REIT) contributed 79% of revenue in the quarter, resulting in a 2% improvement in gross margin and demonstrating the importance of our strategy to diversify business lines to reduce our reliance on revenue sources that are cyclical both over time, depending on broader economic factors, and seasonally with the construction season.

Community Developments sold fewer single-family lots in Q1 2019 vs Q1 2018 as a result of the soft residential market across Canada; however, several factors also lifted revenue beyond normal Q1 levels for the division in the comparable period in 2018 due to timing of land sales and deals. These factors contributed \$7.38 million to revenue in Q1-2018. We continue to move new residential phases and communities forward where market demand exists and when pre-sale thresholds are met.

Property Developments is actively engaged in creating additional phases of existing commercial projects and some new projects for the 2019 construction season. Currently there is 141,590 square feet of commercial properties under development. This growth positions Melcor well for the future as these commercial assets will eventually transfer to Investment Properties for long-term income-generation and may be sold to the REIT to recapture the value created.

We continue to be proactive in all areas of our business, to execute on our strategy of moving cautiously during challenging economic times, reacting to market cycles and changes and seeking out opportunities to benefit from these cycles and generate revenue.

With a strong financial position, including deployable cash, and high quality assets and raw land inventory, we remain well-positioned for 2019."

The Board today declared a quarterly dividend of \$0.13 per share, payable on June 28, 2019 to shareholders of record on June 15, 2019. The dividend is an eligible dividend for Canadian tax purposes.

## First Quarter Results

Revenues in Q1-2019 were down 21% as a result of the soft residential market in Canada and the timing of sales in the US residential market contributing to a 53% decrease in Community Development revenues over the prior year. US revenue will continue to be lumpy while we ramp up our Harmony project in Aurora, CO. This decline was partially offset by the 27% increase in Investment Properties revenue as a result of growth in owned gross leasable area (GLA) via transfers from Property Development and third party acquisitions, also 27%. Strategies employed to diversify geographically and by product mix over the past few years continue to positively impact our financial results to offset the impact of softer markets in Alberta.

Highlights of the first quarter include:

- Our Property Development division is actively engaged in a number of projects as we enter the 2019 construction season. Our Property Development team started 18,471 sf of development during the quarter and currently has 141,590 sf of development planned for the 2019 construction season.
- Investment Properties division revenue grew by 27% due to the 27% increase in owned GLA compared to Q1-2018 as a result of transfers from Property Development and third party acquisitions.
- The REIT continued to produce stable results with consistent occupancy and base rents.
- Net income of \$1.59 million in the quarter was negatively impacted by non-cash fair value losses on investment properties of \$0.02 million and on REIT units of \$1.58 million. These losses are driven by market forces outside of Melcor's control.
- Funds from operations were up 15% to \$5.68 million compared with Q1-2018, primarily due to the negative tax impact of the sale to the REIT in that period. Management believes funds from operations (FFO) is a more accurate reflection of our true operating performance.
- We paid a quarterly dividend of \$0.13 per share on March 29, 2019. The REIT paid distributions of \$0.05625 per trust unit in January, February and March for a quarterly payout ratio of 103%.
- On May 8, 2019 we declared a quarterly dividend of \$0.13 per share, payable on June 28, 2019 to shareholders of record on June 15, 2019. The dividend is an eligible dividend for Canadian tax purposes.

## Selected Highlights

(\$000s except as noted)	Three months ended		
	31-Mar-19	31-Mar-18	Change
Revenue	34,884	44,414	(21.5)%
Gross margin (%) *	53.9%	51.7%	4.3 %
Net income	1,590	14,647	(89.1)%
Net margin (%) *	4.6%	33.0%	(86.1)%
Funds from operations *	5,677	4,920	15.4 %
<i>Per Share Data (\$)</i>			
Basic earnings (loss)	0.05	0.44	(88.6)%
Diluted earnings	0.05	0.44	(88.6)%
Funds from operations *	0.17	0.15	13.3 %
As at (\$000s except as noted)	31-Mar-19	31-Dec-18	Change
Shareholders' equity	1,061,169	1,067,565	(0.6)%
Total assets	2,016,422	2,023,076	(0.3)%
<i>Per Share Data (\$)</i>			
Book value *	31.88	32.01	(0.4)%

### 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 months ended March 31, 2019, which can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

### 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 140 communities and commercial projects across Western Canada and today manages 4.15 million sf in commercial real estate assets and 608 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 2019 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.

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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