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Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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Melisron Ltd. (TASE: MLSR.TA)

MLSR.TA: Initiation of one of Israel's leading real estate companies and the country's largest owner and operator of shopping malls.

Utilizing a Discounted Cash Flow process containing conservative estimates combined with other valuation methodologies, we believe MLSR could be worth NIS 55,680 cents per share.

Current Price (09/16/26)	40,760
Valuation	**55,680**

OUTLOOK

Melisron is Israel's largest mall owner/operator with a NIS 25.8 billion income-producing portfolio spanning malls, offices, and residential development across 909 thousand sqm. Total managed area is 1,067,000 sqm and total managed asset value is ~NIS 29.6 bn. The company has multiple projects under development which are expected to boost growth of the mid-long term. The newer residential segment has over 13,000 units in the pipeline of which 5,400 are expected to be constructed in the near term. The residential segment pipeline has the potential to produce over NIS 17 billion in revenues and approximately NIS 2.7 billion in operating income. We expect continued growth in NOI and FFO.

SUMMARY DATA

52-Week High (NIS cents)	**47,900**
52-Week Low (NIS cents)	**36,000**
One-Year Return (%)	**3.17**
Beta	**0.44**
Average Daily Volume	**49,598**
Shares Outstanding (mil)	**47.6**
Market Cap (NIS millions)	**19,691**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**30.0**
Insider Ownership (%)	**52.0**
Annual Dividend (NIS p/s)	**7.55**
Dividend Yield (%)	**1.79**
5-Yr. Historical Growth Rates	
Sales (%)	**11.5**
Earnings Per Share (%)	**5.9**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2026 Estimate	**9.7**
P/E using 2027 Estimate	**9.5**

Risk Level	**Low**
Type of Stock	**Large-Value**
Industry	**Real Estate**

ZACKS SCR ESTIMATES

Revenue
(in millions of NIS)

	Q1 (Mar)	**Q2** (June)	**Q3** (Sept)	**Q4** (Dec)	**Year** (Dec)
2025	515 A	535 A	602 A	564 A	2,216 A
2026	566 A	576 A	587 E	581 E	2,311 E
2027					2,337 E
2028					2,402 E

EPS / Loss Per Share

	Q1 (Mar)	**Q2** (June)	**Q3** (Sept)	**Q4** (Dec)	**Year** (Dec)
2025	4.97 A	9.17 A	6.15 A	-18.68 A	39.00 A
2026	5.56 A	6.06 A	6.22 E	-23.98 E	41.83 E
2027					42.95 E
2028					44.17 E

Quarterly estimates may not equal annual EPS due to rounding, dilution or intangibles. Est. may be non-GAAP.

KEY INVESTMENT POINTS

(unless otherwise stated, amounts are expressed in New Israeli Shekels (NIS))

Source: melisron.co.il

- Melisron (TASE: MLSR) is Israel's largest mall owner/operator, controlled by Liora Ofer (through Ofer Investments), with a NIS 25.8 billion income-producing portfolio spanning malls, offices/hi-tech parks, residential development, and single-tenant assets across 909 thousand sqm. This is Melisron's share. Total managed area is 1,067k sqm and total managed asset value is ~NIS 29.6 bn.

- The 18 Ofer-branded malls generate ~69% of NOI from 53% of the portfolio footprint, with near-full occupancy (99.5%) and fashion/footwear/accessories driving 47% of mall revenue which is a premium, discretionary-spend-oriented tenant mix.

- 1st half 2026 retailer sales rose 4% YoY (Q2 alone up 11%), even with 38 days of conflict-related disruption (vs. 12 days prior year), aided by reduced outbound Israeli travel, fewer forced mall closures, and completed mall enhancement projects (Ramat Aviv Floor 3, Rehovot/HaKiryon tenant overhauls).

- Approximately 484,000 sqm of total managed office space is 96.4% occupied by ~370 tenants including NVIDIA, Meta, Google, IBM, and CyberArk, generating NIS 214 million 6-month NOI (NIS 428 million run-rate) at a 6.77% cap rate.

- The company has a residential division (Aviv Melisron) which is expected to be an important growth driver. 27 projects are under construction or in advanced planning covering ~5,400 units and are projected to generate NIS 17.4 billion in revenue and NIS 2.7 billion in operating profit (Melisron's share is ~NIS 15 bn of revenue and ~NIS 2.4 bn of operating profit). Active construction units are expected to ramp from 551 (mid-2026) to 3,926 by 2028 (this total managed).

- Combined retail, office, and residential projects under construction or in planning total roughly 162 thousand sqm of new income-producing space, expected to add NIS 231–241 million of NOI, plus a further 366,760 sqm in earlier-stage planning.

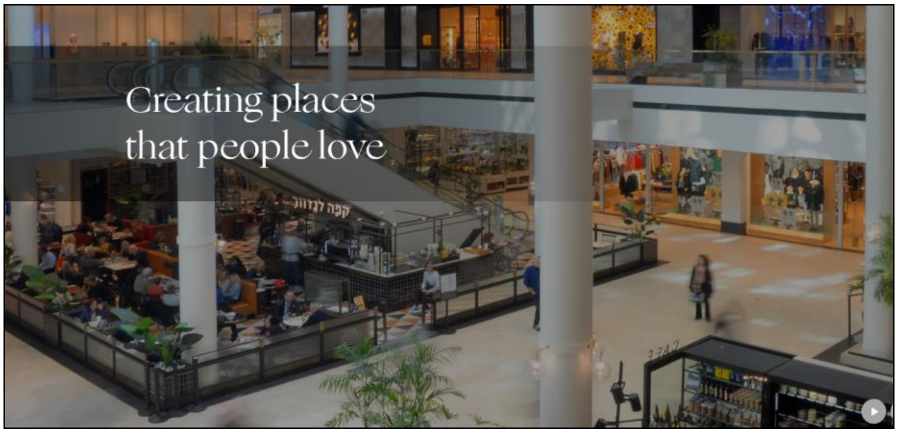
- NOI composition is expected to rebalance from a retail-heavy ~69%/26%/5% split today toward a more diversified 58%/26%/12%/4% mix as office, single-tenant, and residential contributions scale up.

- Loan-to-Value (LTV) improved to 40.0% and debt-to-capital fell to 49.8%, with a low weighted-average cost of debt (2.53%) and a well-staged maturity profile (3.41-year average), supporting a wide 4.29% spread between cap rate and cost of debt. The LTV ratios count the residential division as an investment and do not consolidate the debt for this segment.

- With Bank of Israel rates falling (3.25% now, ~3.0% forecast for 2Q27) and 10-year yields near 3.65%, the current 6.8% portfolio cap rate looks conservative versus Melisron's actual 2025 NOI yields (6.6% malls, 6.0% offices). Compression to 6.0% would lift property values by over 13% before NOI growth, representing meaningful potential NAV upside.

- Based on a discounted cash flow calculation and a cap rate / NOI valuation, we believe MLRS stock to be worth **NIS 55,680 cents per share**.

OVERVIEW



Source: melisron.co.il

Melisron (TASE: MLSR) is one of Israel’s leading real estate companies and the country’s largest owner and operator of shopping malls. The company has a diversified portfolio spanning **retail, offices, hi-tech parks, residential development, and single-tenant properties** which provides exposure to multiple segments of Israel’s commercial and residential real estate markets. Melisron is controlled by Liora Ofer through Ofer Investments.

The company’s core portfolio comprises 18 Ofer-branded malls and shopping centers located in high-quality, high-traffic locations nationwide. Key retail assets include Ofer Ramat Aviv, Kiryon, Ofer Grand Mall Haifa, Ofer Grand Mall Be’er Sheva, Ofer Grand Mall Petah Tikva, and Ofer Rehovot. The retail portfolio represents Melisron’s primary operating platform and provides a significant base of recurring rental income.

Melisron also owns six major office and hi-tech properties, including Ofer East and Ofer West in Petah Tikva, Ofer Carmel, Ofer Yokne’am, Ofer Millennium Buildings, and Landmark in Tel Aviv’s Sarona district, a flagship mixed-use development jointly owned with AFI Properties. The office portfolio provides further diversification and exposure to Israel’s technology and business-services sectors.

Residential real estate represents a growing component of the platform through Aviv Melisron, which focuses on residential construction and urban renewal in high-demand Israeli markets. The business has dozens of projects under development encompassing thousands of housing units, with a strategy centered on mixed-use developments that combine residential and commercial components.

Beyond its core portfolios, Melisron owns approximately 42,000 sqm of single-tenant properties and residential assets, including a 388-unit housing complex in Ashdod comprising fully leased residential units (approximately 20,000 sqm) fully leased to Amidar for public housing purposes. Melisron combines a large, diversified income-producing asset base with future residential development exposure, supported by a portfolio concentrated in established Israeli markets. The company is listed on the Tel Aviv Stock Exchange and is a constituent of the **TA-35, TA Dividend, and TA Real Estate indexes.

As of 6/30/26, the company has approximately NIS 1.5 billion in cash and short-term securities. Total debt was NIS 15.5 billion with an effective cost of debt of approximately 2.5%. This debt figure is consolidated gross financial debt, including Aviv Melisron. Net financial debt, i.e the company's share, excluding Aviv Melisron, is NIS 11.7 bn, which is the basis for the 40.0% LTV.

Based on various valuation methodologies, we believe MLSR stock is worth **NIS 55,680 cents per share.**

RETAIL OPERATIONS (SHOPPING MALLS)

Source: melisron.co.il

The mall portfolio's revenue composition reveals a merchandising strategy heavily weighted toward discretionary, experience-driven categories, with Fashion, Footwear & Accessories anchoring almost half of revenue at 47%. This concentration level is typical of premium, fashion-oriented shopping destinations rather than convenience-focused centers.

The remaining tenant base is diversified across categories that reinforce footfall and dwell time:

General Retail, Services, Leisure & Gifts (13%) and Food & Beverage (10%) together contribute nearly a quarter of revenue, supporting a "destination" retail model where visits extend beyond single-purpose shopping trips. Home Design, Electronics & Technology (9%) and Health, Beauty & Personal Care (8%) provide more category diversification which should capture both big-ticket and repeat-visit spending. Supermarkets (5%), Watches & Jewelry (4%), Department Stores (3%), and Cinemas (1%) round out the mix as smaller contributors. Notably, the modest department store and cinema weighting suggests these are not anchor-tenant-dependent centers in the traditional sense, but rather portfolios built around a broad base of specialty retailers.

This tenant mix profile is positioned to capture discretionary consumer spending, with fashion as the primary revenue driver and a supporting cast of leisure, F&B, and lifestyle categories that enhance foot traffic and cross-shopping behavior. The relatively low exposure to traditional anchors (department stores, cinemas) and essential-goods categories (supermarkets) implies lower resilience to economic downturns when discretionary spending contracts, but correspondingly higher upside sensitivity to consumer spending growth and fashion retail cycles.

Recent Retail Sales Analysis

Retailer sales for the first 6 months of 2026 rose 4% year-over-year, and sales for the April–June quarter rose 11% year-over-year. This growth came despite 38 days of wartime conflicts during the period (compared to just 12 days in the same period last year) that disrupted normal shopping activity.

The company attributes the increase in sales to three key factors:

- A 13% decrease in Israelis traveling abroad during the period, which likely kept more shopping activity domestic.

- The maturing of a mall enhancement program including the completed construction of Floor 3 at Ramat Aviv and a deep tenant-mix overhaul at Ofer Rehovot Mall and Ofer HaKiryon.

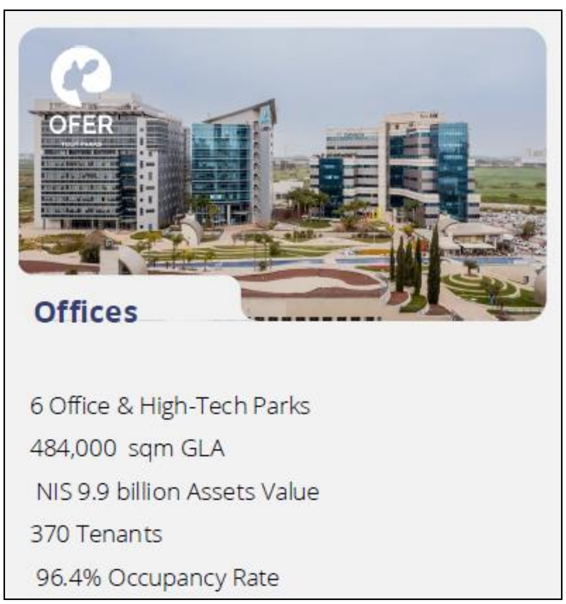
- Fewer forced mall closures due to the security situation at only 5 days this half-year, versus 10 days in the same period last year.

<u>New Projects</u>

The Ofer Yavne project is currently under construction (70% owned) and comprises approximately 24,300 sqm of leasable area, including 17,000 sqm of retail and 7,300 sqm of office space. Investment to date totals NIS 193 million, with estimated total construction costs of NIS 424 million. The project is expected to generate NIS 32 million of NOI upon completion in 2027, with 90% of the retail space already leased, which shows strong tenant demand ahead of completion. The investment to date, total cost and NOI for Ofer Yavne and for the Nof HaGalil expansion are all on a 100% managed basis. Melisron's shares are 70% and 90.9% respectively.

The Ofer Nof HaGalil expansion is also under construction, with the company holding a 90.9% share. The project adds approximately 21,000 sqm of retail space, with NIS 180 million invested to date and estimated total construction costs of NIS 360 million. The development is expected to generate NIS 36 million of incremental NOI upon completion in 2027, while total NOI from the expanded complex, including the existing asset, is projected at NIS 73 million. Leasing momentum is strong, with 97% of the new project area already leased.

OFFICE BUILDINGS



Source: melisron.co.il

Melisron maintains a diversified office tenant base of approximately 370 international and local companies, including leading technology and multinational corporations such as NVIDIA, Meta, Google, IBM, Qualcomm, Lenovo and CyberArk. Its portfolio encompasses approximately 484,000 sqm of managed space and 8,000 parking spaces, with a strong 96.4% occupancy rate and a 3.9-year weighted average lease term (WAULT). Melisron's share of this area is 389,000 sqm. During the 1st half of 2026, the company signed an agreement with NVIDIA to lease the entire area of a new office building to be built at Ofer Yokneam

The portfolio currently generates NIS 214 million of current NOI, representing a NIS 428 million run-rate. The portfolio carries a 6.77% weighted-average capitalization rate. The company's share of income-producing assets is valued at approximately NIS 7 billion. These metrics indicate a highly occupied portfolio with a blue-chip tenant base, meaningful recurring rental income, and a relatively diversified source of cash flow.

<u>New Projects</u>

The company has a 124,330 sqm development pipeline across four named projects, with assets under construction valued at NIS 989 million and expected to generate NIS 175 million in NOI once completed (this reflects the company's proportional share of ownership).

RESIDENTIAL

13,300 Total Units Pipeline
5,400 Units in Planning & Construction
NIS 17.4 billion Expected Revenues (100%)
NIS **2.7** billion Expected Operating Profit (100%)
19% Expected Operating Margin on Cost

Source: melisron.co.il

Under this segment, the company develops, builds, and sells apartments to the public, similar to condominiums in the U.S. Israeli developers typically pre-sell units off plan, with staged payments tied to construction milestones rather than a single closing payment. Melisron's "signing rate" is particularly relevant to its Urban Renewal projects, where Israeli law generally requires at least 67% of existing tenants to sign agreements before the developer can proceed and legally bind the remaining minority. Accordingly, a 67% signing rate is not a financing requirement, but rather an important indicator that an Urban Renewal project has sufficient tenant support and a high probability of moving forward.

The company's residential operations are conducted through a wholly owned subsidiary called Aviv Melisron. Aviv Melisron holds NIS 3.5 billion in total assets, with equity attributable to owners of NIS 548 million and leverage of 80% net debt to CAP. The company holds a Class C5 contractor license (the highest in the country) with a 5 Safety Stars rating. It currently has 27 projects under construction and in advanced planning, encompassing approximately 5,400 residential units (100% basis) for construction at a high level of certainty. On a 100% basis, the company expects revenues of NIS 17.4 billion and operating profit of NIS 2.7 billion from these projects.

Aviv Melisron's expected units for sale total 3,345 units, comprising 1,935 units in projects with a signing rate above 67%, 285 units in projects currently under construction, and 1,125 units on land already acquired by the company. On a 100% basis, expected units for construction total 5,400, made up of 3,641 units in projects with a signing rate above 67%, 551 units under construction, and 1,208 units on land acquired by the company. Looking at the ramp-up in active construction over time, the company expects 551 units under active construction as of June 30, 2026, rising to 2,288 units by the end of 2026, 3,118 units by 2027, and 3,926 units by 2028.

Total project revenues are expected to be approximately NIS 17.4 billion and operating profit is expected to be NIS 2.7 billion and is expected to be realized over the next 6-7 years. This creates an operating margin at cost of approximately 19%.

Apartment Sales 2026

Melisron's residential arm sold 108 apartments during the 1st half of 2026, generating NIS 514 million in sales including VAT. Across all projects, 349 total units have now been sold cumulatively (including prior periods), and there are still 1,421 units remaining in inventory which indicates a healthy pipeline of future sales activity as these developments progress.

Activity was heavily concentrated in a handful of projects. Aviv BeShachakim was the standout performer, with 56 units sold during the period for NIS 220 million, accounting for over half of total period sales and representing the entire 56 units sold in the project to date; it also carries by far the largest remaining inventory at 590 units. Aviv Shirat Hayam contributed 15 units sold for NIS 110 million, the second-highest revenue contributor despite a smaller unit count, which implies a higher average price point per unit, while Aviv HaHistadrut 12 sold 10 units for NIS 42 million. The remaining projects each contributed smaller, single-digit-to-low-double-digit unit sales.

In July 2026, after the reporting period, the company sold a further 58 apartments for NIS 260 million, with 55 of those coming from Aviv BeShachakim alone. Given the project's large remaining inventory and clear buyer demand, BeShachakim is likely to be a key driver of near-term residential revenue recognition heading into the second half of the year.

CURRENT PORTFOLIO METRICS

The company currently maintains a diversified, income-generating real estate portfolio spanning 909 thousand square meters (company share), anchored by a defensive core of regional malls, which represent 50% of NOI despite comprising just 30% of the portfolio's footprint. This concentration signals a strategic emphasis on dominant retail destinations that command premium rents and near-full occupancy (99.5%). The remaining book is balanced across complementary asset classes that diversify both tenant risk and cash flow duration.

- Office & High-Tech Parks (26% of NOI) provide the largest development pipeline exposure, with NIS 1,263 million in rights and construction value representing a growth area for future NOI expansion.

- Urban and Neighborhood Malls (10% of NOI) carry the highest weighted average cap rate at 7.13%, implying either higher perceived risk or more mature, less scarce assets within a supply-constrained market.

- Outlet & Power Centers (9% of NOI) and Single-Tenant Assets (5% of NOI) round out the portfolio, with the latter standing out for its 100% occupancy and lowest cap rate (6.25%), consistent with long-duration, credit-backed leases typical of single-tenant net lease structures.

At an aggregate level, the portfolio delivers a 6.82% weighted average cap rate on NIS 25,847 million of income-producing assets, generating NIS 814 million in NOI, with occupancy holding at a robust 97.8% across the platform. The tight cap rate band (6.25%–7.13%) across asset classes suggests a portfolio of high-quality, well-located assets rather than a barbell of prime versus opportunistic holdings. This is a stabilized, cash-flow-oriented platform rather than a value-add or development-heavy strategy, even though the Office & High-Tech segment's substantial rights and construction value points to embedded optionality for future growth.

FINANCIAL REVIEW

2026 Six-Month Results

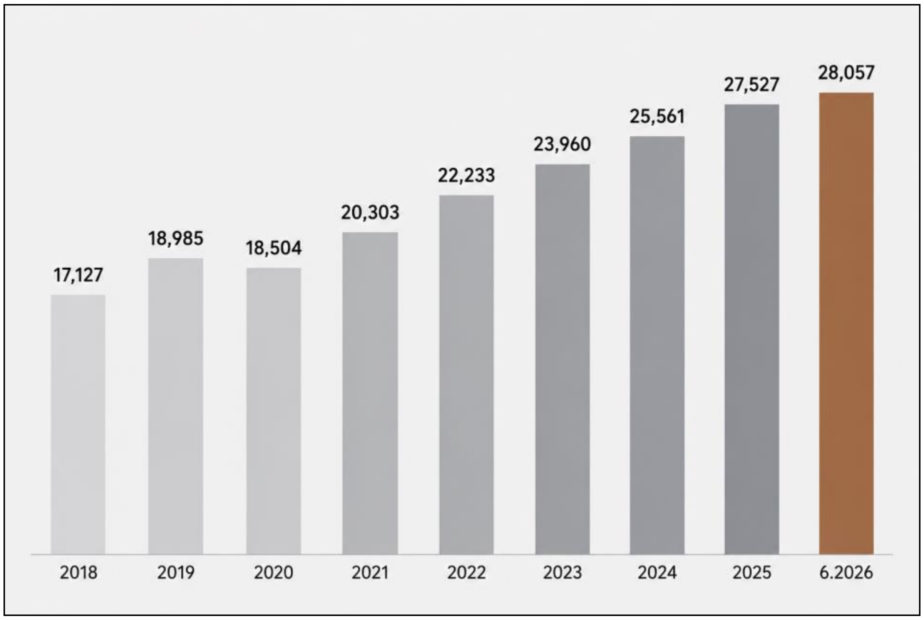
Melisron reported solid operating performance in the 1st half of 2026, despite the impact of the Iranian military conflict. NOI attributable to owners increased 3% year-over-year to NIS 814 million, while same-property NOI also rose 3%. Mall sales increased approximately 4% during January-June, supported by strong occupancy of 99% in malls and 96% in offices. Cash flow from operating activities, excluding residential activity, increased NIS 19 million to NIS 588 million, highlighting continued strength in the underlying property portfolio.

FFO (management approach/adjusted FFO) increased 2% to NIS 615 million despite the challenging operating environment. However, net profit attributable to shareholders declined NIS 120 million to NIS 554 million, due to an accounting/fair-value issue, and not operational deterioration. The results show resilient underlying operations, with positive same-property growth, higher tenant sales and strong occupancy largely offsetting the effects of the war.

Melisron also maintained a strong balance sheet, with investment property increasing to NIS 28.2 billion and the company's share of investment property reaching NIS 28.1 billion. LTV improved to 40.0%, down 0.4% from year-end 2025, while debt-to-capital declined 0.5% to 49.8%. The weighted-average effective cost of debt remained low at 2.53%, unchanged from 12/31/25. The combination of stable FFO growth, high occupancy, improving leverage and a low cost of debt provides a supportive backdrop for Melisron's earnings and balance-sheet outlook.

Investment Property Value

In the 1st half of 2026, the company’s commercial assets increased by approximately NIS 530 million, driven primarily by NIS 308 million of investments in existing and under-construction assets and NIS 222 million of fair value gains which reflects progress in the marketing and construction/occupancy of projects under development.

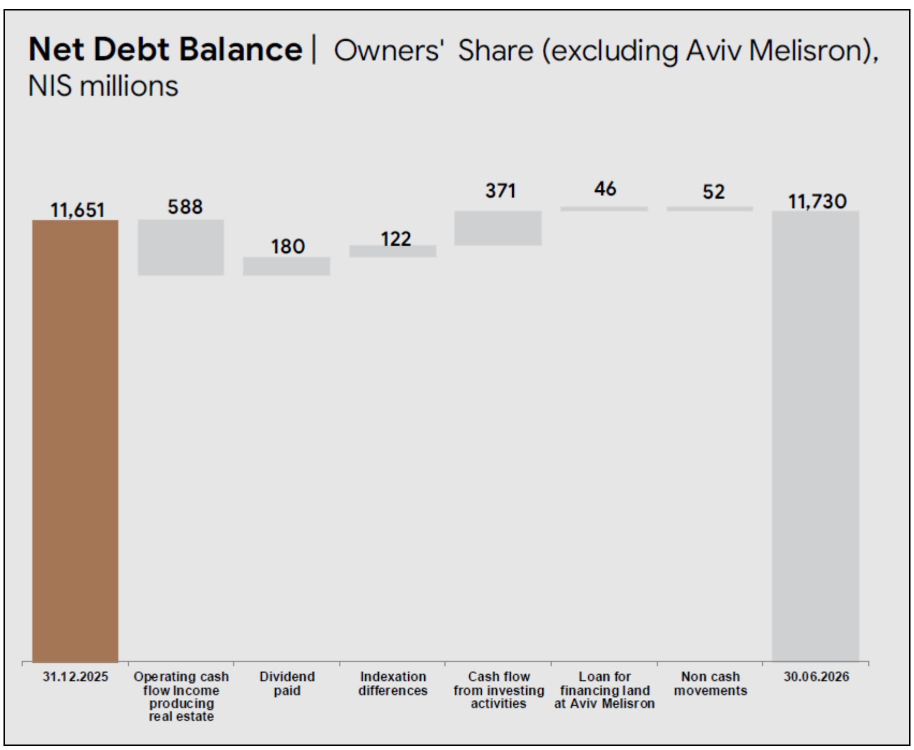


Source: melisron.co.il

<u>Debt Summary</u>

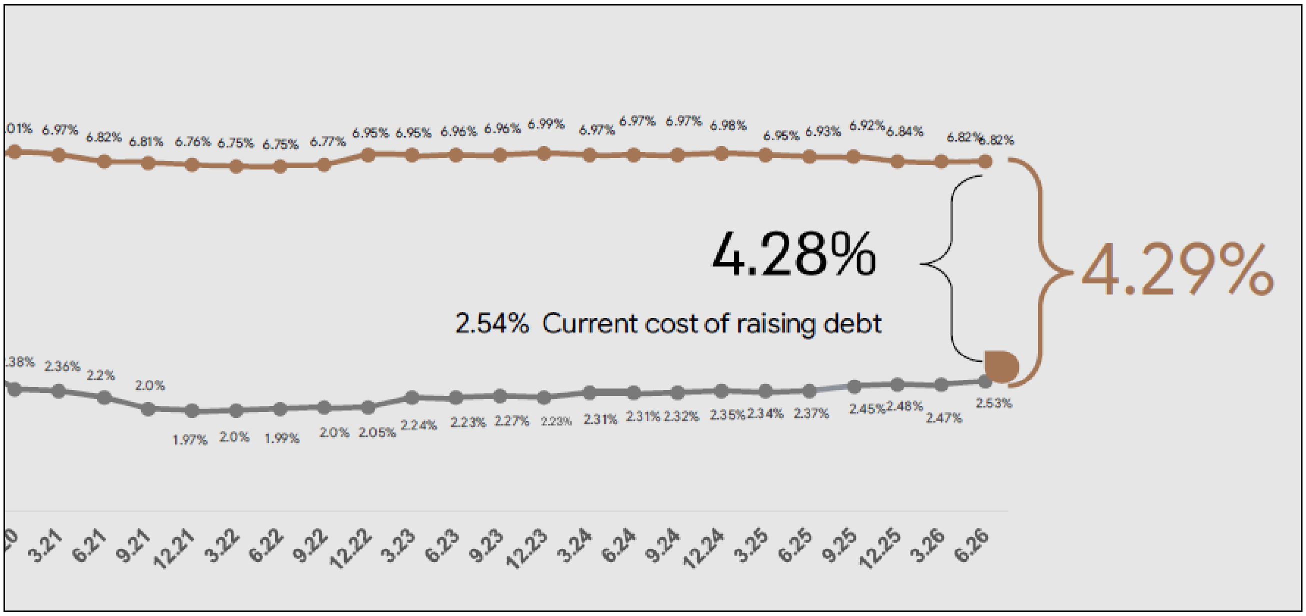
Net debt balance increased slightly to NIS 11.7 billion compared to the balance as of 12/31/25.

The company maintains a well-staggered debt maturity profile, with an average debt maturity of 3.41 years. Approximately NIS 2.99 billion of debt (excluding commercial paper) is scheduled to mature by the end of 2027, carrying an effective interest rate of 3.17%. The yield to maturity on currently traded bonds is 2.54%, based on Series 22 bonds with an approximately 7.12-year duration, highlighting relatively attractive funding costs and a manageable near-term refinancing profile.



Source: melisron.co.il

The company has traditionally maintained a healthy spread between its Weighted Average Cap Rate and its cost of raising debt with the current spread at 4.29% as of 6/30/26.



Source: melisron.co.il

FUTURE GROWTH

Development Pipeline and Momentum

Melisron is actively expanding its income-producing real estate portfolio, with 5 new projects currently under construction and occupancy adding 101 thousand sqm (NIS 139 million). An additional 4 projects in planning, expected to begin construction from 2026, will contribute another 61 thousand sqm (NIS 92–102 million). Together, this represents a total addition of 162 thousand sqm and an expected NOI contribution of NIS 231–241 million. Beyond these committed projects, the company has a further 16 projects in earlier-stage planning totaling 366,760 sqm, though construction timing for these has not yet been determined.

Shifting Portfolio Composition

The company's activity mix, measured by NOI contribution, is set to shift significantly as current development completes. Today's mix is heavily weighted towards retail at 69%, offices at 26%, single tenant at 5%. Following full occupancy of projects under development (including contribution from Aviv Melisron), this is expected to move to retail 58% / offices 26% / residential 12% / other 4%).

NOI and FFO Growth Trajectory

Excluding residential activity, representative NOI from income-producing assets is projected to grow 21% from NIS 1,648 million (annualized Q2 2026) to NIS 2,001 million. This will be driven by lease-up of vacant space at existing assets, completion of Landmark Tower B, contributions from named projects (Ofer Yavne Mall, Ofer Nof HaGalil Expansion, Ofer Rehovot, Ofer Yokneam), and additional future development projects. On a management-approach AFFO basis, FFO from income-producing assets is projected to grow 24%, from NIS 1,268 million to NIS 1,570 million, following a similar build-up of contributions.

Combined Future Outlook

Looking further out to 2029, when residential activity is combined with income-producing assets, total NOI/operating profit is projected to grow 46% from NIS 1,648 million in Q2 2026 to approximately NIS 2,400 million (roughly NIS 2,001 million from income-producing assets plus ~NIS 400 million from residential activity). Some of these projections may exclude the impact of CPI indexation, lease renewals, and the effects of the prevailing security situation.

Projects Under Construction and Occupancy

Property Name	Ownership Rate	Primary Use	Leasable Area (sqm)	Development Stage	% Leased Area	Expected Completion Date (Form 4)	Estimated Project Cost	Net Book Value in the Company's books as of 30.06.2026	Estimated Construction Investment	NOI at Full Occupancy
Landmark Tel Aviv - Tower B*	50%	Offices	48,860	Under Construction	100%	2026	1,003	1,113	363	101
Ofer Yavne	70%	Retail & Offices	24,300	Under Construction	**90%	2027	424	250	231	32
Ofer Nof HaGalil	91%	Retail	21,000	Under Construction	97%	2027	360	248	180	36
Ofer Rehovot	100%	Offices	11,000	Under Construction	0%	2028	***121	-	113	10
Ofer Yokneam Park	100%	Offices	29,000	Under Construction	100%	2028	285	55	243	23
Company Share			**100,529**				**1,532**	**1,012**	**863**	**139**

Source: melisron.co.il

Projects in Planning Stage

Property Name	Ownership Rate	Primary Use	Leasable Area (sqm)	Status	Expected Construction Start	Expected Completion Date	Net project value in the Company's books as of 30.06.2026	Estimated Project Cost	Estimated NOI at Full Occupancy
Ofer Adumim	100%	Retail	3,400	Approved zoning plan	2026	2028	9	45-50	5-7
Ofer Carmel	100%	Offices	18,000	Approved zoning plan	2026	2029	28	275-285	19-21
Ofer Lincoln Tel Aviv	100%	Offices	28,000	Approved zoning plan	2026	2030	328	745-755	56-60
Ofer HaKiryon*	100%	Offices & Retail	12,000	Approved zoning plan	2028	2030	21	110-120	12-14
Company Share			61,400				386	1,175-1,210	92-102

*Excludes the cost of expanding an existing parking facility estimated at ~NIS 40 million

Source: melisron.co.il

VALUATION

We use multiple valuation methodologies to arrive at a valuation and price target.

Our DCF calculation projects modest organic, or same-store growth, but adds the value of future projects over a 6-7 year period. Future project growth is driven primarily by the residential segment as discussed above. Using the current cap rate of 6.7% as the discount rate provided a valuation of **NIS 51,500 cents per share.**

We also use an after-tax NOI / Cap Rate calculation based on future projections of NOI.

CAP RATES / NOI	2026	2027	2028
6.75%	21,904,593	22,435,911	22,982,229
6.25%	23,656,960	24,230,784	24,820,807
6.00%	24,642,667	25,240,400	25,855,008
5.75%	25,714,087	26,337,809	26,979,139
5.25%	28,163,048	28,846,171	29,548,580

Source: Zacks SCR analyst

The current 6.8% cap rate may still be reflecting a relatively high Israeli interest-rate and geopolitical risk premium, while the underlying environment is already moving in the opposite direction. We believe a case can be made that cap rates should be lower, perhaps around 6.0%.

A reasonable case can be made for Israeli real-estate cap rates to decline from approximately 6.8% toward 6.0% as interest rates normalize. The Bank of Israel has already reduced its policy rate to 3.25% and forecasts an average rate of approximately 3.0% in 2Q27, while inflation is expected to remain below 2%. Israeli 10-year government yields have also declined to approximately 3.65%. Against this backdrop, a 6.8% capitalization rate implies a spread of more than 300 bps over the risk-free rate, which appears increasingly conservative for high-quality, well-occupied commercial properties. The spread is even larger when you take into consideration the real cap rate to the nominal 10-year rate which would imply a spread of approximately 480bps.

Melisron's own 2025 disclosures indicate actual NOI yields of approximately 6.6% on malls and 6.0% on offices, suggesting that a 6.0% stabilized cap rate is achievable for its highest-quality assets.

A reduction in the portfolio capitalization rate from 6.8% to 6.0% would increase property values by approximately 13%, before accounting for NOI growth. With Israeli economic growth expected to accelerate and interest rates continuing to normalize, further cap-rate compression represents a material potential source of NAV upside for Melisron and other leading Israeli real-estate companies.

Therefore, a cap rate of 6.0% on estimated 2027 NOI estimates would create a value of NIS 25,240,400 or **NIS 52,964 cents per share**.

In addition, if we apply the new estimated cap rate of 6.0% to our DCF model, the valuation increases to **NIS 62,583 cents per share**.

<u>We take a conservative approach and average all 3 rates which creates a price target of **NIS 55,680 cents per share.**</u>

RISKS

- As an Israel-focused real estate portfolio, foot traffic, tenant sales, and asset values are exposed to conflict, security incidents, or regional instability that can suppress consumer traffic and tourism-dependent retail. However, there is a certain hedge where area military conflicts result in people traveling less and staying home which may be support mall traffic.

- Melisron carries debt making the company sensitive to rising interest rates on refinancing and variable-rate obligations, which can compress margins and constrain development funding.

- Melisron hosts around 2,300 tenants across roughly 26 commercial assets, so downturns in Israeli consumer spending, e-commerce disruption to brick-and-mortar retail, or the loss of anchor tenants could materially affect occupancy and rental income.

- The company has three major projects under construction covering nearly 200,000 square meters, exposing it to cost overruns, permitting delays, and construction-cost inflation before these assets generate returns.

- All assets are Israel-based and ILS-denominated, offering no geographic diversification against local economic, regulatory, or currency (shekel) volatility.

- Melisron is controlled (51%) by Ofer Investments Ltd., concentrating governance influence and creating potential conflicts of interest in related-party transactions (though very limited by local law) or strategic decisions that minority shareholders cannot easily challenge.

- Through its Aviv Melisron subsidiary's residential and urban-renewal projects, the company is exposed to Israeli housing market cycles, regulatory changes to planning/urban-renewal incentives, and shifts in buyer demand or mortgage affordability.

SUMMARY

Melisron is Israel's largest mall owner-operator, with a NIS 25.8 billion portfolio covering 909k sqm (company share) spanning retail, offices, high-tech parks, residential, and single-tenant assets. Its Ofer-branded malls drive ~50% of NOI from just 30% of area, thanks to prime locations, near-full occupancy, and fashion/discretionary-heavy tenants. Office and tech space span approximate 484k sqm (100% managed basis) adds diversified recurring cash flow, leased to blue-chip names like NVIDIA, Meta, Google, IBM, and CyberArk.

Beyond its stabilized base, Melisron has a strong growth pipeline with 162k sqm under construction or advanced planning (NIS 231–241 million incremental NOI), plus 366k+ sqm of longer-term opportunities. Its Aviv Melisron subsidiary adds a ~5,400-unit residential pipeline projected to generate NIS 17.4 billion in revenue and NIS 2.7 billion in operating profit over six to seven years. Management expects NOI to grow ~21% and FFO ~24% as these projects mature.

The company also maintains a healthy balance sheet with a 40.0% LTV, 2.53% weighted-average cost of debt, and staggered maturities as of June 30, 2026. With assets valued at a 6.8% cap rate and Israeli rates falling, cap-rate compression could further lift NAV alongside organic growth positioning Melisron as a differentiated platform with multiple paths to earnings and NAV expansion.

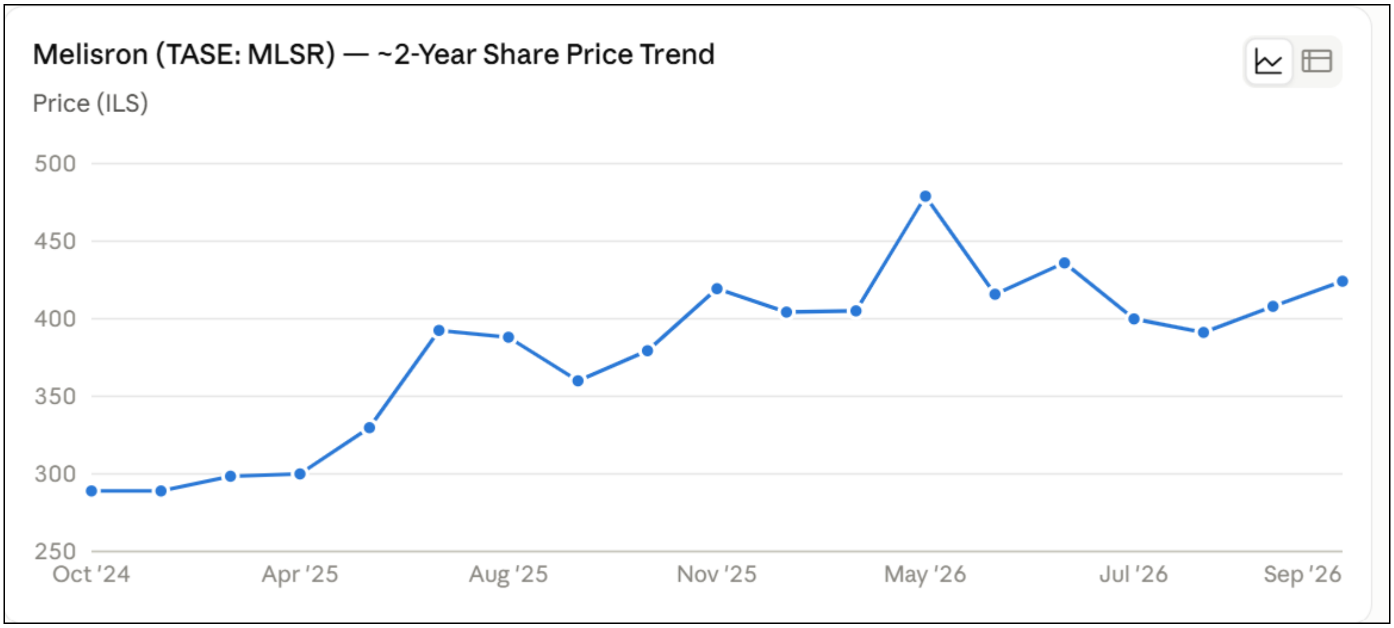
Based on various valuation methodologies, we believe MLSR is worth **NIS 55,680 cents per share.**

Source: melisron.co.il

PROJECTED INCOME STATEMENT

Income Statement	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
Rental & Other Income	1,803,000	2,016,000	2,216,000	2,311,165	2,337,638
Growth	*0.0%*	*11.8%*	*9.9%*	*4.3%*	*1.1%*
Maintenance & Operating Costs	451,000	473,000	600,000	653,907	659,059
%	*25.0%*	*23.5%*	*27.1%*	*28.3%*	*28.2%*
Depreciation & Amort	11,000	27,000	12,000	16,667	17,500
Gross Profit	1,341,000	1,516,000	1,604,000	1,640,591	1,661,079
Margin	*74.4%*	*75.2%*	*72.4%*	*71.0%*	*71.1%*
Marketing & Advertising	16,000	11,000	20,000	51,235	52,772
% of sales	*0.9%*	*0.5%*	*0.9%*	*2.2%*	*2.3%*
General & Administrative	77,000	83,000	104,000	94,860	93,609
% of sales	*4.3%*	*4.1%*	*4.7%*	*4.1%*	*4.0%*
Increase in Value of Investment Property, net	(624,000)	(1,086,000)	(1,386,000)	(632,000)	(1,710,953)
% of sales	*-34.6%*	*-53.9%*	*-62.5%*	*-27.3%*	*-73.2%*
Other Operating Expenses	40,000	(49,000)	25,000	14,000	7,500
% of sales	*2.2%*	*-2.4%*	*1.1%*	*0.6%*	*0.3%*
Operating Income	1,832,000	2,557,000	2,841,000	3,141,940	3,218,151
Margin					
FFO	**1,005,000**	**1,160,000**	**1,234,000**	**1,240,000**	**2,091,798**
Margin	*55.7%*	*57.5%*	*55.7%*	*53.7%*	*89.5%*
Other Expenses/(Income)	(66,000)	(99,000)	(93,000)	(64,000)	(80,500)
%	*-3.7%*	*-4.9%*	*-4.2%*	*-2.8%*	*-3.4%*
EBIT	1,898,000	2,656,000	2,934,000	3,205,940	3,298,651
%	*105.3%*	*131.7%*	*132.4%*	*138.7%*	*141.1%*
Total Interest Exp (net)	536,000	666,000	555,000	674,000	687,480
%	*29.7%*	*33.0%*	*25.0%*	*29.2%*	*29.4%*
Net Profit Before Tax	1,362,000	1,990,000	2,379,000	2,531,940	2,611,171
%	*75.5%*	*98.7%*	*107.4%*	*109.6%*	*111.7%*
Income Tax	310,000	411,000	522,000	538,607	564,202
% Effective Rate	*22.8%*	*20.7%*	*21.9%*	*21.3%*	*21.6%*
% Cash Tax Rate	*22.8%*	*20.7%*	*21.9%*	*21.3%*	*21.6%*
Minority Interests	15,000	48,000	0	0	0
Net Profit	1,037,000	1,531,000	1,857,000	1,993,333	2,046,969
%	*57.5%*	*75.9%*	*83.8%*	*86.2%*	*87.6%*
	0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-recurring income (expense)					
Average Diluted Shares Outstanding	47,498	47,530	47,621	47,656	47,656
Reported FD EPS					
Zacks Cash EPS	21.83	32.21	39.00	41.83	42.95
Zacks EPS	21.83	32.21	39.00	41.83	42.95

HISTORICAL STOCK PRICE



Source: Zacks SCR analyst

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