Tejon Ranch Co. Announces First Quarter 2020 Financial Results

May 4, 2020

TEJON RANCH, Calif.--(BUSINESS WIRE)--May 4, 2020-- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three-months ended March 31, 2020.

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.

"These are unprecedented times. The COVID-19 pandemic has created a level of uncertainty rarely experienced outside of wartime. Our commitment to the health and safety of our employees and customers remains a top priority," said Gregory S. Bielli, President and CEO. "When you look at the revenue diversity of Tejon Ranch and align it with the state's definition of 'essential' under California's 'Stay at Home' order, we can say that a majority of our segments are considered an essential business in California; our farming segment continues to operate while adhering to the social distancing mandate; our mineral resource segment continues to provide much needed resources to support infrastructure development throughout California; our fueling stations within the commerce center are also open providing gas and diesel for goods movement and to travelers."

"The pandemic has also not slowed down the pursuit of our mission to monetize our land assets through our real estate developments. We continue to push forward with final maps for Mountain Village and continue to vigorously defend our entitlements at Centennial and Grapevine," Bielli continued.

First Quarter Financial Results

- Net loss attributable to common stockholders for the first quarter of 2020 was $0.7 million, or net loss per share attributed to common stockholders, basic and diluted, of $0.03, compared with net income attributable to common stockholders of $0.1 million, or net income per share attributed to common stockholders, basic and diluted, of $0.00, for the first quarter of 2019.
- Revenues and other income, for the first quarter of 2020, including equity in earnings of unconsolidated joint ventures, were $11.9 million, which is comparable with the same period in 2019. Factors affecting the quarterly results include:
  - Commercial/industrial real estate development segment revenues were $2.3 million for the three months ended March 31, 2020, a decrease of $0.5 million, or 18%, from $2.8 million for the three months ended March 31, 2019. The decrease in commercial revenues is attributed to a true-up in the 2019 period related to 2018 spark spread revenues from the Pastoria Energy Facility that were greater than their original estimates. This true-up did not reoccur in 2020.
  - The above decrease was partially offset by an increase in equity in earnings of $0.5 million, or 56%, from $0.9 million during the first quarter of 2019 to $1.4 million for the three months ended March 31, 2020. The impact of COVID-19 was not a factor at TA/Petro until the second half of March. In March, the number of gallons of fuel sold declined 20%. However, because of a 26% decline in fuel costs, TA/Petro experienced a $0.4 million improvement in net margins when compared to 2019 levels.
- Income tax expense was $0.5 million and $0.1 million as of March 31, 2020 and 2019, respectively. Despite having a net loss, income tax expense was recorded as a result of recognizing a discrete tax accounting item of $523,000. This item will not have an impact on the Company's income taxes payable and represents a reversal of excess deferred tax benefits that were previously taken.

2020 Outlook:

In March 2020, in response to the COVID-19 pandemic, California issued the Stay at Home order which shut down all non-essential businesses and services. The broader implications of COVID-19 on the Company's future results of operations and financial performance remain uncertain. The pandemic and its adverse effects have become more prevalent in locations where the Company, our customers, suppliers or third-party business partners conduct business. As a result, Tejon Ranch may experience constrained customer demand that could adversely impact its business and financial performance for the foreseeable future.

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects during this time of uncertainty. As of March 31, 2020, total capital, including debt, was approximately $502.3 million. The Company has cash and securities totaling approximately $59.3 million and $35.0 million available on its line of credit. The Company is also taking steps to maximize positive cash flow, in the event a lack of liquidity in the economy resulting from the responses to the COVID-19 pandemic limits the Company's access to future third party funding.

Within the oil markets, global oil producers' inability to agree on oil production cuts caused an immediate shock on oil prices during March. Social distancing and Stay at Home orders arising from the pandemic have also reduced the demand for oil, leading to a decline in oil prices. As a result, the Company expects to see a significant decline in oil royalties for the foreseeable future.

The impact of COVID-19 on the Company's crop production and sales is currently unknown. The Company's agribusiness operations are deemed essential and are allowed to operate under California's Stay at Home order. A portion of the Company's farm labor force is contracted from outside parties. Thus far, COVID-19 has not impacted our ability to hire outside labor. However, the extent to which COVID-19 will impact the availability of outside workers in the near future is unknown. We can also expect a reduction in demand and pricing, on our almonds and pistachios if global economies are shut down and trade flows are disrupted for an extended period of time. If this were to occur, the Company would have the option to defer sales into later periods as almonds and pistachios have a longer shelf life than most agricultural products. Lastly, the Company does not expect any disruption to wine grape sales as the crop is under multi-year contracts.

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, defending currently held entitlements, 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 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, the impact of COVID-19, 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,	
	2020	2019
Revenues:		
Real estate - commercial/industrial	$ 2,320	$ 2,826
Mineral resources	6,178	6,132
Farming	952	815
Ranch operations	863	889
Total revenues from Operations	10,313	10,662
Operating Income:		
Real estate - commercial/industrial	389	1,034
Real estate - resort/residential	(626)	(648)
Mineral resources	2,300	2,300

Farming	(750)	(783)
Ranch operations	(543)	(461)
Income from Operating Segments	770	1,442
Investment income	228	349
Other income, net	8	26
Corporate expense	(2,533)	(2,474)
(Loss) from operations before equity in earnings of unconsolidated joint ventures	(1,527)	(657)
Equity in earnings of unconsolidated joint ventures, net	1,355	876
(Loss) Income before income tax expense	(172)	219
Income tax expense	512	95
Net (loss) income	(684)	124
Net (loss) income attributable to non-controlling interest	(2)	5
Net (loss) income attributable to common stockholders	$ (682)	$ 119
Net (loss) income per share attributable to common stockholders, basic	$ (0.03)	$ —
Net (loss) income per share attributable to common stockholders, diluted	$ (0.03)	$ —
Weighted average number of shares outstanding:		
Common stock	26,128,976	25,992,374
Common stock equivalents	133,951	17,707
Diluted shares outstanding	26,262,927	26,010,081

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,	
($ in thousands)	2020	2019
Net (loss) income	$ (684)	$ 124
Net (loss) income attributable to non-controlling interest	(2)	5
Net (loss) income attributable to common stockholders	(682)	119
Interest, net		
Consolidated	(228)	(349)
Our share of interest expense from unconsolidated joint ventures	681	738
Total interest, net	453	389
Income taxes	512	95
Depreciation and amortization:		
Consolidated	1,164	1,089
Our share of depreciation and amortization from unconsolidated joint ventures	1,025	1,109
Total depreciation and amortization	2,189	2,198
EBITDA	2,472	2,801
Stock compensation expense	1,225	813
Adjusted EBITDA	$ 3,697	$ 3,614

Tejon Ranch Co.
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Senior Vice President and Chief Financial Officer

Source: Tejon Ranch Co.