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

November 6, 2018

TEJON RANCH, Calif.--(BUSINESS WIRE)--Nov. 6, 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 nine-months ended September 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 in execution with more than 5.0 million square feet already developed and an additional 14.8 million square feet available for 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, the Company has received entitlement approvals for 15,450 housing units, 750 lodging units and 25.3 million square feet of commercial space at various levels of approval.

"Tejon Ranch Co. achieved strong financial results in the third quarter and continued to make solid progress with its real estate development projects," said Gregory S. Bielli, President and CEO. "This year's pistachio crop yield of over four million pounds was a record high. The pistachio crop, along with our other agricultural commodities, provided the Company with a significant boost in earnings when compared to the prior year. Water sales also contributed significantly, as our sales are $6.7 million higher thus far in 2018 compared to the year prior," Bielli said.

"With respect to our development projects, the Los Angeles County Regional Planning Commission recommended that the LA County Board of Supervisors approve the Centennial Specific Plan," Bielli noted. "Our commercial center continues to expand its portfolio with the successful lease of the remaining half of a 480,000-square-foot industrial building to L'Oréal. Additionally, we formed a third joint venture with Majestic Realty Co. to develop and operate a 580,000-square-foot industrial building at TRCC-East."

Third Quarter Financial Results

- Net income attributable to common stockholders for the third quarter of 2018 was $3.5 million, or income per common share of $0.13, compared with a net loss of $22,000, or a loss per common share of $0.00, for the third quarter of 2017.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the third quarter of 2018 were $17.4 million, an increase of $3.7 million, or 27%, from $13.7 million for the same period in 2017. Factors behind the increase include:

- Record high pistachio yields in excess of 4,000,000 pounds improved farming revenues $3.4 million. Of the 4,000,000 pounds harvested, the Company sold 3,500,000 pounds of pistachios compared to 643,000 pounds during the previous year. Yields for 2017 were lower given that 2017 was a down bearing crop year.
- Equity in earnings from our unconsolidated joint ventures decreased $0.1 million to $1.6 million. Factors affecting equity in earnings include:
    - The Company's share of the operating results from TA/Petro increased $0.2 million due to improving fuel margins resulting from a 23% increase in fuel revenues.
    - The Company's share of the operating results from TRCC/Rock Outlet Center decreased $0.4 million mostly related to higher operating and loan interest costs.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first nine months of 2018 was $3.9 million, or income per common share of $0.15, compared with a net loss of $2.1 million, or a loss per common share of $0.10, for the first nine months of 2017.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the nine months of 2018 were $37.3 million, an increase of $10.2 million, or 38%, from $27.1 million for the first nine months of 2017. Factors behind this increase include:

- Moderate drought conditions in Kern County increased water sales opportunities, leading to an improvement in the Company's Mineral Resources segment. The Company sold 7,442 acre-feet of water during the first nine months of 2018, generating $8.0 million in revenue. Water sales during the first nine months of 2017 totaled 939 acre-feet, generating $1.3 million.
- Record high pistachio yields, as discussed within the quarter end results, improved farming revenues by $3.2 million.
- Equity in earnings from unconsolidated joint ventures decreased $1.1 million. Factors affecting equity in earnings include:
    - The Company's share of the operating results from TA/Petro decreased $0.8 million due to lower fuel margins driven by higher fuel costs that were not offset by a 15% increase in fuel revenues.
    - The Company's share of the operating results from TRCC/Rock Outlet Center decreased $1.1 million mostly related to accelerating amortization of lease intangibles driven by the removal of poor performing tenants.

- The Company saw improvements of $1.1 million from our TRC-MRC 2 joint venture stemming from the reduction in amortization costs that were prevalent during the prior year.

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.
- 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 (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.
- The 480,000-square-foot industrial building constructed in 2017, through a joint venture with Majestic Realty Co. was fully-leased up in 2018, with half the space leased to Dollar General and the other half to L'Oréal USA.
- In August, the Company received a 4-1 vote from the Los Angeles County Regional Planning Commission recommending that the LA County Board of Supervisors approve the Centennial Specific Plan. The Company is currently working with LA County to advance the application on to the Board of Supervisors.

2018 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of September 30, 2018, total capital, including debt, was approximately $501.4 million. The Company has cash and securities totaling approximately $79.6 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. The Company is currently in the process of completing its wine grape and almond harvests. Thus far, the Company expects almond yields to be slightly lower than the previous year while wine grape yields will remain comparable to prior year. 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 on 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Real estate - commercial/industrial	$ 2,445	$ 2,432	$ 6,788	$ 6,704
Mineral resources	1,355	1,142	11,986	4,662
Farming	10,836	7,466	12,573	9,398
Ranch operations	796	868	2,624	2,809
Total revenues from Operations	15,432	11,908	33,971	23,573
Operating Profits:				
Real estate - commercial/industrial	767	1,117	2,403	1,744
Real estate - resort/residential	(471)	(271)	(1,319)	(1,401)
Mineral resources	781	614	6,586	2,281
Farming	4,295	(455)	3,003	(1,104)
Ranch operations	(557)	(285)	(1,466)	(1,298)
Income (loss) from Operating Segments	4,815	720	9,207	222
Investment income	351	91	980	289
Other loss, net	(16)	(2)	(40)	(291)
Corporate expense	(2,100)	(2,223)	(7,296)	(7,342)
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	3,050	(1,414)	2,851	(7,122)
Equity in earnings of unconsolidated joint ventures, net	1,592	1,724	2,411	3,512
Income (loss) before income tax expense	4,642	310	5,262	(3,610)
Income tax (benefit) expense	1,155	336	1,333	(1,468)
Net income (loss)	3,487	(26)	3,929	(2,142)
Net loss attributable to non-controlling interest	(1)	(4)	(19)	(42)
Net income (loss) attributable to common stockholders	$ 3,488	$ (22)	$ 3,948	$ (2,100)
Net income (loss) per share attributable to common stockholders, basic	$ 0.13	$ —	$ 0.15	$ (0.10)
Net income (loss) per share attributable to common stockholders, diluted	$ 0.13	$ —	$ 0.15	$ (0.10)
Weighted average number of shares outstanding:				
Common stock	25,959,546	20,864,470	25,941,243	20,849,325
Common stock equivalents	20,881	30,003	31,716	43,951
Diluted shares outstanding	25,980,427	20,894,473	25,972,959	20,893,276

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (loss) income	$ 3,487	$ (26)	$ 3,929	$ (2,142)
Net loss attributed to non-controlling interest	(1)	(4)	(19)	(42)
Interest, net:				
Consolidated	(351)	(91)	(980)	(289)
Our share of interest expense from unconsolidated joint ventures	712	431	1,768	1,262
Total interest, net	361	340	788	973
Income taxes	1,155	336	1,333	(1,468)
Depreciation and amortization:				
Consolidated	1,604	1,140	3,284	3,422
Our share of depreciation and amortization from unconsolidated joint ventures	1,119	1,333	3,172	3,970
Total depreciation and amortization	2,723	2,473	6,456	7,392
EBITDA	7,727	3,127	12,525	4,797
Stock compensation expense	825	877	2,601	2,571
Adjusted EBITDA	$ 8,552	$ 4,004	$ 15,126	$ 7,368

Source: Tejon Ranch Co.

Tejon Ranch Co.
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