Tejon Ranch Co. Reports First Quarter 2018 Results of Operations

May 7, 2018

--*Water Sales Contribute to Strong Revenues from Operations*--

--*Company Continues to Achieve Progress on Real Estate Development Projects*--

TEJON RANCH, Calif.--(BUSINESS WIRE)--May 7, 2018-- Tejon Ranch Co., or the Company, (NYSE:TRC), is a diversified real estate development and agribusiness company, which is in the process of entitling, planning and developing four master planned developments. Three of the developments are mixed-use residential communities and the fourth is a large commercial/industrial center. When all entitlements are approved, our mixed-use residential communities will be home to just under 35,000 housing units and more than 35 million square feet of commercial/industrial space. To date, 15,450 housing units and 25 million square feet of commercial space have been approved, allowing us to move closer to development.

"Our first quarter results are a testament to the strengths of our diverse operating segments. Our mineral resources segment generated $9.1 million in revenues primarily related to water sales during the quarter. We are also seeing continued momentum in our resort/residential segment as Kern County has approved the first phase of the site plan for Farm Village, the commercial center that will serve as the front door to Mountain Village," said Gregory S. Bielli, President and CEO. "We are happy to announce that 50% of the newly developed industrial building within our TRCC development has been leased to Dollar General."

First Quarter Financial Results

- Net income available to common stockholders for the first quarter of 2018 was $1.5 million, or earnings per diluted common share of $0.06, compared with a net loss of $1.9 million, or a loss per common share of $0.09, for the first quarter of 2017.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first quarter of 2018 were $13.9 million, an increase of $7.9 million, or 131%, compared with $6.0 million for the same period in 2017. Factors behind this increase include:
    - Moderate drought conditions in Kern County during the first quarter increased water sales opportunities. The Company sold 7,442 acre feet of water during the first quarter of 2018, generating $8.0 million in revenue. Water sales during the first of quarter of 2017 totaled 939 acre feet, generating $1.1 million.
    - Farming revenues increased $0.8 million as a result of the timing of carryover almond sales. The Company sold 330,000 pounds of its carryover crop in the first quarter of 2018, compared to no sales during the same period in 2017.
- Expenses totaled $11.9 million and $9.3 million as of March 31, 2018 and 2017, respectively. The $2.7 million increase is attributed to increased mineral resources expense of $2.9 million associated with the increased water sales discussed above. The Company also saw increased farming expenses of $0.5 million attributed to the increased almond sales discussed above. Offsetting these increases were reductions within our commercial and ranch operations segments along with our corporate division of $0.7 million primarily driven by reduced payroll and overhead costs.

2018 Operational Highlights

- In January, the Company obtained approval on the first phase of the Farm Village site plan from Kern County. Farm Village will serve as the "front door" to Mountain Village. Farm Village will include fresh culinary offerings, artisan markets, boutique lodging, and an array of trails, gardens, and agriculture that will be intertwined to create the most unique and relaxing experience while fulfilling the needs of residents of Mountain Village.
- In March, the Company successfully leased half of a 480,000 square foot industrial building to Dollar General. The building was constructed in 2017 through a joint venture formed with Majestic Realty Co.

2018 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of March 31, 2018, total capital, including debt, was approximately $498.2 million. The Company has cash and securities totaling approximately $90.6 million and $30.0 million available on its line of credit.

The Company will continue to aggressively pursue development, leasing, and investment within Tejon Ranch Commerce Center and in its joint ventures. The Company will also continue to invest in its residential projects, including Mountain Village at Tejon Ranch, advancing the entitlement of Centennial at Tejon Ranch and defending litigation for Grapevine at Tejon Ranch.

During 2018, the Company will continue to invest funds in master project infrastructure, as well as vertical development within its active commercial and industrial development. California is one of the most highly regulated states in which to engage in real estate development and, as such, natural delays, including those resulting from litigation, can be reasonably anticipated. Accordingly, throughout the next few years, the Company expects net income to fluctuate from year-to-year based on commodity prices, production within its farming segment, and the timing of sales of land and the leasing of land within its industrial developments.

The Company believes the variability of its quarterly and annual operating results will continue during 2018 due to the nature of its current farming and real estate activities. We may or may not have additional water sales for the remainder of the year depending on final State Water Project allocation. The Company may also experience an increase in oil royalties stemming from the recent rise in oil prices. However, it is difficult to predict whether the higher prices will be sustained throughout 2018. Lastly, it is currently too premature to predict what our crop production will be as it is too early in the growing cycle.

About Tejon Ranch Co.

Tejon Ranch Co. (NYSE: TRC) is a diversified real estate development and agribusiness company, whose principal asset is its 270,000-acre land holding located approximately 60 miles north of Los Angeles and 30 miles south of Bakersfield.

More information about Tejon Ranch Co. can be found on our website at www.tejonranch.com.

To watch a video overview of Tejon Ranch Co., please visit: http://tejonranch.com/investorvideo/.

Forward-Looking Statements:

The statements contained herein, which are not historical facts, are forward-looking statements based on economic forecasts, strategic plans and other factors, which by their nature involve risk and uncertainties. In particular, among the factors that could cause actual results to differ materially are the following: business conditions and the general economy, future commodity prices and yields, market forces, the ability to obtain various governmental entitlements and permits, interest rates and other risks inherent in real estate and agriculture businesses. For further information on factors that could affect the Company, the reader should refer to the Company's filings with the Securities and Exchange Commission.

TEJON RANCH CO.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except earnings per share)
(Unaudited)

	Three Months Ended March 31, 2018	2017
Revenues:		
Real estate - commercial/industrial	$ 2,154	$ 2,189
Mineral resources	9,131	2,001
Farming	1,195	431
Ranch operations	989	1,081
Total revenues from Operations	13,469	5,702
Operating Profits:		
Real estate - commercial/industrial	835	446
Real estate - resort/residential	(415)	(630)
Mineral resources	4,900	677
Farming	(643)	(892)
Ranch operations	(400)	(412)
Income (loss) from Operating Segments	4,277	(811)
Investment income	283	103
Other income	(14)	(14)
Corporate expense	(2,732)	(2,751)
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	1,814	(3,473)
Equity in earnings of unconsolidated joint ventures, net	167	228
Income (loss) before income tax expense	1,981	(3,245)
Income tax expense (benefit)	526	(1,332)
Net income (loss)	1,455	(1,913)
Net loss attributable to non-controlling interest	(2)	(11)
Net income (loss) attributable to common stockholders	$ 1,457	$ (1,902)
Net income (loss) per share attributable to common stockholders, basic	$ 0.06	$ (0.09)
Net income (loss) per share attributable to common stockholders, diluted	$ 0.06	$ (0.09)
Weighted average number of shares outstanding:		
Common stock	25,912,819	20,827,993
Common stock equivalents	28,509	47,052
Diluted shares outstanding	25,941,328	20,875,045

Non-GAAP Financial Measure

This news release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents our share of consolidated net income in accordance with GAAP, before interest, taxes, depreciation, and amortization, plus the allocable portion of EBITDA of unconsolidated joint ventures accounted for under the equity method of accounting based upon economic ownership interest, and all determined on a consistent basis in accordance with GAAP. EBITDA is a non-GAAP financial measure, and is used by us and others as a supplemental measure of performance. We use Adjusted EBITDA to assess the performance of our core operations, for financial and operational decision making, and as a supplemental or additional means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as EBITDA, excluding stock compensation expense. We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from our operations on an unleveraged basis before the effects of taxes, depreciation and amortization, and stock compensation expense. By excluding interest expense and income, EBITDA and Adjusted EBITDA allow investors to measure our performance independent of our capital structure and indebtedness and, therefore, allow for a more meaningful comparison of our performance to that of other companies, both in the real estate industry and in other industries. We believe that excluding charges related to share-based compensation facilitates a comparison of our operations across periods and among other companies without the variances caused by different valuation methodologies, the volatility of the expense (which depends on market forces outside our control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of our performance. EBITDA and Adjusted EBITDA do not reflect our historical cash expenditures or future cash requirements for capital expenditures or contractual commitments. While EBITDA and Adjusted EBITDA are relevant and widely used measures of performance, they do not represent net income or cash flows from operations as defined by GAAP, and they should not be considered as alternatives to those indicators in evaluating performance or liquidity. Further, our computation of EBITDA and Adjusted EBITDA may not be comparable to similar measures reported by other companies.

TEJON RANCH CO.
Non-GAAP Financial Measures

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	$ 1,455	$ (1,913)
Net income (loss) attributed to non-controlling interest	(2)	(11)
Interest, net:		
Consolidated	(283)	(103)
Our share of interest expense from unconsolidated joint ventures	501	404
Total interest, net	218	301
Income taxes	526	(1,332)
Depreciation and amortization:		
Consolidated	1,071	1,150
Our share of depreciation and amortization from unconsolidated joint ventures	919	1,316
Total depreciation and amortization	1,990	2,466
EBITDA	4,191	(467)
Stock compensation expense	948	811
Adjusted EBITDA	$ 5,139	$ 344

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Source: Tejon Ranch Co.

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