Tejon Ranch Co. Announces Fourth-Quarter and Year-Ended December 31, 2019 Financial Results

March 10, 2020

TEJON RANCH, Calif.--(BUSINESS WIRE)-- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the fourth quarter and year-ended December 31, 2019.

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 operation with nearly 6.0 million square feet completed and an additional 14.3 million square feet available for development. When these four master planned developments 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 significant progress with our execution-stage assets, especially in the Tejon Ranch Commerce Center, or TRCC. With industrial sites ranging from 20,000 to 2 million square feet, the Company has the capacity and proven track record to rapidly deliver quality industrial buildings in a highly trafficked and desirable geographic area. In 2019 we completed construction of a 579,040 square foot industrial building at TRCC with our joint venture partner, Majestic Realty Co., two-thirds of which is already leased. We also saw a prime example of the value generation model we've been sharing with shareholders and the investment community over the past few years. The sale of land and a building held by one of our joint ventures generated approximately $11.7 million of free cash flow. As we continue to create and unlock value at TRCC, we can also redeploy capital to advance our master planned residential communities," said Gregory S. Bielli, President and CEO.

"Our residential real estate side of the business also continues to advance," said Bielli. "In 2019 we achieved considerable milestones with Kern County re-approving our Grapevine at Tejon Ranch project following a legal challenge, and also winning final approval from Los Angeles County for our Centennial at Tejon Ranch mixed-use residential real estate development. We are advancing each of our residential projects, even as we move into the litigation phase for Grapevine and Centennial. With Mountain Village, we are in the process of obtaining necessary permits, as well as exploring various capital structures that best align with the Company's core values and objectives. We look forward to making headway this year as we work towards the ultimate build-out of these master planned communities."

Fourth-Quarter 2019 Financial Highlights

- Net income attributable to common stockholders for the fourth quarter of 2019 was $9.7 million, or net income per share attributable to common stockholders, basic and diluted, of $0.37, compared with net income attributable to common stockholders of $0.3 million, or net income per share attributable to common stockholders, basic and diluted, of $0.01, for the fourth quarter of 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the fourth quarter of 2019 were $32.1 million, an increase of $18.7 million, or 140%, compared with $13.4 million for the same period in 2018. Factors behind this increase include:
    - Improved equity in earnings from unconsolidated joint ventures of $10.1 million, which was primarily attributed to the Company's Five West Parcel joint venture. The joint venture sold its 606,000 square foot building and accompanying land to Covington Group, Inc., a Dallas, Texas-based real estate investment and development company, in November 2019 for $29.1 million, recognizing a gain of $17.5 million. Also contributing to improved equity in earnings, was a $1.1 million increase in the Company's TA/Petro joint venture that resulted from improved fuel margins over the comparative period.
    - A $7.0 million increase in farming revenues in the fourth quarter of 2019 was primarily attributed to the following:
        - A $3.2 million improvement in almond revenues resulting from the timing of when almonds were processed and sold to our largest customer. Historically, most of these sales are made during the third quarter, but were moved to the fourth quarter due to processing time.
        - A $3.9 million improvement in pistachio revenues resulting from a one time price adjustment associated with the 2018 crop. Additionally, the Company received insurance proceeds to mitigate a portion of the lost revenues from having lower 2019 pistachio yields that resulted from 2019 being an alternate bearing year for the crop.

Fiscal 2019 Financial Highlights

- Net income attributable to common stockholders for fiscal 2019 was $10.6 million, or net income per share attributable to common stockholders, basic of $0.41 and diluted of $0.40, compared with $4.3 million or $0.16, for 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, were $67.3 million in 2019, an increase of $16.5 million, or 32%, compared with $50.8 million in 2018. Factors driving this increase include:
    - A $12.7 million increase in equity in earnings of unconsolidated joint ventures for the same reasons discussed within the fourth quarter financial highlights above.
    - Commercial/industrial segment revenues improved $7.8 million from land sales of $6.6 million resulting from contributing two land parcels and one building to two of the Company's joint ventures.

  - These improvements were offset by reduced mineral resources revenues of $4.6 million, resulting from fewer water sales opportunities as a result of the wet 2019 winter rain season.

Fiscal 2019 Operational Highlights

- The Company received final approval of its Centennial mixed-use residential community upon completion of the finding of facts and the adoption of other resolutions by the Los Angeles County Board of Supervisors on April 30, 2019. This also includes a Development Agreement between Los Angeles County and Centennial, which provides the Company with vested rights to build the project as approved for 30 years. With this approval, Centennial at Tejon Ranch achieved local legislative approval for the building of 19,333 residential units and more than 10.1 million square feet of commercial space.
- In the fourth quarter of 2019, the Company's TRC-MRC 3 joint venture, a partnership with Majestic Realty Co., completed construction of a 579,040 square foot industrial building and delivered the space to a lessee that has entered into a lease agreement for 67% of the total rentable space.
- In December 2019, the Kern County Board of Supervisors unanimously reapproved the development of the Company's Grapevine at Tejon Ranch master planned mixed-use residential community after review of the supplemental re-circulated EIR prepared in response to a prior court ruling.

2020 Outlook:

The Company believes its capital structure provides a solid foundation for continued investment in ongoing and future real estate development projects. As of December 31, 2019, total capital and debt was approximately $507.3 million and the Company also had cash and securities totaling approximately $66.2 million and $35.0 million available on its line of credit.

The Company will continue to aggressively pursue development, leasing, sales, and investment within TRCC and in its joint ventures and will also continue to invest in its residential projects, including Mountain Village at Tejon Ranch, Centennial at Tejon Ranch and Grapevine at Tejon Ranch.

During 2020, the Company will continue to invest funds in master project infrastructure, as well as vertical development within its active commercial and industrial developments. 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 mineral resources segment, and the timing of sales of land and the leasing of land within its industrial developments.

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 online at http://www.tejonranch.com.

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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenues:				
Real estate - commercial/industrial	$ 4,751	$ 2,182	$ 16,792	$ 8,970
Mineral resources	1,440	2,409	9,791	14,395
Farming	13,028	5,990	19,331	18,563

Ranch operations	1,039	1,067	3,609	3,691
Total revenues from Operations	20,258	11,648	49,523	45,619
Operating Profits (Losses):				
Real estate - commercial/industrial	143	321	3,831	2,724
Real estate - resort/residential	(375)	(211)	(2,247)	(1,530)
Mineral resources	628	1,586	3,973	8,172
Farming	6,179	(468)	4,080	2,535
Ranch operations	(274)	(294)	(1,707)	(1,760)
Income from Operating Segments	6,301	934	7,930	10,141
Investment income	267	364	1,239	1,344
Other loss	(1,891)	(19)	(1,824)	(59)
Corporate expense	(2,837)	(2,409)	(9,361)	(9,705)
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	1,840	(1,130)	(2,016)	1,721
Equity in earnings of unconsolidated joint ventures, net	11,529	1,423	16,575	3,834
Income before income tax expense	13,369	293	14,559	5,555
Income tax expense (benefit)	3,660	(13)	3,980	1,320
Net income	9,709	306	10,579	4,235
Net income (loss) attributable to non-controlling interest	2	(1)	(1)	(20)
Net income attributable to common stockholders	$ 9,707	$ 307	$ 10,580	$ 4,255
Net income per share attributable to common stockholders, basic	$ 0.37	$ 0.01	$ 0.41	$ 0.16
Net income per share attributable to common stockholders, diluted	$ 0.37	$ 0.01	$ 0.40	$ 0.16
Weighted average number of shares outstanding:				
Common stock	26,059,192	25,968,802	26,031,391	25,948,189
Common stock equivalents – stock options	96,621	14,758	117,724	27,715
Diluted shares outstanding	26,155,813	25,983,560	26,149,115	25,975,904

Non-GAAP Financial Measure

This news release includes references to the Company’s non-GAAP financial measure “EBITDA.” EBITDA represents earnings before interest, taxes, depreciation, and amortization, 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 and asset abandonment charges. 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, stock compensation expense, and abandonment charges. 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. 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	$ 9,709	$ 306	$ 10,579	$ 4,235
Net income (loss) attributed to non-controlling interest	2	(1)	(1)	(20)
Interest, net:				
Consolidated	(267)	(364)	(1,239)	(1,344)
Our share of interest expense from unconsolidated joint ventures	609	751	2,785	2,519
Total interest, net	342	387	1,546	1,175
Income taxes (benefit)	3,660	(13)	3,980	1,320
Depreciation and amortization:				
Consolidated	1,474	2,140	5,036	5,424
Our share of depreciation and amortization from unconsolidated joint ventures	988	1,156	4,135	4,328
Total depreciation and amortization	2,462	3,296	9,171	9,752
EBITDA	16,171	3,977	25,277	16,502
Stock compensation expense	1,268	647	3,198	3,248
Asset abandonment charges	1,604	—	1,604	—
Adjusted EBITDA	$ 19,043	$ 4,624	$ 30,079	$ 19,750

Tejon Ranch Co.
Robert D. Velasquez, 661-248-3000
Chief Financial Officer

Source: Tejon Ranch Co.