TEJON RANCH
Building the Legacy

Tejon Ranch Co. Reports Third Quarter and Year-to-Date 2019 Results of Operations

November 6, 2019

TEJON RANCH, Calif.--(BUSINESS WIRE)--Nov. 6, 2019-- Tejon Ranch Co., (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, 2019.

The Company is entitling, planning and developing four master planned developments. Three of the projects are mixed-use residential communities and the fourth is a large commercial/industrial center currently in development with nearly 6.0 million square feet completed and an additional 14.3 million square feet available for development. When all entitlements are approved and the communities are fully built out, Tejon Ranch will be home to 34,783 housing units, more than 35 million square feet of commercial/industrial space and 750 lodging units.

"We continue to make steady progress unlocking the value of our real estate assets, both those in the execution phase as well as those in the earlier entitlement/development stage," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "Located along the heavily trafficked I-5 corridor between San Francisco and Los Angeles, our Tejon Ranch Commerce Center is improving occupancy as the Company, both individually, and in concert with our joint venture partners, continues to build facilities to meet growing demand."

Third Quarter Financial Results

- Net income attributable to common stockholders for the third quarter of 2019 was $47,000, or net income per share attributed to common stockholders, basic and diluted, of $0.00, compared with net income attributable to common stockholders of $3.5 million, or net income per share attributed to common stockholders, basic and diluted, of $0.13, for the third quarter of 2018.

- Revenues and other income, for the third quarter of 2019, including equity in earnings of unconsolidated joint ventures, were $12.2 million, a decrease of $5.2 million, or 30%, from $17.4 million for the same period in 2018. Factors affecting the quarterly results include:
  - A decrease in farming revenues of $6.2 million, of which $4.9 million was attributed to lower pistachio revenues. The 2019 pistachio crop year is a down bearing year, and as such, yields were significantly less than the record yields experienced in 2018. Also contributing to the decline in farming revenues was a timing difference related to almond sales to the Company's largest customer.
  - Earnings from the Company's joint ventures improved $607,000 attributable to improved fuel margins within the TA/Petro joint venture and improved operating results from the Company's Majestic joint ventures.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first nine months of 2019 was $873,000, or net income per share attributed to common stockholders, basic and diluted, of $0.03, compared with net income attributable to common stockholders of $3.9 million, or net income per share attributed to common stockholders, basic and diluted, of $0.15, for the first nine months of 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first nine months of 2019 were $35.4 million, a decrease of $1.9 million, or 5%, from $37.3 million for the same period in 2018. Factors affecting the year-to-date results include:
  - A decrease in farming revenues of $6.3 million, related to the Company's pistachio and almond sales as noted above.
  - A decrease in mineral resources revenues of $3.6 million resulting from the strong California winter rainfall, which reduced water sales opportunities for the Company. Comparatively, the Company sold 4,445 acre feet and 7,442 acre feet of water as of September 30, 2019 and 2018, respectively.
  - An increase in commercial/industrial revenues of $5.3 million, primarily as a result of a land contribution to the Company's TRC-MRC 3 joint venture.
  - Earnings from the Company's joint ventures improved $2.6 million, of which $1.9 million is attributable to robust operating results at TA/Petro, as a result of improved fuel margins.

2019 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of September 30, 2019, total capital, including debt, was approximately $502.3 million. The Company has cash and securities totaling approximately $56.5 million and $30.0 million available on its line of credit.

The Company will continue to aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center and in its joint ventures. The Company will also continue to invest in its residential projects, including the engineering necessary to advance approved tract maps to a final map status for Mountain Village at Tejon Ranch, advancing re-entitlement efforts for Grapevine at Tejon Ranch and defending against lawsuits filed against the County of Los Angeles and the Los Angeles County Board of Supervisors' approval of Centennial at Tejon Ranch.

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.

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 2019 due to the nature of its current farming and real estate activities. Nut and grape crop markets are particularly sensitive to the size of each year's world crop and the demand for those crops. Large crops in California and abroad can rapidly depress prices. We are currently in the process of completing the 2019 harvest on certain wine grape crops and processing the remainder of the 2019 almond crop. Yields for both crops are expected to be consistent with prior years. The timing for a majority of our 2019 almond crop sales are expected to occur during the fourth quarter of 2019 versus the third quarter in previous years.

Water sales opportunities for the remainder of 2019 will be limited because of above average winter rain and snowfall which increased the California State Water Project water allocation to 75%.

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 the Company's 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. Some of 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,	
	2019	2018	2019	2018
Revenues:				
Real estate - commercial/industrial	$ 2,620	$ 2,445	$ 12,041	$ 6,788
Mineral resources	1,559	1,355	8,351	11,986
Farming	4,602	10,836	6,303	12,573
Ranch operations	876	796	2,570	2,624
Total revenues from Operations	9,657	15,432	29,265	33,971
Operating (Loss) Income:				
Real estate - commercial/industrial	652	767	3,688	2,403

Real estate - resort/residential	(582)	(471)	(1,872)	(1,319)
Mineral resources	983	781	3,345	6,586
Farming	(1,377)	4,295	(2,099)	3,003
Ranch operations	(384)	(557)	(1,433)	(1,466)
Income from Operating Segments	(708)	4,815	1,629	9,207
Investment income	294	351	972	980
Other income (loss), net	19	(16)	67	(40)
Corporate expense	(1,760)	(2,100)	(6,524)	(7,296)
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(2,155)	3,050	(3,856)	2,851
Equity in earnings of unconsolidated joint ventures, net	2,199	1,592	5,046	2,411
Income before income tax expense	44	4,642	1,190	5,262
Income tax expense	7	1,155	320	1,333
Net income	37	3,487	870	3,929
Net loss attributable to non-controlling interest	(10)	(1)	(3)	(19)
Net income attributable to common stockholders	$ 47	$ 3,488	$ 873	$ 3,948
Net income per share attributable to common stockholders, basic	$ —	$ 0.13	$ 0.03	$ 0.15
Net income per share attributable to common stockholders, diluted	$ —	$ 0.13	$ 0.03	$ 0.15
Weighted average number of shares outstanding:				
Common stock	26,041,353	25,959,546	26,022,022	25,941,243
Common stock equivalents	195,957	20,881	194,699	31,716
Diluted shares outstanding	26,237,310	25,980,427	26,216,721	25,972,959

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,	
	2019	2018	2019	2018
Net income	$ 37	$ 3,487	$ 870	$ 3,929
Net loss attributed to non-controlling interest	(10)	(1)	(3)	(19)
Net income attributable to common stockholders	47	3,488	873	3,948
Interest, net:				
Consolidated	(294)	(351)	(972)	(980)
Our share of interest expense from unconsolidated joint ventures	708	712	2,176	1,768
Total interest, net	414	361	1,204	788
Income tax	7	1,155	320	1,333
Depreciation and amortization:				
Consolidated	1,426	1,604	3,562	3,284
Our share of depreciation and amortization from unconsolidated joint ventures	1,013	1,119	3,147	3,172
Total depreciation and amortization	2,439	2,723	6,709	6,456
EBITDA	2,907	7,727	9,106	12,525
Stock compensation expense	338	825	1,930	2,601
Adjusted EBITDA	$ 3,245	$ 8,552	$ 11,036	$ 15,126

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