



## Tejon Ranch Co. Announces Third Quarter 2022 Financial Results

Nov 7, 2022

TEJON RANCH, Calif., Nov. 07, 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 nine-months ended September 30, 2022.

"In July 2022, we consummated a 58-acre land sale at Tejon Ranch Commerce Center (TRCC) to a large multinational corporation for \$22.0 million. Additionally, our earnings from unconsolidated joint ventures increased by just over \$2.0 million year-over-year, primarily attributed to our Petro joint venture that saw improvements in both fuel and non-fuel operating margins," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "Our farming segment margins have been impacted by lower than expected pistachio yields and higher production costs during 2022; as we were not immune from inflationary pressures, including higher fuel, fertilizer, pest control and labor costs. These price increases were magnified in the almond market, as higher than historical average inventory levels and a stronger dollar have had an adverse effect on the price of almonds during 2022, and can continue in 2023."

### Real Estate Commercial/Industrial Highlights

- TRCC Industrial portfolio, through the Company's joint venture partnerships, consists of 2.3 million square feet of gross leasable area (GLA) and is 100% leased.
  - The newly completed 629,000 square foot industrial building received its Certificate of Occupancy on October 20, 2022 and is fully 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.
- 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 to be completed during the fourth quarter of 2023.
- Sold 58-acre land parcel for \$22.0 million in July 2022.

### Third Quarter Financial Results

- GAAP net income attributable to common stockholders for the third quarter of 2022 was \$10.2 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.38, compared with a net income attributable to common stockholders of \$0.2 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.01, for the third quarter of 2021.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the third quarter of 2022 were \$33.9 million, compared with \$16.5 million for the third quarter of 2021. Factors affecting the quarterly results include:
  - Commercial/industrial real estate development segment revenues were \$22.4 million for the quarter ended September 30, 2022, an increase of \$19.9 million, from \$2.5 million for the quarter ended September 30, 2021. The increase was attributable to a 58-acre land sale during the three-month period ended September 30, 2022.
  - Farming revenues were \$4.8 million for the quarter ended September 30, 2022, a decrease of \$2.0 million, or 29%, from \$6.7 million for the quarter ended September 30, 2021. The decline is primarily attributed to a significantly lower than expected pistachio yield given the alternate bearing nature of pistachios. Pistachio production for 2022 did not warrant the expenditure of harvest costs. The Company has filed crop insurance claims for the 2022 crop and expects to receive a payment during the fourth quarter. Pistachio revenues recorded for 2022 primarily pertain to marketing bonuses associated with the 2021 crop. The decrease is partially offset by the timing of almond crop sales. Comparatively, the Company sold 863,000 and 337,000 pounds of almonds as of the three months ended September 30, 2022 and 2021, respectively. Additionally, the Company's winegrape sales improved due to timing of sales when compared with the same period in 2021.
  - Mineral resources segment revenues were \$3.1 million for the quarter ended September 30, 2022, a decrease of \$1.6 million, or 34%, from \$4.8 million for the quarter ended September 30, 2021. The reduction in revenues was primarily attributed to the timing of water sales. Comparatively, the Company sold 1,130 and 2,603 acre-feet of water as of the three months ended September 30, 2022 and 2021, respectively.
- Adjusted EBITDA, a non-GAAP measure, was \$16.3 million for the quarter ended September 30, 2022, an increase from \$4.5 million during the quarter ended September 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 nine months of 2022 was \$13.8 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.52, compared with a net income attributable to common stockholders of \$2.0 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.08, for the first nine months of 2021.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first nine months of 2022 totaled \$68.0 million, compared with \$45.6 million for the first nine months of 2021. Factors impacting the year-to-date results include:
  - Commercial/industrial real estate development segment revenues were \$32.2 million for the first nine months of 2022, an increase of \$19.4 million, or 152%, from \$12.8 million for the first nine months of 2021. The increase was attributable to a 58-acre land sale mentioned above.
  - Equity in earnings of unconsolidated joint ventures were \$4.9 million for the first nine months of 2022, an increase of \$2.1 million, or 75%, from \$2.8 million for the first nine 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 \$30.5 million as of September 30, 2022, an increase from \$15.1 million as of September 30, 2021.

## **Liquidity and Capital Resources**

As of September 30, 2022, total capital, including debt, was approximately \$526.1 million. As of September 30, 2022, the Company had cash and securities totaling approximately \$61.6 million and \$40.6 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.

The Company is experiencing higher costs in fuel, fertilizer, pest control, and labor costs during 2022. These price increases are magnified in the almond market as higher inventory levels and a stronger dollar have had an adverse effect on the price of almonds during 2022 and can continue into 2023.

## **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](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. 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 September		Nine Months Ended September	
	30,		30,	
	2022	2021	2022	2021
Revenues:				
Real estate - commercial/industrial	\$ 22,352	\$ 2,466	\$ 32,163	\$ 12,820
Mineral resources	3,139	4,774	19,238	19,354
Farming	4,776	6,726	7,352	7,612
Ranch operations	1,208	996	3,011	2,868
Total revenues	<u>31,475</u>	<u>14,962</u>	<u>61,764</u>	<u>42,654</u>
Cost and Expenses:				
Real estate - commercial/industrial	6,845	2,331	11,403	8,595
Real estate - resort/residential	372	322	1,218	1,314
Mineral resources	1,745	3,025	11,347	12,325
Farming	8,752	7,296	13,976	9,977
Ranch operations	1,143	1,182	3,708	3,511
Corporate expenses	1,630	2,021	6,230	6,676
Total expenses	<u>20,487</u>	<u>16,177</u>	<u>47,882</u>	<u>42,398</u>
Operating income (loss)	10,988	(1,215)	13,882	256
Other Income:				
Investment income	204	5	300	21
Other income, net	211	24	1,038	131
Total other income	<u>415</u>	<u>29</u>	<u>1,338</u>	<u>152</u>
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	11,403	(1,186)	15,220	408
Equity in earnings of unconsolidated joint ventures, net	1,991	1,510	4,867	2,816
Income before income tax expense	<u>13,394</u>	<u>324</u>	<u>20,087</u>	<u>3,224</u>
Income tax expense	3,221	98	6,262	1,237
Net income	<u>10,173</u>	<u>226</u>	<u>13,825</u>	<u>1,987</u>
Net (loss) income attributable to non-controlling interest	(11)	7	1	1
Net income attributable to common stockholders	<u>\$ 10,184</u>	<u>\$ 219</u>	<u>\$ 13,824</u>	<u>\$ 1,986</u>
Net income per share attributable to common stockholders, basic	<u>\$ 0.38</u>	<u>\$ 0.01</u>	<u>\$ 0.52</u>	<u>\$ 0.08</u>
Net income per share attributable to common stockholders, diluted	<u>\$ 0.38</u>	<u>\$ 0.01</u>	<u>\$ 0.52</u>	<u>\$ 0.08</u>
Weighted average number of shares outstanding:				
Common stock	26,491,251	26,351,254	26,468,099	26,336,247
Common stock equivalents	47,507	163,689	164,364	135,264
Diluted shares outstanding	<u>26,538,758</u>	<u>26,514,943</u>	<u>26,632,463</u>	<u>26,471,511</u>

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

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		

Current Assets:			
Cash and cash equivalents	\$	30,308	\$ 36,195
Marketable securities - available-for-sale		31,242	10,983
Accounts receivable		4,668	6,473
Inventories		5,532	5,702
Prepaid expenses and other current assets		3,919	3,619
Total current assets		75,669	62,972
Real estate and improvements - held for lease, net		17,028	17,301
Real estate development (includes \$114,284 at September 30, 2022 and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 15)		325,931	319,030
Property and equipment, net		53,468	50,699
Investments in unconsolidated joint ventures		38,605	43,418
Net investment in water assets		48,024	50,997
Other assets		3,160	1,619
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>561,885</b>	<b>\$ 546,036</b>

#### LIABILITIES AND EQUITY

Current Liabilities:			
Trade accounts payable	\$	4,143	\$ 4,545
Accrued liabilities and other		4,415	3,451
Deferred income		2,071	1,907
Income Taxes Payable		843	1,217
Current maturities of long-term debt		1,758	4,475
Total current liabilities		13,230	15,595
Long-term debt, less current portion		48,612	48,155
Long-term deferred gains		8,435	8,409
Deferred tax liability		4,136	2,898
Other liabilities		11,943	14,468
Total liabilities		86,356	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 - 26,491,770 at September 30, 2022 and 26,400,921 at December 31, 2021		13,246	13,200
Additional paid-in capital		346,095	344,936
Accumulated other comprehensive loss		(2,834)	(6,822)
Retained earnings		103,659	89,835
Total Tejon Ranch Co. Stockholders' Equity		460,166	441,149
Non-controlling interest		15,363	15,362
Total equity		475,529	456,511
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$</b>	<b>561,885</b>	<b>\$ 546,036</b>

#### 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 10,173	\$ 226	\$ 13,825	\$ 1,987
Net (loss) income attributable to non-controlling interest	(11)	7	1	1
Net income attributable to common stockholders	10,184	219	13,824	1,986
Interest, net				
Consolidated	(204)	(5)	(300)	(21)
Our share of interest expense from unconsolidated joint ventures	725	621	1,955	1,874
Total interest, net	521	616	1,655	1,853
Income taxes	3,221	98	6,262	1,237
Depreciation and amortization:				
Consolidated	1,294	1,476	3,342	3,408
Our share of depreciation and amortization from unconsolidated joint ventures	1,095	1,105	3,337	3,461
Total depreciation and amortization	2,389	2,581	6,679	6,869
EBITDA	16,315	3,514	28,420	11,945
Stock compensation expense	1	937	2,088	3,162
Adjusted EBITDA	\$ 16,316	\$ 4,451	\$ 30,508	\$ 15,107

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



Source: Tejon Ranch Co