Tejon Ranch Co. Announces Fourth-Quarter and Year-Ended December 31, 2020 Financial Results

March 3, 2021

TEJON RANCH, Calif.--(BUSINESS WIRE)--Mar. 3, 2021-- 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, 2020.

The Company is in the process of entitling, planning and developing four master planned developments. When these four master planned developments are fully built out, Tejon Ranch will be home to 35,278 housing units, more than 35 million square feet of commercial/industrial space and 750 lodging units.

"We have now reached the one-year anniversary of the COVID-19 pandemic. From the very beginning, our top priority has been ensuring the health and safety of our employees, customers, suppliers and others with whom we partner, while keeping a focus on our business efforts," said Gregory S. Bielli, President and CEO. "We responded to the pandemic by immediately downsizing our operations to reduce our cost of doing business across the board; provided about $1.0 million in rent deferrals and relief for tenants of our wholly-owned and joint venture properties to keep our tenants in place for the long term; continued to advance the entitlement and development of our master plans, specifically in the litigation challenges that were brought on before the pandemic; and initiated and later entitled a new multi-family housing complex next to the Outlets at the Tejon Ranch Commerce Center to bring needed housing to the area and increase business opportunities to the surrounding retail and industrial development. Despite the challenging circumstances we faced during 2020, we were able to advance the Company's mission and create greater value for the shareholders."

Fourth-Quarter 2020 Financial Highlights

- Net loss attributable to common stockholders for the fourth quarter of 2020 was $0.1 million, or net loss per share attributable to common stockholders, basic and diluted, of $0.00, compared with net income attributable to common stockholders of $9.7 million, or net income per share attributable to common stockholders, basic and diluted, of $0.37, for the fourth quarter of 2019.

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the fourth quarter of 2020 were $10.2 million, a decrease of $21.9 million, or 68%, compared with $32.1 million for the same period in 2019. Factors behind this change include:
  - A decrease in equity in earnings from unconsolidated joint ventures of $10.7 million, primarily related to the Company's share of the $17.5 million gain related to an investment property sold in 2019 by the Company's Five West Parcel joint venture, which was dissolved in 2020. Also contributing to the decline was a $1.7 million decrease in the Company's share of earnings from its TA/Petro partnership, attributed to lower fuel volumes, lower fuel margins and a loss of restaurant revenues resulting from California's stay-at-home orders related to the pandemic.
  - An $8.9 million decrease in farming revenues in the fourth quarter of 2020 which was primarily attributed to the following:
    - Almond revenues decreased primarily because of a decrease in the average selling price for almonds, which was driven by the abundant almond supply available within the market. California's 2020 almond crop yielded in excess of 3 billion pounds, surpassing all previous production records. The record yields resulted from favorable blooms along with an increase in new almond plantings seen throughout California in recent years. Although COVID-19 disrupted international trade during its early onset, it ultimately had a minimal effect on the Company's overall 2020 sales volumes. For the fourth quarter, we saw a 15% decline in sales given that third quarter 2019 sales were pushed to the fourth quarter of 2019 as a result of processing delays.
    - Pistachio revenues decreased as a result of recognizing lower final pricing adjustments on the Company's 2019 crop in 2020 when compared to the 2019 adjustment for the 2018 crop. The adjustment is based on pistachio production levels which was far less in 2019 when compared to 2018's record volumes.
    - Wine grape revenues decreased due to reduced production as the Company removed a 313-acre vineyard that provided revenues during the fourth quarter of 2019.
  - Commercial/industrial segment revenues decreased $2.4 million, compared with 2019, as the Company did not recognize the contribution of a land parcel and a building to the TA/Petro joint venture as it did in the prior year.

Fiscal 2020 Financial Highlights

- Net loss attributable to common stockholders for fiscal 2020 was $0.7 million, or net loss per share attributable to common stockholders, basic and diluted of $0.03, compared with net income attributable to common stockholders of $10.6 million, or $0.41 basic and $0.40 diluted, for 2019.

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, were $44.5 million in 2020, a decrease of $22.8 million, or 34%, compared with $67.3 million in 2019. Factors driving this decrease include:
    - A $12.1 million decrease in equity in earnings of unconsolidated joint ventures as a result of dissolving our Five West Parcel joint venture, which sold its building and land in 2019. Additionally, operating results for our TA/Petro joint venture were lower because of lower fuel sales volumes and a loss of restaurant revenues resulting from California's stay-at-home orders related to the pandemic.
    - Commercial/industrial segment revenues decreased $7.3 million compared to 2019, primarily due to $6.6 million of revenues related to contributing two land parcels and one building to the Company's unconsolidated joint ventures. Similar transactions did not occur in 2020.
    - A $5.5 million decrease in farming revenues that was attributed to reduced almond pricing and reduced wine grape sales. Additionally, pistachio production for 2020 was below historical levels, for an on year, due to inadequate dormant hours because of the warm 2020 winter. As such, 2020 pistachio production was lower than 2019 production, which was a down bearing, or off year. As a result, the Company filed a claim with its insurance provider and received proceeds offsetting 2020 pistachio growing costs. Because 2020 was not a down bearing year, the insurance proceeds were larger than those received during down bearing years.

2021 Outlook:

Although stay-at-home orders are slowly being lifted, California continues to take a more cautious approach towards reopening. The Company anticipates a return to normalcy once there is widespread use of a COVID-19 vaccine, which is still in the early phases of roll out. As a result, the Company will need to continue to carefully monitor the performance of its operating segments and continue to manage its tenants. 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, 2020, the Company's balance sheet showed total capital and debt of approximately $502.2 million, with cash and securities totaling approximately $58.1 million and $35.0 million unused and available on its line of credit.

The Company will continue to aggressively pursue development, leasing, sales, and investment within TRCC, including TRCC Residential efforts. On January 6, 2021, the Kern County Board of Supervisors approved two Conditional Use Permits (CUP) which authorizes 495 multi-family apartment units within the Tejon Ranch Commerce Center, immediately north of the Outlets at Tejon. The Company will allocate the necessary resources in 2021 to advance this new project at TRCC. The Company will also continue to invest in its residential projects, including Mountain Village at Tejon Ranch, Centennial at Tejon Ranch and Grapevine at Tejon Ranch. The Company plans to submit a final map covering the first two phases of development at Mountain Village to Kern County during 2021. Once the final map is approved by the County, the Company will be in a position to apply for grading and construction permits for the 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 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,

	2020	2019	2020	2019
Revenues:				
Real estate - commercial/industrial	$ 2,392	$ 4,751	$ 9,536	$ 16,792
Mineral resources	1,460	1,440	10,736	9,791
Farming	4,168	13,028	13,866	19,331
Ranch operations	1,209	1,039	3,692	3,609
Total revenues from Operations	9,229	20,258	37,830	49,523
Operating Profits (Losses):				
Real estate - commercial/industrial	974	143	2,414	3,831
Real estate - resort/residential	(387)	(375)	(1,612)	(2,247)
Mineral resources	286	628	4,322	3,973
Farming	(26)	6,179	(1,237)	4,080
Ranch operations	61	(274)	(1,204)	(1,707)
Income from Operating Segments	908	6,301	2,683	7,930
Investment income	50	267	884	1,239
Gain on sale of real estate	—	—	1,331	—
Other income (loss)	46	(1,891)	110	(1,824)
Corporate expense	(2,282)	(2,837)	(9,430)	(9,361)
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(1,278)	1,840	(4,422)	(2,016)
Equity in earnings of unconsolidated joint ventures, net	875	11,529	4,504	16,575
(Loss) income before income tax expense	(403)	13,369	82	14,559
Income tax (benefit) expense	(282)	3,660	829	3,980
Net (loss) income	(121)	9,709	(747)	10,579
Net income (loss) attributable to non-controlling interest	2	2	(7)	(1)
Net (loss) income attributable to common stockholders	$ (123)	$ 9,707	$ (740)	$ 10,580
Net (loss) income per share attributable to common stockholders, basic	$ —	$ 0.37	$ (0.03)	$ 0.41
Net (loss) income per share attributable to common stockholders, diluted	$ —	$ 0.37	$ (0.03)	$ 0.40

Weighted average number of shares outstanding:				
Common stock	26,244,239	26,059,192	26,205,923	26,031,391
Common stock equivalents – stock options	60,687	96,621	140,527	117,724
Diluted shares outstanding	26,304,926	26,155,813	26,346,450	26,149,115

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,	
	2020	2019	2020	2019
Net income	$ (121)	$ 9,709	$ (747)	$ 10,579
Net income (loss) attributed to non-controlling interest	2	2	(7)	(1)
Interest, net:				
Consolidated	(50)	(267)	(884)	(1,239)
Our share of interest expense from unconsolidated joint ventures	(69)	609	1,902	2,785
Total interest, net	(119)	342	1,018	1,546
Income tax (benefit) expense	(282)	3,660	829	3,980
Depreciation and amortization:				
Consolidated	1,303	1,474	4,938	5,036

Our share of depreciation and amortization from unconsolidated joint ventures	1,197	988	4,419	4,135
Total depreciation and amortization	2,500	2,462	9,357	9,171
EBITDA	$ 1,976	$ 16,171	$ 10,464	$ 25,277
Stock compensation expense	$ 928	$ 1,268	$ 4,494	$ 3,198
Asset abandonment charges	**$ —**	$ 1,604	**$ —**	$ 1,604
Adjusted EBITDA	$ 2,904	$ 19,043	$ 14,958	$ 30,079

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

Source: Tejon Ranch Co.