

PRESS RELEASE

for immediate distribution

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

Edmonton, Alberta | May 14, 2024

Melcor Developments Ltd. ("Melcor") (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the first quarter ended March 31, 2024. The first 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 relatively good results for the first quarter of 2024. Revenue for the quarter increased to \$49.75 million compared to \$36.08 million in Q1-2023, and funds from operations was \$13.75 million compared to \$7.05 million last year.

Our Land division produced strong results, with revenue up 156% to \$21.07 million and earnings up 260% to \$6.89 million in the quarter compared to Q1-2023. This growth in revenue and earnings was the result of higher multi-family, commercial, and other land sales at 22.20 acres in the first quarter, up from 3.73 acres in Q1-2023.

Our Properties division completed construction on a retail building located in Woodbend Market (Leduc, AB) contributing an additional 31,800 sf to our portfolio of income-generating properties located within our Woodbend Retail development. The Properties division continues to generate stable results for Melcor.

Our Income Properties (Properties and REIT divisions) leasing team has been actively pursuing and securing new leases across all asset classes, successfully increasing our occupancy levels over year-end to 87.4% (December 31, 2023 - 86.2%). Overall revenue from our Income Properties was up 2.6% in Q1-2024 compared to Q1-2023."

Today the Board declared a dividend of \$0.11 per share, payable on June 28, 2024 to shareholders of record on June 14, 2024. The dividend is an eligible dividend for Canadian tax purposes.

Financial Highlights

Financial highlights of our performance are summarized below:

First quarter:

- Revenue was up 38% to \$49.75 million in Q1-2024 (Q1-2023: \$36.08 million)
- Gross profit up 29% to \$23.61 million (Q1-2023: \$18.24 million).
- Net income was up 494% to \$12.79 million in Q1-2024 (Q1-2023: \$2.15 million).
- Funds from operations (FFO) was up 95% to \$13.75 million in Q1-2024 (Q1-2023: \$7.05 million).
- Basic earnings per share was up 500% to \$0.42 per share (Q1-2023: \$0.07 per share)

Revenue was up 38% to \$49.75 million in Q1-2024 (Q1-2023: \$36.08 million), with gross profit up 29% to \$23.61 million (Q1-2023: \$18.24 million). 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.

FFO was up 95% to \$13.75 million in Q1-2024 (Q1-2023: \$7.05 million). The increase in FFO is a direct result of the increase in revenue in the period from activity within the Land division.

Net income was up 494% to \$12.79 million in Q1-2024 (Q1-2023: \$2.15 million). Net income is significantly impacted by swings in non-cash fair value adjustments on investment properties, REIT units, and 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 Q1-2024 the fair value adjustment on REIT units swung by \$10.76 million over Q1-2023. 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.

Our **Land** division brought in revenue of \$21.07 million up from \$8.22 million in Q1-2023. Revenue growth was the result of the 22.20 acres sold in the current quarter including multi-family, commercial and industrial land sales. This compares to 3.73 acres sold in Q1-2023. We also closed on 66 single-family lots in the quarter (Q1-2023 - 82). Edmonton contributed our largest sales volume with 38 single-family lot sales and 19.87 acres sold in Q1-2023.

Our **Properties** division completed construction on one retail building contributing an additional 31,800 sf to our portfolio of income-generating properties located within our Woodbend Retail development.

Our **Income Properties** (Melcor Properties and REIT) accounted for 61.5% of revenue, after intersegment eliminations compared to 82.7% in Q1-2023. Occupancy increased slightly over year-end to 87.4% (December 31, 2023: 86.2%) and down over Q1-2023 from 87.8%.

We continue to strategically assess our assets within our Income Properties segment, with an aim to focus on our core Alberta market. In 2023 we sold two properties including one office property held in our REIT division (Melcor REIT) located in Kelowna, BC for \$19.50 million, and one retail property held in our Properties division located in Lethbridge, AB for gross proceeds of \$3.50 million. We have also listed three retail properties located in Regina SK, and one office property located in Kelowna, BC as assets held for sale in accordance with IFRS Accounting Standards. These properties are all held in Melcor REIT.

Subsequent to the quarter, on May 10, 2024, we sold a 29,000 square foot office building located in Kelowna, BC for gross proceeds of \$7.80 million (\$7.48 million net of transaction costs). This property was classified as asset held for sale at quarter end. Net cash from the sale of this asset will be used to reduce debt in the REIT.

SHAREHOLDER HIGHLIGHTS

We continue to return value to our shareholders:

Melcor Developments:

- We repurchased 85,616 shares for cancellation pursuant to the NCIB at a cost of \$0.99 million during Q1-2024.
- On May 14, 2024 we declared a quarterly dividend of \$0.11 per share, payable on June 28, 2024 to shareholders of record on June 14, 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 for the period of January 2024.
- 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 Independent Committee is chaired by Richard Kirby, and also includes Bernie Kollman and Barry James as committee members. The REIT will continue to provide updates to the market as they become available.

Selected Highlights

(\$000s except as noted)	Three months ended March 31		
	2024	2023	Change %
Revenue	49,748	36,077	37.9
Gross margin ¹	47.5 %	50.5 %	(5.9)
Net income	12,788	2,153	494.0
Net margin ¹	25.7 %	6.0 %	328.3
FFO ²	13,748	7,045	95.1
Per Share Data (\$)			
Basic earnings	0.42	0.07	500.0
Diluted earnings	0.42	0.07	500.0
FFO ³	0.45	0.23	95.7
Dividends	0.11	0.16	(31.3)

As at (\$000s except share and per share amounts)	31-Mar-2024	31-Dec-2023	Change %
Total assets	2,087,034	2,097,473	(0.5)
Shareholders' equity	1,223,272	1,209,578	1.1
Total shares outstanding	30,576,837	30,662,453	(0.3)
Per Share Data (\$)			
Book value ⁽³⁾	40.01	39.45	1.4

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 months ended March 31, 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 March 31, 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 March 31,	
	2024	2023
Net income for the period	12,788	2,153
Amortization of operating lease incentives	4,138	2,320
Fair value adjustment on investment properties	8,833	2,484
Depreciation on property and equipment	142	145
Stock based compensation expense	296	230
Non-cash finance costs	(1,227)	2,778
Gain on sale of asset	(47)	–
Deferred income taxes	881	(732)
Fair value adjustment on REIT units	(12,056)	(2,333)
FFO	13,748	7,045

Properties

(\$000s)	Three months ended March 31,	
	2024	2023
Segment Earnings	4,783	3,321
Fair value adjustment on investment properties	575	1,617
Amortization of operating lease incentives	750	761
Divisional FFO	6,108	5,699

REIT

(\$000s)	Three months ended March 31,	
	2024	2023
Segment Earnings	509	8,292
Fair value adjustment on investment properties	9,056	1,586
Amortization of operating lease incentives	959	1,058
Divisional FFO	10,524	10,936

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 4.81 million sf in commercial real estate assets and 464 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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