



Tejon Ranch Co. Announces Second Quarter 2022 Financial Results

Aug 3, 2022

TEJON RANCH, Calif., Aug. 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 three- and six-months ended June 30, 2022.

“Activity at the Tejon Ranch Commerce Center (TRCC) continues to expand with construction, sales and leasing when compared to previous years,” said Gregory S. Bielli, President, and CEO of Tejon Ranch Co. “Following the close of the second quarter, in July 2022 we consummated a 58-acre land sale to a large multinational corporation for \$22.0 million, which is our second largest industrial land sale to a third-party, in size, to date. This transaction further solidifies TRCC as a leading destination for large multinational users of commercial and industrial space.”

“In addition, we continue to monetize our land and its natural resources as we experience increases in oil and cement royalties as inflationary pressures and strong demand have increased the prices of those commodities,” added Mr. Bielli.

Real Estate Commercial/Industrial Highlights

- TRCC Industrial portfolio, through the Company's joint venture partnerships, consists of 1.7 million square feet of gross leasable area (GLA) and is 100% leased.
- TRCC Commercial portfolio, wholly owned and through joint venture partnerships, consists of 575,401 square feet of GLA and is 89% leased.
- Design and engineering are underway for a multi-family residential community adjacent to the Outlets at Tejon, consisting of up to 495 apartments.
- 629,000 square foot industrial building currently under construction with completion scheduled in the third quarter of 2022.
- New joint venture formation for the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East.

Second Quarter Financial Results

- GAAP net loss attributable to common stockholders for the second quarter of 2022 was \$0.7 million, or net loss per share attributed to common stockholders, basic and diluted, of \$0.03, compared with a net income attributable to common stockholders of \$2.8 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.11, for the second quarter of 2021.
- Revenues and other income, for the second quarter of 2022, including equity in earnings of unconsolidated joint ventures were \$10.9 million, compared with \$18.1 million for the second quarter of 2021. Factors affecting the quarterly results include:
 - Commercial/industrial real estate development segment revenues were \$2.5 million for the quarter ended June 30, 2022, a decrease of \$5.7 million, or 70%, from \$8.1 million for the quarter ended June 30, 2021. The decrease reflects the absence of any land sales during the quarter ended June 30, 2022, whereas in 2021, the Company contributed land to its TRC-MRC 4 joint venture and recognized \$5.7 million in land sales revenues.
 - Mineral resources segment revenues were \$4.1 million for the quarter ended June 30, 2022, a decrease of \$3.3 million, or 44%, from \$7.4 million for the quarter ended June 30, 2021. The reduction in revenues is primarily attributed to the timing of water sales which were mostly completed during the first quarter of 2022. Comparatively, the Company sold 1,500 and 4,715 acre feet of water as of the three months ended June 30, 2022, and 2021, respectively. This decline was partially offset by an increase in oil and cement royalties driven by an increase in demand and pricing.
 - Farming revenues were \$1.9 million for the quarter ended June 30, 2022, an increase of \$1.6 million, or 589%, from \$0.3 million for the quarter ended June 30, 2021. The improvement is primarily attributed to the timing of 2021 almond crop sales. Comparatively the Company sold 722,032 and 44,000 pounds of almonds as of the three months ended June 30, 2022, and 2021, respectively.
- Adjusted EBITDA, a non-GAAP measure, was \$2.9 million for the quarter ended June 30, 2022, a decrease from \$7.7 million during the quarter ended June 30, 2021.

Tejon Ranch Co. provides Adjusted EBITDA, a non-GAAP financial measure, because it offers additional information for monitoring the Company's cash flow performance. A table providing a reconciliation of Adjusted EBITDA to its most comparable GAAP measure, as well as an explanation of, and important disclosures about, this non-GAAP measure, is included in the tables at the end of this press release.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first six months of 2022 was \$3.6 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.14, compared with a net income attributable to common stockholders of \$1.8 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.07, for the first six months of 2021.
- Revenues and other income, for the first six months of 2022, including equity in earnings of unconsolidated joint ventures, totaled \$34.1 million, compared with \$29.1 million for the first six months of 2021. Factors impacting the year-to-date results include:
 - Farming revenues were \$2.6 million for the first six months of 2022, an increase of \$1.7 million, or 191%, from \$0.9 million for the first six months of 2021. The improvement is primarily attributed to the timing of the 2021 almond crop sales. Comparatively we sold 991,392 and 204,996 pounds of almonds as of the six months ended June 30, 2022, and 2021, respectively.
 - Mineral resources segment revenues were \$16.1 million for the first six months of 2022, an increase of \$1.5 million, or 10%, from \$14.6 million for the first six months of 2021. The dry 2021/2022 winter diminished water availability in California and eventually resulted in a SWP allocation of 5%. As a result, the Company generated \$545,000 in additional water sales revenues in 2022, as a result of improved pricing. Comparatively the Company sold 8,470 and 10,596 acre-feet of water as of June 30, 2022, and 2021, respectively. The remainder of the increase is attributed to the timing of property tax reimbursements from our mineral leases and increased production in the Company's oil and mineral leases as well as higher oil prices.
 - Equity in earnings of unconsolidated joint ventures were \$2.9 million for the first six months of 2022, an increase of \$1.6 million, or 120%, from \$1.3 million for the first six months of 2021. The improvement is primarily attributed to the Company's Petro joint venture that saw improvements in both fuel and non-fuel operating margins. Additionally, the joint venture's full service restaurants were open during the first quarter of 2022 but were closed due to COVID-19 mandates during the same period in 2021.
- Adjusted EBITDA, a non-GAAP measure, was \$14.2 million as of June 30, 2022, an increase from \$10.7 million as of June 30, 2021.

Liquidity and Capital Resources

As of June 30, 2022, total capital, including debt, was approximately \$515.2 million. As of June 30, 2022, the Company had cash and securities totaling approximately \$45.5 million and \$45.0 million available on its line of credit.

2022 Outlook:

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

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 also is 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.

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.

(Financial tables follow)

TEJON RANCH CO.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except earnings per share)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Real estate - commercial/industrial	\$ 2,462	\$ 8,126	\$ 9,811	\$ 10,354
Mineral resources	4,131	7,404	16,099	14,580
Farming	1,921	279	2,576	886
Ranch operations	755	829	1,803	1,872
Total revenues	<u>9,269</u>	<u>16,638</u>	<u>30,289</u>	<u>27,692</u>
Cost and Expenses:				
Real estate - commercial/industrial	1,822	4,712	4,558	6,264
Real estate - resort/residential	423	439	846	992
Mineral resources	2,445	4,253	9,602	9,300
Farming	3,462	1,203	5,224	2,681
Ranch operations	1,250	1,142	2,565	2,329
Corporate expenses	2,185	2,364	4,600	4,655
Total expenses	<u>11,587</u>	<u>14,113</u>	<u>27,395</u>	<u>26,221</u>
Operating (loss) income	<u>(2,318)</u>	<u>2,525</u>	<u>2,894</u>	<u>1,471</u>
Other Income:				
Investment income	79	9	96	16
Other income, net	(91)	43	827	107
Total other income	<u>(12)</u>	<u>52</u>	<u>923</u>	<u>123</u>
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	<u>(2,330)</u>	<u>2,577</u>	<u>3,817</u>	<u>1,594</u>
Equity in earnings of unconsolidated joint ventures, net	<u>1,663</u>	<u>1,365</u>	<u>2,876</u>	<u>1,306</u>
(Loss) income before income tax expense	<u>(667)</u>	<u>3,942</u>	<u>6,693</u>	<u>2,900</u>
Income tax (benefit) expense	<u>(5)</u>	<u>1,118</u>	<u>3,041</u>	<u>1,139</u>
Net (loss) income	<u>(662)</u>	<u>2,824</u>	<u>3,652</u>	<u>1,761</u>
Net income (loss) attributable to non-controlling interest	<u>5</u>	<u>2</u>	<u>12</u>	<u>(6)</u>
Net (loss) income attributable to common stockholders	<u>\$ (667)</u>	<u>\$ 2,822</u>	<u>\$ 3,640</u>	<u>\$ 1,767</u>
Net (loss) income per share attributable to common stockholders, basic	<u>\$ (0.03)</u>	<u>\$ 0.11</u>	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Net (loss) income per share attributable to common stockholders, diluted	<u>\$ (0.03)</u>	<u>\$ 0.11</u>	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Weighted average number of shares outstanding:				
Common stock	26,480,405	26,343,353	26,456,330	26,328,620
Common stock equivalents	47,507	68,177	57,665	63,930
Diluted shares outstanding	<u>26,527,912</u>	<u>26,411,530</u>	<u>26,513,995</u>	<u>26,392,550</u>

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 18,364	\$ 36,195
Marketable securities - available-for-sale	27,185	10,983
Accounts receivable	2,751	6,473

Inventories	9,435	5,702
Prepaid expenses and other current assets	4,323	3,619
Total current assets	62,058	62,972
Real estate and improvements - held for lease, net	17,117	17,301
Real estate development (includes \$113,627 at June 30, 2022, and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 15)	326,835	319,030
Property and equipment, net	52,794	50,699
Investments in unconsolidated joint ventures	38,632	43,418
Net investment in water assets	49,295	50,997
Other assets	1,574	1,619
TOTAL ASSETS	\$ 548,305	\$ 546,036

LIABILITIES AND EQUITY

Current Liabilities:

Trade accounts payable	\$ 4,437	\$ 4,545
Accrued liabilities and other	2,228	3,451
Deferred income	1,657	1,907
Income Taxes Payable	2,176	1,217
Current maturities of long-term debt	1,619	4,475
Total current liabilities	12,117	15,595
Long-term debt, less current portion	49,055	48,155
Long-term deferred gains	7,839	8,409
Deferred tax liability	4,029	2,898
Other liabilities	10,956	14,468
Total liabilities	83,996	89,525

Commitments and contingencies

Equity:

Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 26,484,947 at June 30, 2022, and 26,400,921 at December 31, 2021	13,242	13,200
Additional paid-in capital	346,137	344,936
Accumulated other comprehensive loss	(3,919)	(6,822)
Retained earnings	93,475	89,835
Total Tejon Ranch Co. Stockholders' Equity	448,935	441,149
Non-controlling interest	15,374	15,362
Total equity	464,309	456,511
TOTAL LIABILITIES AND EQUITY	\$ 548,305	\$ 546,036

Non-GAAP Financial Measure

This news release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents the Company's 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 the Company and others as a supplemental measure of performance. Tejon Ranch uses Adjusted EBITDA to assess the performance of the Company's 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. The Company believes Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from 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 the Company's performance independent of its capital structure and indebtedness and, therefore, allow for a more meaningful comparison of the Company's performance to that of other companies, both in the real estate industry and in other industries. The Company believes that excluding charges related to share-based compensation facilitates a comparison of its 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 the Company's control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of the Company's performance. EBITDA and Adjusted EBITDA do not reflect Tejon Ranch's 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, the Company's 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,	
	2022	2021	2022	2021
Net income (loss)	\$ (662)	\$ 2,824	\$ 3,652	\$ 1,761
Net income (loss) attributable to non-controlling interest	5	2	12	(6)
Net income (loss) attributable to common stockholders	(667)	2,822	3,640	1,767
Interest, net				
Consolidated	(79)	(9)	(96)	(16)
Our share of interest expense from unconsolidated joint ventures	640	629	1,231	1,253
Total interest, net	561	620	1,135	1,237
Income taxes	(5)	1,118	3,041	1,139
Depreciation and amortization:				
Consolidated	1,081	967	2,048	1,932
Our share of depreciation and amortization from unconsolidated joint ventures	1,093	1,181	2,242	2,356
Total depreciation and amortization	2,174	2,148	4,290	4,288
EBITDA	2,063	6,708	12,106	8,431
Stock compensation expense	868	949	2,087	2,225
Adjusted EBITDA	\$ 2,931	\$ 7,657	\$ 14,193	\$ 10,656

Tejon Ranch Co.
Allen E. Lyda, 661-248-3000
Chief Operating Officer/Chief Financial Officer



Source: Tejon Ranch Co