



Tejon Ranch Co. Announces First Quarter 2023 Financial Results

May 4, 2023

TEJON RANCH, Calif., May 04, 2023 (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-months ended March 31, 2023.

"Activity at the Tejon Ranch Commerce Center (TRCC) remains strong. Most recently, in conjunction with our joint venture partner Majestic Realty, we have started construction on a new 446,000 square foot industrial building that was pre-leased to Sunrise Brands, a leading apparel company. We expect our new tenant to take occupancy in early 2024," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "This building is part of the nearly 2.0 million square feet of space either under construction, recently completed, or about to begin construction in the next 12 months in TRCC. Additionally, we are making progress on our plans for the development of a multi-family residential complex, adjacent to the Outlets at Tejon."

Commercial/Industrial Real Estate Highlights

- 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. In total, TRCC comprises 6.4 million square feet of GLA.
- TRCC commercial portfolio, wholly owned and through joint venture partnerships, comprises 620,907 square feet of GLA and is 90% leased.
- Construction of a 446,400 square foot industrial building has commenced, with completion expected in early 2024; a lease for this building was secured in advance of construction.
- Design and engineering for Phase 1 of our planned multi-family residential development at TRCC is underway. Phase 1 includes 228 of the planned 495 residential units.

First Quarter 2023 Financial Results

- GAAP net income attributable to common stockholders for the first quarter of 2023 was \$1.8 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.07. For the first quarter of 2022 GAAP net income attributable to common stockholders was \$4.3 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.16.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first quarter of 2023 were \$14.6 million, compared with \$23.2 million for the first quarter of 2022. Factors affecting first quarter 2023 results include:
 - Commercial/industrial real estate development segment revenues of \$2.7 million for the quarter ended March 31, 2023, compared with \$7.3 million for the quarter ended March 31, 2022, resulting from no land sales in the first quarter of 2023. In the first quarter of 2022, the Company sold a 12.3-acre parcel of land within TRCC for \$4.7 million.
 - Farming revenues of \$1.2 million for the quarter ended March 31, 2023, an 81% increase from \$655,000 for the quarter ended March 31, 2022. The increase was attributed to higher almond sales and water usage reimbursements. Comparatively, the Company sold 444,000 and 269,000 pounds of almonds during the first quarters of 2023 and 2022, respectively.
 - Mineral resources segment revenues of \$6.9 million for the quarter ended March 31, 2023, compared with \$12.0 million for the quarter ended March 31, 2022. The decrease in revenues was primarily attributed to a reduction in water sales during the first quarter of 2023. Comparatively, the Company sold 3,050 and 6,970 acre-feet of water during the first quarters of 2023 and 2022, respectively.
 - Equity in earnings of unconsolidated joint ventures of \$1.5 million for the first three months of 2023, an increase of 25%, from \$1.2 million for the first three months of 2022. The improvement was primarily attributed to the Company's Petro joint venture that generated improvements in both fuel and non-fuel operating margins.
- Adjusted EBITDA, a non-GAAP measure, was \$6.4 million for the 2023 first quarter, compared with \$11.3 million for the 2022 first quarter.

Tejon Ranch Co. provides Adjusted EBITDA, a non-GAAP financial measure, because management believes 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.

Liquidity and Capital Resources

As of March 31, 2023, total capital, including debt, was approximately \$526.8 million. The Company had cash and securities totaling approximately \$75.7 million and \$40.6 million available on its line of credit at the end of the 2023 first quarter.

2023 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 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 and mineral resources segments, and the timing of land sales and leasing of land within its industrial developments.

Water sales opportunities each year are impacted by the total precipitation and snowpack runoff in Northern California from winter storms, as well as California State Water Project, or SWP, allocations. The current SWP allocation is at 100% of contract amounts, so the Company anticipates that the demand for its water will be lower than in previous years when the SWP allocation was significantly lower.

The Company's farming segment will continue to be impacted by higher production costs related to fuel, fertilizer, pest control, and labor. Almond prices showed slight improvement in the 2023 first quarter, however, higher than historically normal inventory levels is anticipated to have an adverse effect on prices for the remainder of this year.

The Company remains focused on managing cash expenditures, including but not limited to, reducing capital expenditures, consulting services and re-focusing hiring efforts. In addition, we continue to evaluate opportunities to strengthen our financial position by entering into new financing arrangements, as appropriate.

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, which 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.

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. 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, external 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 March 31,	
	2023	2022
Revenues:		
Real estate - commercial/industrial	\$ 2,676	\$ 7,349
Mineral resources	6,912	11,968
Farming	1,185	655
Ranch operations	1,492	1,048
Total revenues	12,265	21,020
Cost and Expenses:		
Real estate - commercial/industrial	1,695	2,736
Real estate - resort/residential	388	423
Mineral resources	4,066	7,157
Farming	2,013	1,762
Ranch operations	1,330	1,315
Corporate expenses	2,287	2,415
Total expenses	11,779	15,808
Operating income	486	5,212
Other Income:		
Investment income	456	17
Other income, net	334	918
Total other income	790	935

Income from operations before equity in earnings of unconsolidated joint ventures	1,276	6,147
Equity in earnings of unconsolidated joint ventures, net	1,517	1,213
Income before income tax expense	2,793	7,360
Income tax expense	1,013	3,046
Net income	1,780	4,314
Net income attributable to non-controlling interest	6	7
Net income attributable to common stockholders	\$ 1,774	\$ 4,307
Net income per share attributable to common stockholders, basic	\$ 0.07	\$ 0.16
Net income per share attributable to common stockholders, diluted	\$ 0.07	\$ 0.16
Weighted average number of shares outstanding:		
Common stock	26,647,565	26,431,989
Common stock equivalents	1,783	47,507
Diluted shares outstanding	26,649,348	26,479,496

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

	March 31, 2023 (unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 40,379	\$ 39,119
Marketable securities - available-for-sale	35,321	33,444
Accounts receivable	1,966	4,453
Inventories	5,744	3,369
Prepaid expenses and other current assets	3,854	2,660
Total current assets	87,264	83,045
Real estate and improvements - held for lease, net	17,142	16,940
Real estate development (includes \$116,071 at March 31, 2023 and \$115,221 at December 31, 2022, attributable to Centennial Founders, LLC, Note 15)	324,318	321,293
Property and equipment, net	53,791	52,980
Investments in unconsolidated joint ventures	36,291	41,891
Net investment in water assets	51,187	47,045
Other assets	2,136	3,597
TOTAL ASSETS	\$ 572,129	\$ 566,791
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 5,170	\$ 5,117
Accrued liabilities and other	3,338	3,602
Deferred income	2,310	1,531
Income taxes payable	482	—
Current maturities of long-term debt	1,800	1,779
Total current liabilities	13,100	12,029
Long-term debt, less current portion	47,710	48,161
Long-term deferred gains	11,447	11,447
Deferred tax liability	6,880	7,180
Other liabilities	15,940	10,380
Total liabilities	95,077	89,197
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 - 26,710,432 at March 31, 2023 and 26,541,553 at December 31, 2022	13,356	13,271
Additional paid-in capital	343,438	345,344
Accumulated other comprehensive loss	(2,529)	(2,028)
Retained earnings	107,417	105,643

Total Tejon Ranch Co. Stockholders' Equity	461,682	462,230
Non-controlling interest	15,370	15,364
Total equity	477,052	477,594
TOTAL LIABILITIES AND EQUITY	\$ 572,129	\$ 566,791

Non-GAAP Financial Measure

This press 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 March 31,	
	2023	2022
Net income	\$ 1,780	\$ 4,314
Net income attributable to non-controlling interest	6	7
Net income attributable to common stockholders	1,774	4,307
Interest, net		
Consolidated	(456)	(17)
Our share of interest expense from unconsolidated joint ventures	1,175	591
Total interest, net	719	574
Income taxes	1,013	3,046
Depreciation and amortization:		
Consolidated	988	967
Our share of depreciation and amortization from unconsolidated joint ventures	1,274	1,149
Total depreciation and amortization	2,262	2,116
EBITDA	5,768	10,043
Stock compensation expense	621	1,219
Adjusted EBITDA	\$ 6,389	\$ 11,262

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



TEJON RANCH

Source: Tejon Ranch Co