Tejon Ranch Co. Reports Second Quarter and Year-to-Date 2018 Results of Operations

August 7, 2018

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 7, 2018-- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three- and six-months ended June 30, 2018.

The Company 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 currently under development. When all entitlements are approved, the Company's current and future master planned developments 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, 750 lodging units and 25.3 million square feet of commercial space have received various levels of approval.

“Despite a few headwinds that affected second-quarter results, Tejon Ranch has a solid financial foundation as we proceed through the development process to unlock asset value in a strategically located, growing region,” said Gregory S. Bielli, President and CEO. “We are aggressively moving forward with plans to develop mixed-use residential communities that are tailored to support housing needs and economic development, while at the same time embracing sustainability and conservation. In addition, we continue to execute our development plans within the Tejon Ranch Commerce Center.”

Second Quarter Financial Results

- Net loss attributable to common stockholders for the second quarter of 2018 was $1.0 million, or a loss per common share of $0.04, compared with a net loss of $0.2 million, or a loss per common share of $0.01, for the second quarter of 2017.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the second quarter of 2018 were $6.1 million, a decrease of $1.2 million, or 16%, compared with $7.3 million for the same period in 2017. Factors behind the decrease include:
    - Farming revenues decreased approximately $1.0 million as a result of:
        - Almond revenues decreased $0.5 million resulting from the timing of carryover crop sales. The Company sold 86,000 and 177,000 pounds during the quarters ended June 30, 2018 and 2017, respectively
        - Pistachio revenues decreased $0.3 million, resulting from depressed crop yields for the 2017 pistachio crop. The Company sold 38,000 and 148,000 pounds for the quarters ended June 30, 2018 and 2017, respectively.
    - Equity in earnings from our unconsolidated joint ventures decreased $0.9 million to $0.7 million as a result of:
        - Our share of the operating results from TA/Petro decreased $0.6 million due to lower fuel margins driven by higher fuel costs that were not offset by a 15% increase in fuel revenues.
        - Our share of the operating results from TRCC/Rock Outlet Center decreased $0.6 million mostly related to accelerating amortization of lease intangibles driven by the removal of poor performing tenants. The Company is actively seeking replacement tenants.
        - The Company saw improvements of $0.4 million from our TRC-MRC 2 joint venture stemming from the absence of non-cash GAAP losses that were prevalent during the prior year.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first six months of 2018 was $0.5 million, or earnings per diluted common share of $0.02, compared with a net loss of $2.1 million, or a loss per common share of $0.10, for the first six months of 2017.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the six months of 2018 were $20.0 million, an increase of $6.6 million, or 49%, compared with $13.4 million for the first six months in 2017. Factors behind this increase include:
    - Moderate drought conditions in Kern County increased water sales opportunities. The Company sold 7,442 acre-feet of water during the first six months of 2018, generating $8.0 million in revenue. Water sales during the six months ended of 2017 totaled 939 acre-feet, generating $1.2 million.
    - Our share of the operating results from the Company's unconsolidated joint ventures decreased approximately $1.0 million for the same reasons discussed for the quarter end results.

2018 Operational Highlights

- In January, the Company obtained approval from Kern County on the first phase of the Farm Village which 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 a unique and relaxing experience while fulfilling the needs of residents of Mountain Village.

- During 2018, approval for expansion of the Foreign Trade Zone (FTZ) was granted by the U.S. Department of Commerce. The expanded FTZ now covers all the industrial sites within TRCC, an area totaling 1,094 acres. The FTZ designation allows the user to secure the many benefits and cost reductions associated with streamlined movement of goods in and out of the zone. This FTZ designation is further supplemented by the Economic Development Incentive Policy, or EDIP adopted by the Kern County Board of Supervisors. EDIP is aimed to expand and enhance the County's competitiveness by taking affirmative steps to attract new businesses and to encourage the growth and resilience of existing businesses. The EDIP provides incentives such as tax breaks, building supporting infrastructure, or workforce development.
- 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. The joint venture is currently in negotiations with a prospective tenant for the remaining space.

2018 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of June 30, 2018, total capital, including debt, was approximately $497.5 million. The Company has cash and securities totaling approximately $80.6 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 (TRCC) 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. It is currently too premature to predict what our crop production will be as it is too early in the growing cycle. The Company is also unable to predict the outcome of ongoing trade discussions with foreign nations nor is the Company able to predict the resulting impact over crop demand or pricing. Increased tariffs from China and India, which are major customers of almonds and pistachios, can make American products non-competitive and push customers to switch to another producing country.

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Real estate - commercial/industrial	$ 2,189	$ 2,083	$ 4,343	$ 4,272
Mineral resources	1,500	1,519	10,631	3,520
Farming	542	1,501	1,737	1,932
Ranch operations	839	860	1,828	1,941
Total revenues from Operations	5,070	5,963	18,539	11,665
Operating Profits:				
Real estate - commercial/industrial	801	181	1,636	627
Real estate - resort/residential	(433)	(500)	(848)	(1,130)

Mineral resources	905	990	5,805	1,667
Farming	(649)	243	(1,292)	(649)
Ranch operations	(509)	(601)	(909)	(1,013)
Income (loss) from Operating Segments	115	313	4,392	(498)
Investment income	346	95	629	198
Other loss, net	(10)	(275)	(24)	(289)
Corporate expense	(2,464)	(2,368)	(5,196)	(5,119)
Loss from operations before equity in earnings of unconsolidated joint ventures	(2,013)	(2,235)	(199)	(5,708)
Equity in earnings of unconsolidated joint ventures, net	652	1,560	819	1,788
(Loss) income before income tax expense	(1,361)	(675)	620	(3,920)
Income tax (benefit) expense	(348)	(472)	178	(1,804)
Net (loss) income	(1,013)	(203)	442	(2,116)
Net loss attributable to non-controlling interest	(16)	(27)	(18)	(38)
Net (loss) income attributable to common stockholders	$ (997)	$ (176)	$ 460	$ (2,078)
Net (loss) income per share attributable to common stockholders, basic	$ (0.04)	$ (0.01)	$ 0.02	$ (0.10)
Net (loss) income per share attributable to common stockholders, diluted	$ (0.04)	$ (0.01)	$ 0.02	$ (0.10)
Weighted average number of shares outstanding:				
Common stock	25,950,851	20,855,112	25,931,940	20,841,627
Common stock equivalents	19,748	22,837	29,198	44,003
Diluted shares outstanding	25,970,599	20,877,949	25,961,138	20,885,630

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (loss) income	$ (1,013)	$ (203)	$ 442	$ (2,116)
Net loss attributed to non-controlling interest	(16)	(27)	(18)	(38)
Interest, net:				
Consolidated	(346)	(95)	(629)	(198)
Our share of interest expense from unconsolidated joint ventures	554	428	1,056	832
Total interest, net	208	333	427	634
Income taxes	(348)	(472)	178	(1,804)
Depreciation and amortization:				
Consolidated	1,149	1,132	2,220	2,282
Our share of depreciation and amortization from unconsolidated joint ventures	1,135	1,322	2,053	2,638
Total depreciation and amortization	2,284	2,454	4,273	4,920
EBITDA	1,147	2,139	5,338	1,672
Stock compensation expense	828	883	1,776	1,694
Adjusted EBITDA	$ 1,975	$ 3,022	$ 7,114	$ 3,366

View source version on businesswire.com: https://www.businesswire.com/news/home/20180807005309/en/

Source: Tejon Ranch Co.

Tejon Ranch Co.
Allen Lyda, 661-248-3000
Executive Vice President & Chief Financial Officer