Tejon Ranch Co. Announces Fourth-Quarter and Year-Ended December 31, 2021 Financial Results

March 3, 2022

TEJON RANCH, Calif., March 03, 2022 (GLOBE NEWSWIRE) -- 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, 2021.

The Company operates in a variety of land-based business segments, including farming, mineral resources, and ranch operations, as well as a commercial/industrial mixed use master plan known as the Tejon Ranch Commerce Center, that is currently in operation focusing on leasing, commercial/industrial development, multi-family development, and sales. The Company is also in the process of developing three additional mixed use master planned residential developments in southern California. When all 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.

"As the financial results of operations from 2021 show, successful entitlement, and development at TRCC, has resulted in a growing portfolio of revenue producing assets that generate a positive return and cash flow for the Company. The success and growth taking place today is the direct result of our prudent and proactive pursuit of those entitlements, including successfully defending the approvals in litigation." said Gregory S. Bielli, President and CEO. "This same prudent and proactive approach is being pursued to position our residential master plans strategically for development, including setting a new standard in California for reductions of carbon-based environmental impacts.   Together with our solid core of other, operating assets, including our substantial water assets, we're setting a strong foundation for future growth."

Real Estate Commercial/Industrial Highlights

- Industrial portfolio, through our joint venture partnerships, consists of 1.7 million square feet of gross leasable area (GLA)
- TRCC Commercial portfolio, wholly owned and through joint venture partnerships, consists of 575,401 square feet of GLA
- Industrial portfolio: 100% leased
- Commercial portfolio: 88.5% leased
- 629,000 square foot industrial building currently under construction with completion scheduled in the third quarter of 2022
- Design and planning underway for an additional industrial building up to 445,000 square feet
- Design, engineering, and Kern County permitting is underway for 495 multi-family residential units

Fourth-Quarter 2021 Financial Highlights

- Net income attributable to common stockholders for the fourth quarter of 2021 was $3.4 million, or net income per share attributable to common stockholders, basic and diluted, of $0.13, compared with net loss attributable to common stockholders of $0.1 million, or net loss per share attributable to common stockholders, basic and diluted, of $0.00, for the fourth quarter of 2020.

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the fourth quarter of 2021 were $19.4 million, an increase of $9.2 million, or 90%, compared with $10.2 million for the same period in 2020. Factors behind this change include:
    - A increase in equity in earnings from unconsolidated joint ventures of $5.5 million, primarily attributable to the 18-19 West, LLC joint venture land sale to a third party. 18-19 West, LLC had a purchase option in place with a third-party to purchase lots l8 and 19 at a price of $15.2 million. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for $15.2 million.
    - Commercial/industrial segment revenues increased $4.3 million when compared to 2020. During the fourth quarter of 2021, the Company sold 17.1 acres of land to a third party for $4.7 million. The Company recognized land sales revenue of $4.4 million and deferred $0.3 million attributable to a performance obligation that will be fulfilled in 2022.

Fiscal 2021 Financial Highlights

- Net income attributable to common stockholders for fiscal 2021 was $5.3 million, or net income per share attributable to common stockholders, basic and diluted of $0.20, compared with net loss attributable to common stockholders of $0.7 million, or $0.03 basic and diluted, for 2020.

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, were $64.9 million in 2021, a increase of $20.4 million, or 46%, compared with $44.5 million in 2020. Factors driving this increase include:

    - An increase in commercial/industrial segment revenue of $9.9 million compared to 2020, primarily attributable to two land parcels sales cumulatively comprised of 55.96 acres to a joint venture partner and a third party for $10.0 million.

- A $4.7 million increase in equity in earnings of unconsolidated joint ventures primarily driven by the 18-19 West LLC joint venture land sale, as described above.

- An increase in mineral resources revenues of $10.3 million, or 95%, in 2021 when compared to 2020. The increase is attributed to a $9.6 million increase in water sales driven by dry winter conditions.

- The above mentioned increases were partially offset by a $2.8 million decrease in farming revenues that was mainly attributable to a decline in almond revenues due to supply chain disruptions, which delayed export sales.

2022 Outlook:

The Company continues to prioritize employee health and provide work safety guidelines prescribed by the state of California and the Occupational Safety and Health Administration. The Company has policies in place that are intended to address the applicable COVID-19 safety requirements as prescribed by the state of California and the Federal Government. The Company's key operating segments continue to operate as normal, while being challenged by the externalities of COVID-19, including forces such as employment shortages, inflation, political uncertainty, and supply chain constraints. Those forces will have an adverse effect on the Company's future operating results and will continue to do so until future variants become less virulent.

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, 2021, the Company's balance sheet showed total capital and debt of approximately $509.1 million, with cash and securities totaling approximately $47.2 million and $35.0 million unused and 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.

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, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenues:				
Real estate - commercial/industrial	$ 6,656	$ 2,392	$ 19,476	$ 9,536
Mineral resources	1,633	1,460	20,987	10,736
Farming	3,427	4,168	11,039	13,866
Ranch operations	1,243	1,209	4,111	3,692
Total revenues from Operations	12,959	9,229	55,613	37,830
Operating Profits (Losses):				
Real estate - commercial/industrial	3,298	974	7,523	2,414
Real estate - resort/residential	(409)	(387)	(1,723)	(1,612)
Mineral resources	399	286	7,428	4,322
Farming	(712)	(26)	(3,077)	(1,237)
Ranch operations	75	61	(568)	(1,204)
Income from Operating Segments	2,651	908	9,583	2,683

Investment income	36	50	57	884
Gain on sale of real estate	—	—	—	1,331
Other income	33	46	164	110
Corporate expense	(3,167)	(2,282)	(9,843)	(9,430)
Loss from operations before equity in earnings of unconsolidated joint ventures	(447)	(1,278)	(39)	(4,422)
Equity in earnings of unconsolidated joint ventures, net	6,386	875	9,202	4,504
Income (loss) before income tax expense	5,939	(403)	9,163	82
Income tax (benefit) expense	2,584	(282)	3,821	829
Net income (loss)	3,355	(121)	5,342	(747)
Net (loss) income attributable to non-controlling interest	(7)	2	(6)	(7)
Net income (loss) attributable to common stockholders	$ 3,362	$ (123)	$ 5,348	$ (740)
Net income (loss) per share attributable to common stockholders, basic	$ 0.13	$ —	$ 0.20	$ (0.03)
Net income (loss) per share attributable to common stockholders, diluted	$ 0.13	$ —	$ 0.20	$ (0.03)
Weighted average number of shares outstanding:				
Common stock	26,364,435	26,244,239	26,343,352	26,205,923
Common stock equivalents – stock options	93,402	60,687	70,662	140,527
Diluted shares outstanding	26,457,837	26,304,926	26,414,014	26,346,450

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31	
	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 36,195	$ 55,320
Marketable securities - available-for-sale	10,983	2,771
Accounts receivable	6,473	4,592
Inventories	5,702	2,990
Prepaid expenses and other current assets	3,619	2,842
Total current assets	62,972	68,515
Real estate and improvements - held for lease, net	17,301	17,660
Real estate development (includes $112,063 at December 31, 2021 and $108,600 at December 31, 2020, attributable to Centennial Founders, LLC, Note 17)	319,030	310,439
Property and equipment, net	50,699	46,246
Investments in unconsolidated joint ventures	43,418	33,524
Net investment in water assets	50,997	56,698
Other assets	1,619	3,267
TOTAL ASSETS	$ 546,036	$ 536,349
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 4,545	$ 3,367
Accrued liabilities and other	3,451	3,305
Income taxes payable	1,217	—
Deferred income	1,907	1,972
Current maturities of long-term debt	4,475	4,295
Total current liabilities	15,595	12,939
Long-term debt, less current portion	48,155	52,587
Long-term deferred gains	8,409	5,550
Deferred tax liability	2,898	925
Other liabilities	14,468	19,017
Total liabilities	89,525	91,018
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders’ Equity		
Common stock, $0.50 par value per share:		

Authorized shares - 50,000,000		
Issued and outstanding shares - 26,400,921 at December 31, 2021 and 26,276,830 at December 31, 2020	13,200	13,137
Additional paid-in capital	344,936	342,059
Accumulated other comprehensive loss	(6,822)	(9,720)
Retained earnings	89,835	84,487
Total Tejon Ranch Co. Stockholders' Equity	441,149	429,963
Non-controlling interest	15,362	15,368
Total equity	456,511	445,331
TOTAL LIABILITIES AND EQUITY	$ 546,036	$ 536,349

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

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,	
	2021	2020	2021	2020
Net income (loss)	$ 3,355	$ (121)	$ 5,342	$ (747)
Net (loss) income attributed to non-controlling interest	(7)	2	(6)	(7)
Interest, net:				
Consolidated	(36)	(50)	(57)	(884)
Our share of interest expense from unconsolidated joint ventures	(166)	(69)	1,708	1,902
Total interest, net	(202)	(119)	1,651	1,018
Income tax (benefit) expense	2,584	(282)	3,821	829
Depreciation and amortization:				
Consolidated	1,186	1,303	4,594	4,938
Our share of depreciation and amortization from unconsolidated joint ventures	1,178	1,197	4,639	4,419
Total depreciation and amortization	2,364	2,500	9,233	9,357
EBITDA	$ 8,108	$ 1,976	$ 20,053	$ 10,464
Stock compensation expense	$ 1,109	$ 928	$ 4,271	$ 4,494
Adjusted EBITDA	$ 9,217	$ 2,904	$ 24,324	$ 14,958

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Source: Tejon Ranch Co