



Tejon Ranch Co. Announces Second Quarter 2021 Financial Results

Aug 5, 2021

TEJON RANCH, Calif., Aug. 05, 2021 (GLOBE NEWSWIRE) -- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three- and six-months ended June 30, 2021.

The Company is in the process of planning, entitling and developing four master planned developments in southern California. 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.

“The Company continues its solid recovery from the shutdown, stay-at-home orders, and overall impacts of the pandemic. From a growth standpoint, traffic has increased at the Tejon Ranch Commerce Center, construction has begun on another 630,000 square-foot industrial spec building, and water sales have seen an uptick amidst the California drought.” said Gregory S. Bielli, President and CEO. “We are also advancing our residential projects with the submittal of the final map for the initial phases of Mountain Village along with proceeding with our outreach to potential joint venture partners for the 495-unit apartment and retail community located next to the Outlets at Tejon. Lastly, in January the court affirmed the Grapevine project's reapproval, which had not been appealed by the plaintiff within the required court deadline in the second quarter.”

Second Quarter Financial Results

- Net income attributable to common stockholders for the second quarter of 2021 was \$2.8 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.11, compared with a net loss attributable to common stockholders of \$0.3 million, or net loss per share attributed to common stockholders, basic and diluted, of \$0.01, for the second quarter of 2020.
- Revenues and other income, for the second quarter of 2021, including equity in earnings of unconsolidated joint ventures were \$18.1 million, compared with \$7.4 million for the second quarter of 2020. Factors affecting the quarterly results include:
 - Commercial/industrial real estate development segment revenues totaled \$8.1 million for the three months ended June 30, 2021, an increase of \$6.0 million, or 284%, from \$2.1 million for the three months ended June 30, 2020. The increase was primarily attributed to \$5.7 million in land sale revenues associated with a land contribution to the Company's newly formed TRC-MRC 4 joint venture. Also contributing to the improvement was additional spark spread revenues from the Company's Pastoria Energy Facility lease, as hot June weather and the lifting of COVID-19 restrictions in mid-June led to an increase in energy demand.
 - Mineral resources segment revenues were \$7.4 million for the three months ended June 30, 2021, an increase of \$5.6 million, or 317%, from \$1.8 million for the three months ended June 30, 2020. The dry 2021 winter diminished water availability in California, eventually resulting in a State Water Project Allocation of 5% and an overall increase in water demand. As a result, the Company generated \$5.3 million in additional water sales. During the quarter ended June 30, 2021, the Company sold 4,715 acre-feet of water, while revenues generated in 2020 came from a favorable water sales price adjustment. Additionally, the Company generated more rock and aggregate royalties due to demand fueled by increased infrastructure construction throughout the state.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first six months of 2021 was \$1.8 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.07, compared with a net loss attributable to common stockholders of \$1.0 million, or net loss per share attributed to common stockholders, basic and diluted, of \$0.04, for the first six months of 2020.
- Revenues and other income, for the first six months of 2021, including equity in earnings of unconsolidated joint ventures, totaled \$29.1 million, compared with \$19.3 million for the first six months of 2020. Factors impacting the year-to-date results include:
 - Commercial/industrial real estate development segment revenues totaled \$10.4 million for the first six months of 2021, an increase of \$6.0 million, or 136%, from \$4.4 million for the first six months of 2020. The increase was primarily attributed to a land sale to the TRC-MRC 4 joint venture that resulted in \$5.7 million in additional revenues.

- Mineral resources segment revenues were \$14.6 million for the first six months of 2021, an increase of \$6.6 million, or 83%, from \$8.0 million for the first six months of 2020. The 2021 State Water Project Allocation of 5% brought about favorable sales conditions, resulting in a significant increase in water sales. Comparatively, the Company sold 10,596 acre-feet and 4,625 acre-feet of water as of June 30, 2021 and 2020, respectively. The Company in 2021 also generated additional cement and rock royalties resulting from increased demand for building supplies.
- The above increases were partially offset by a decrease in equity in earnings of unconsolidated joint ventures. Equity in earnings were \$1.3 million for the six months ended June 30, 2021, a decrease of \$1.2 million, or 49%, from \$2.5 million during the same period in 2020. The decrease was primarily attributed to the Petro Travel Plaza Holdings joint venture, or Petro. Although Petro improved its fuel sales volume by 25% in 2021 when compared with 2020, the Company's share of operating results declined by \$1.3 million due to an 83% increase in the overall cost of fuel that was only partially offset by a 53% increase in fuel sales prices.
- Lastly, in 2020 the Company sold building and land previously operated by a fast food tenant to its Petro joint venture. The Company received a cash distribution of \$2.0 million from the joint venture, and realized a Gain on Sale of Real Estate of \$1.3 million. There was no such transaction in 2021.

2021 Outlook:

Retail and hospitality operations within the Tejon Ranch Commerce Center (TRCC) fully reopened and operated without restrictions during the second quarter of 2021. TRCC has seen an uptick in traffic as evidenced by a 25% increase in fuel sales volumes at the Petro Travel Plaza joint venture when compared to the same period last year. During this phase of the recovery, the Company will continue to prioritize employee health and will follow work safety guidelines prescribed by Cal/OSHA.

Uncertainty still remains over long-term vaccine efficacy, global vaccine adoption and availability, and the possibility of reinstating pandemic restrictions arising from current and future mutations such as the Delta variant. The long-term impact of such uncertainties on the Company's business are currently unknown and may vary in scope and severity from the impacts to-date.

The actions taken by governments, other businesses, and individuals in response to the pandemic did and will continue to have an impact on the Company's results of operations and overall financial performance. In 2020, the Company evaluated its operations for expense reductions and cash savings by renegotiating contracts and pricing with a significant portion of its vendors, and rightsizing labor needs. The Company will continue to monitor and evaluate its needs and continue to explore expense reduction throughout 2021.

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects during this time of uncertainty. As of June 30, 2021, total capital, including debt, was approximately \$504.7 million. As of June 30, 2021, Company had cash and securities totaling approximately \$49.6 million and \$35.0 million available on its line of credit.

The Company will continue to aggressively pursue commercial/industrial development, multi-family development opportunities, leasing, sales, and investment within TRCC and its joint ventures. 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.

For the remainder of 2021, the Company will continue to invest in master project infrastructure, defending currently held entitlements, and 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 and mineral resources segments, and the timing of sales and 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.

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.

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Real estate - commercial/industrial | \$ 8,126 | \$ 2,114 | \$ 10,354 | \$ 4,434 |
| Mineral resources | 7,404 | 1,776 | 14,580 | 7,954 |
| Farming | 279 | 209 | 886 | 1,161 |
| Ranch operations | 829 | 676 | 1,872 | 1,539 |
| Total revenues from Operations | 16,638 | 4,775 | 27,692 | 15,088 |
| Operating Income (Loss): | | | | |
| Real estate - commercial/industrial | 3,414 | 367 | 4,090 | 756 |
| Real estate - resort/residential | (439) | (326) | (992) | (952) |
| Mineral resources | 3,151 | 1,062 | 5,280 | 3,362 |
| Farming | (924) | (890) | (1,795) | (1,640) |
| Ranch operations | (313) | (502) | (457) | (1,045) |
| Income (Loss) from Operating Segments | 4,889 | (289) | 6,126 | 481 |
| Investment income | 9 | 151 | 16 | 379 |
| Gain on sale of real estate | — | 1,333 | — | 1,333 |
| Other income, net | 43 | (12) | 107 | (4) |
| Corporate expense | (2,364) | (2,494) | (4,655) | (5,027) |
| Income (loss) from operations before equity in earnings of unconsolidated joint ventures | 2,577 | (1,311) | 1,594 | (2,838) |
| Equity in earnings (losses) of unconsolidated joint ventures, net | 1,365 | 1,181 | 1,306 | 2,536 |
| Income (loss) before income tax expense | 3,942 | (130) | 2,900 | (302) |
| Income tax expense | 1,118 | 196 | 1,139 | 708 |
| Net income (loss) | 2,824 | (326) | 1,761 | (1,010) |
| Net income (loss) attributable to non-controlling interest | 2 | 7 | (6) | 5 |
| Net income (loss) attributable to common stockholders | \$ 2,822 | \$ (333) | \$ 1,767 | \$ (1,015) |
| Net income (loss) per share attributable to common stockholders, basic | \$ 0.11 | \$ (0.01) | \$ 0.07 | \$ (0.04) |
| Net income (loss) per share attributable to common stockholders, diluted | \$ 0.11 | \$ (0.01) | \$ 0.07 | \$ (0.04) |
| Weighted average number of shares outstanding: | | | | |
| Common stock | 26,343,353 | 26,220,575 | 26,328,620 | 26,174,775 |
| Common stock equivalents | 68,177 | 10,935 | 63,930 | 140,715 |
| Diluted shares outstanding | 26,411,530 | 26,231,510 | 26,392,550 | 26,315,490 |

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 unlevered 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)

| (\$ in thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ 2,824 | \$ (326) | \$ 1,761 | \$ (1,010) |
| Net income (loss) attributable to non-controlling interest | 2 | 7 | (6) | 5 |
| Net income (loss) attributable to common stockholders | 2,822 | (333) | 1,767 | (1,015) |
| Interest, net | | | | |
| Consolidated | (9) | (151) | (16) | (379) |
| Our share of interest expense from unconsolidated joint ventures | 629 | 638 | 1,253 | 1,318 |
| Total interest, net | 620 | 487 | 1,237 | 939 |
| Income taxes | 1,118 | 196 | 1,139 | 708 |
| Depreciation and amortization: | | | | |
| Consolidated | 967 | 1,164 | 1,932 | 2,180 |
| Our share of depreciation and amortization from unconsolidated joint ventures | 1,181 | 1,031 | 2,356 | 2,055 |
| Total depreciation and amortization | 2,148 | 2,195 | 4,288 | 4,235 |
| EBITDA | 6,708 | 2,545 | 8,431 | 4,867 |
| Stock compensation expense | 949 | 1,174 | 2,225 | 2,399 |
| Adjusted EBITDA | \$ 7,657 | \$ 3,719 | \$ 10,656 | \$ 7,266 |

Tejon Ranch Co.
Robert D. Velasquez, 661-248-3000
Senior Vice President and Chief Financial Officer



Source: Tejon Ranch Co