

PRESS RELEASE

for immediate distribution

Melcor Developments announces results for 2023, declares \$0.11 per share dividend

Edmonton, Alberta | March 13, 2024

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the fourth quarter and year ended December 31, 2023. The annual 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: "We are pleased to present Melcor's annual results for the year ended December 31, 2023. In 2023, Alberta land development market experienced a dynamic yet cautiously optimistic landscape. The province saw growth in residential development, fueled by in-migration and a shift toward suburban living.

Melcor has continued to show resilience while navigating volatile market conditions. These challenges include rising interest rates and ongoing inflation which has had significant impact on the cost of doing business and interest costs on borrowed funds. Our diverse portfolio of assets has enabled us to strategically focus on areas where demand remains strong, and we remain well positioned to bring on new product for our builder partners and committed to providing best-in-class service for our tenants.

Lot sales were strong in 2023, and we closed on 1,149 lots in Canada and 234 in the US. Our Calgary region had a strong year launching two new communities and selling a total of 581 lots in the year. Edmonton continues to generate consistent, and strong sales and in 2023 closed on 511 lot sales. At our US development project, located in Harmony, Colorado, we sold 234 in the year as compared to the prior year where no lots were sold.

Our Properties division completed the development of two buildings last year contributing 22,140 sf to our portfolio. At year-end we had 103,925 sf under construction. Going forward, the commencement of additional commercial development will be on a cautious and strategic basis.

Our Properties division also manages 4.77 million sf of income-producing commercial GLA and 466 residential units owned both directly by Melcor, and through our majority interest in Melcor REIT, continues to face a difficult economic environment. Management has been focused on addressing the situation and has been relatively successful. Despite these efforts, we continue to see an erosion of operating cash flow resulting from reductions in office lease rates, higher tenant incentives, capital requirements, increasing operating costs and continuing higher financing costs.

Generally speaking, commercial, and particularly office properties, are struggling with softer demand for space, increasing expenses and higher financing costs. Many factors including post-pandemic effects, work from home, online shopping and staffing issues are all creating challenges for businesses. Because of these factors and together with higher interest rates, financing real estate has become more expensive and difficult to secure.

Melcor remains in solid financial condition. Since 2022, we have reduced our general debt by 9% (down \$70.19 million) demonstrating our commitment to financial prudence and we will continue to exercise caution.

In 2023, Melcor celebrated 100 years in real estate which is a testament to our resilience in the marketplace. We remain committed to our shareholders and thank our Board of Directors for their continued support and all our employees for their dedication to our business."

Today the Board declared a dividend of \$0.11 per share, payable on March 29, 2024 to shareholders of record on March 22, 2024. The dividend is an eligible dividend for Canadian tax purposes.

Financial Highlights

Financial highlights of our performance are summarized below:

Fourth quarter:

- Revenue was up 64% to \$125.13 million (Q4-2022: \$76.26 million)
- Net income was down 72% to \$10.31 million (Q4-2022: \$37.20 million)
- Funds from operations (FFO) was up 68% to \$37.56 million (Q4-2022: \$22.30 million)
- Basic earnings per share was down 70% to \$0.34 per share (Q4-2022: \$1.15 per share)

Year-to-date:

- Revenue was up 30% to \$315.24 million (2022: \$241.75 million)
- Net income was down 30% to \$62.98 million (2022: \$89.35 million)
- Funds from operations (FFO) was up 39% to \$84.46 million (2022: \$60.86 million)
- Basic earnings per share was down 26% to \$2.04 per share (2022: \$2.75 per share)

(1) Readers are reminded that established key performance measures may not have standardized meaning under GAAP. For further information on the Melcor's non-standard measures, non-GAAP measures, operating measures and non-GAAP ratios, refer to the information in the press release below along with the Non-GAAP and Non-Standard Measures section in the MD&A

Selected Highlights

(\$000s except as noted)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2023	2022	% Change	2023	2022	% Change
Revenue	125,134	76,261	(49)%	315,239	241,747	(23)%
Gross margin (%) ⁽³⁾	39.6 %	48.6 %	23 %	45.2 %	48.9 %	10 %
Fair value adjustment on investment properties	(22,928)	21,801	120 %	(24,456)	21,554	11 %
Net income	10,311	37,202	(17)%	62,980	89,354	59 %
Net margin (%) ⁽³⁾	8 %	49 %	64 %	20.0 %	37.0 %	108 %
Funds from operations ⁽¹⁾	22,297	42,311	(47)%	84,455	60,859	(25)%
Per Share Data (\$)						
Basic earnings	0.34	1.15	(70)%	2.04	2.75	62 %
Diluted earnings	0.34	1.15	(70)%	2.03	2.74	61 %
Funds from operations ⁽²⁾	1.21	0.68	78 %	2.73	1.88	(24)%
Dividends	1.21	0.68	78 %	0.64	0.58	32 %

As at (\$000s except share and per share amounts)	December 31, 2023	December 31, 2022	% Change
Shareholders' equity	1,209,578	1,178,336	3 %
Total assets	2,097,473	2,167,050	(3)%
Total Shares outstanding	30,662,453	31,248,628	2 %
Book value ⁽²⁾	39.45	37.71	5 %

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

(2) Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section in the MD&A for further information.

(3) Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section in the MD&A for further information.

Net income in the current and comparative period is significantly impacted by non-cash fair value adjustments and thus not reflective of overall financial performance. Furthermore, given the cyclical nature of real estate development, comparison of any three-month period may not be meaningful. FFO is an alternative non-GAAP metric used in the real estate industry to measure financial disclosure and was up 68% in the quarter and up 39% year-to-date compared with 2022.

Melcor reported a strong fourth quarter, despite challenges in the market including inflation and higher interest rates. Notwithstanding market conditions, demand for homes has remained stable across our geographically dispersed Land division, and our Properties and Golf segments continues to generate stable results. To date in 2023, results have yielded a gross margin of 45% (2022 - 49%). Gross margin earned in our Land division remained steady at 39%. Gross profit contributed by the Land division was up 51% to \$79.46 million (2022 - \$52.72 million) as a result of increased sales in the Calgary and US region. Before eliminating entries, our Land division contributed 62% of total revenue up from 52% in 2022. Despite consistent gross margins in each of our operating divisions, the increase in proportionate gross profit from our Land division resulted in a decrease in Melcor's consolidated gross margin for 2023, when compared to 2022.

With rising interest rates, we remain focused on managing liquidity and debt, and since year-end have reduced our general debt by \$70.19 million or 9%. Quarterly dividends have remained stable at \$0.16 per quarter, and year-to-date are up \$0.06 per share compared to 2022.

Our **Land** division produced strong results, with revenue up 49% to \$201.75 million and earnings up \$28.31 million to 61% in the year. The largest driver of the increase in this division was our US region where we have successfully closed on the 234 single-family lots to date in 2023, generating revenue of \$40.75 million and earnings of \$18.78 million. No lots were closed on in the US region in 2022. The US community development model differs from Canadian markets, and sales can fluctuate quarter-over-quarter due the nature of the US market with production builders buying lots in bulk and then building and selling the homes to consumers.

Our **Properties** division completed construction on 2 CRU's (22,140 sf) in our Woodbend development. We recognized \$4.98 million in fair value gains on the properties completed and in construction within year. We have an additional 103,925 sf under active development and awaiting lease-up across 5 CRU's.

Our **Income Properties**, which include our Properties and REIT divisions, contributed 35% of revenue in 2023 compared to 44% in 2022. Occupancy decreased slightly to 86.1% (December 31, 2022: 87.7%) and we have been actively pursuing and securing new leases across all asset classes. Our year-to-date retention for REIT was strong at 87.9%. Overall revenue from our income producing properties was consistent at \$117.06 million year-to-date. Revenue and NOI can be impacted by disposition of assets held and recognition of completed properties under development as new leases have fixturing and rent free periods which are adjusted for in our same-asset NOI calculation.

We continue to strategically assess our assets within our Income Properties segment, with an aim to focus on our core Alberta market. Earlier in the year we sold Kelowna Business Centre, held in Melcor REIT, for \$19.50 million, with net proceeds used to reduce our line of credit in Melcor REIT. In our Properties division, we also sold Stafford Common, a retail building located in Lethbridge, AB, for net proceeds of \$3.50 million and 10 units at the Edge at Grayhawk in Phoenix, AZ for net proceeds of \$4.55 million (US\$3.58 million).

Melcor REIT also listed our Saskatchewan investment properties for sale, and in accordance with IFRS Accounting Standards the three retail properties were reclassified as assets held for sale. Melcor REIT also listed assets for sale in Lethbridge and Kelowna during 2023.

Investing for growth

In the year, we purchased 80 acres of raw land in Acheson, AB for \$2.40 million, and 40 acres of raw land in Leduc AB for \$2.40 million. These purchases were strategic in nature for future development. While we may participate in strategic land purchase opportunities such as this, our primary focus is on harvesting our current inventory of 9,815 acres.

Our Properties division completed 2 retail buildings (22,140 sf) in 2023 with a further 103,925 sf under development. These new buildings will positively impact results in future years as we continue to grow our income-generating assets for long-term holding or for sale to the REIT. Commercial development continues in our Properties division and at year-end we have an additional 5 buildings in 4 projects under development with completion expected in 2024 and 2025.

Asset Dispositions

- Kelowna Business Centre, a office building located in Kelowna, BC for gross proceeds of \$19.50 million (REIT division).
- Stafford Common a retail building located in Lethbridge, AB for gross proceeds of \$3.50 million (Properties Division).
- 10 residential units located at the Edge at Grayhawk located in Phoenix, AZ for net proceeds of \$4.55 million (US\$3.58 million) (Properties Division).

During the year, we reclassified three REIT-owned properties with a fair value of \$33.77 million as assets held for sale. As at December 31, 2023 management has committed to a plan on the sale of the properties.

Shareholder Highlights

We continued to return value to our shareholders and unitholders:

Melcor Developments:

- Dividends paid to shareholders increased to \$0.64 per share in 2023, up from \$0.58 per share in 2022.
- We repurchased 712,160 shares for cancellation pursuant to the NCIB at a cost of \$8.10 million during 2023.
- On March 13, 2024 we declared a quarterly dividend of \$0.11 per share, payable on March 29, 2024 to shareholders of record on March 22, 2024. The dividend is an eligible dividend for Canadian tax purposes.

Melcor REIT:

- Distributions to unitholders of the REIT was \$0.48 per unit in both 2023, consistent with 2022.
- Subsequent to the year, the REIT declared distributions of \$0.04 per unit for January 2024. On February 22, 2024 the REIT announced the suspension of its monthly distribution which is expected to enable the REIT to retain approximately \$1.2 million of cash, monthly, improving the REIT's financial flexibility moving forward.

Strategic review

The REIT Board of Trustees announced on February 22, 2024 the establishment of an Independent Committee to oversee a broad-based strategic review with a focus on unlocking unitholder value. The Independent committee will retain a financial advisor to evaluate strategic alternatives to maximize unitholder value.

There can be no assurances that the strategic review will result in the REIT pursuing any transaction or that any alternative transaction will be available to the REIT. Furthermore, the Independent Committee has not set a timeline on the completion of this process and we do not intend to comment further on the review until we determine that additional disclosures are appropriate or required.

Outlook

Melcor owns a diverse portfolio of real estate assets; including raw land, land under development, serviced residential, multifamily and commercial lots, income-producing properties and also owns and operates championship golf courses. This diverse mix helps position us to meet demand for any real estate opportunity regardless of market conditions. There is always market volatility, but Melcor has had a resilient and proven record.

Alberta, our largest market, has undergone dramatic fluctuations throughout the past few years, due to volatile oil prices, energy policy uncertainty, pandemic operating constraints and rising interest rates. Inflation and interest rate increases have generally slowed the Canadian market however Alberta is projected to have Canada's highest GDP growth in 2024. Melcor continues to have a US presence with our Harmony development located in Colorado, and there is the potential for further land sales in the US in coming years.

Considering all challenges and opportunities, our business model has adapted to changing times and economic cycles over the years. Melcor remains cautiously optimistic that 2024 will be a satisfactory year. We will maintain our disciplined, conservative approach to operations to ensure that we remain profitable while achieving our fundamental goals of protecting shareholder investment and sharing corporate profit with our shareholders.

Non-GAAP & Non-Standard Measures

FFO is a key measure of performance used by real estate operating companies; however, that is not defined by International Financial Reporting Standards ("IFRS"), do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS measures are more fully defined and discussed in the Melcor's management discussion and analysis for the period ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca.

FFO Reconciliation

Consolidated

(\$000s)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net income for the period	10,311	37,202	62,980	89,354
Amortization of tenant incentives	2,042	1,941	8,416	7,561
Fair value adjustment on investment properties	22,928	(21,801)	24,456	(21,554)
Depreciation on property and equipment	198	209	1,260	1,350
Stock based compensation expense	286	(6)	1,057	841
Non-cash financing costs	6,275	(607)	4,766	(8,518)
Gain on sale of asset	(3)	(3)	(51)	(40)
Deferred income taxes	914	8,214	(336)	8,225
Fair value adjustment on REIT units	(5,389)	(2,852)	(18,093)	(16,360)
FFO	37,562	22,297	84,455	60,859

Properties

(\$000s)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Segment Earnings	(9,788)	33,526	6,188	49,552
Fair value adjustment on investment properties	15,311	(28,588)	13,784	(28,805)
Amortization of tenant incentives	601	447	2,480	1,620
Divisional FFO	6,124	5,385	22,452	22,367

(1) Refer to note 24 to the consolidated financial statements

REIT

(\$000s)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Segment Earnings	1,255	485	22,807	27,723
Fair value adjustment on investment properties	8,429	9,130	16,794	11,995
Amortization of tenant incentives	956	962	3,975	3,725
Divisional FFO	10,640	10,577	43,576	43,443

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 2023 consolidated financial statements and management's discussion and analysis for the year ended December 31, 2023, which can be found on the Company's website at www.Melcor.ca or on SEDAR (www.sedarplus.ca).

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 across western Canada and today manages 4.8 million sf in commercial real estate assets and 466 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 British Columbia and 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.

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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