Tejon Ranch Co. Announces Second Quarter 2023 Financial Results

Aug 03,2023

TEJON RANCH, Calif., Aug. 03, 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- and six-months ended June 30, 2023.

"We made progress in several areas of our business this quarter, including higher revenues in our commercial/industrial operations. By driving costs lower, we improved net income and Adjusted EBITDA compared with last year's second quarter. Furthermore, our balance sheet as of June 30, 2023 remained strong, with cash and securities totaling approximately $67.0 million and $40.6 million available on our line of credit," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "A particular bright spot this year has been our Outlets at Tejon joint venture. Through the great work of our team, we undertook a rebranding effort that uncovered a much broader target customer base with diverse demographics. Through relentless leasing efforts, we signed seven new leases with nationally recognized brands, bringing total occupancy to nearly 90%, up significantly from 75% at the height of the COVID-19 pandemic. Efforts such as these exemplify our ability to turn challenges into opportunities, a characteristic seen not just at the Outlets, but throughout our Company."

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 91% leased.
- Construction of a 446,400 square foot industrial building has commenced, with completion expected in the first quarter of 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.

Second Quarter 2023 Financial Results

- GAAP net income attributable to common stockholders for the second quarter of 2023 was $267,000, or net income per share attributable to common stockholders, basic and diluted, of $0.01. For the second quarter of 2022, the Company had a net loss attributable to common stockholders of $667,000, or net loss per share attributable to common stockholders, basic and diluted, of $0.03.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the second quarter of 2023 were $8.6 million, compared with $10.9 million for the second quarter of 2022. Factors impacting second quarter 2023 results include:

- Mineral resources segment revenues of $1.6 million for the quarter ended June 30, 2023, compared with $4.1 million for the quarter ended June 30, 2022. The decrease in revenues was primarily attributed to a reduction in water sales during the second quarter of 2023. Due to heavy winter rainfalls, the State Water Project allocation is currently at 100%, whereas in 2022 it was at 5%, which severely limits water sales opportunities.
- Farming segment revenues of $1.0 million for the three months ended June 30, 2023, compared with $1.9 million during the same period in 2022. The decrease was attributed to a decrease in almond and hay sales.
- Partially offsetting the above decreases was an increase in investment income of $540,000 resulting from a higher invested balances and higher interest rates, and a $275,000 increase in joint venture results, which resulted from rent escalations and a new lease at higher rental rates for the Company's industrial real estate joint ventures.

- Adjusted EBITDA, a non-GAAP measure, was $4.5 million for the second quarter ended June 30, 2023, compared with $2.9 million for the same period in 2022.

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.

Year-to-Date Financial Results

- GAAP net income attributable to common stockholders for the first six months of 2023 was $2.0 million, or net income per share attributed to common stockholders, basic and diluted, of $0.08, compared with net income attributable to common stockholders of $3.6 million, or net income per share attributed to common stockholders, basic and diluted, of $0.14, for the first six months of 2022.

- Revenues and other income, for the first six months of 2023, including equity in earnings of unconsolidated joint ventures, totaled $23.2 million, compared with $34.1 million for the first six months of 2022. Factors impacting the year-to-date results included:
  - Commercial/industrial real estate development segment revenues of $5.3 million for the first six months of 2023 compared with $9.8 million for the first six months of 2022, resulting from the absence of land sales in 2023.
  - Mineral resources segment revenues were $8.5 million for the first six months of 2023, compared with $16.1 million for the first six months of 2022. The decrease in revenues was primarily attributed to a reduction in water sales in 2023. The State Water Project allocation is currently at 100%, whereas in 2022 it was at 5%, which severely limits water sales opportunities.
  - Partially offsetting the above decreases was an increase in investment income of $1.0 million, resulting from higher invested balances and higher interest rates. We also recognized a $579,000 increase in joint venture results, which was due to rent escalations and a new lease at higher rental rates for the Company's industrial real estate joint ventures.
- Adjusted EBITDA, a non-GAAP measure, was $10.9 million as of the six-months ended June 30, 2023, compared with $14.2 million for the same period in 2022.

Liquidity and Capital Resources

- As of June 30, 2023, total capital, including debt, was approximately $528.4 million. The Company had cash and securities totaling approximately $67.0 million and $40.6 million available on its line of credit as of June 30, 2023.

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 demand for its water over the remainder of the year, will be lower than in previous years when the SWP allocation was significantly less.

The Company's farming operations during 2023 will continue to be impacted by higher costs of production such as fuel costs, fertilizer costs, pest control costs, and labor costs. Higher than historically normal almond inventory levels are anticipated to have an adverse effect on selling prices for the remainder of 2023. The current subjective estimate for the 2023 almond crop is 2.6 billion pounds which is consistent with 2022.

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.

(Financial tables follow)

TEJON RANCH CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except earnings per share)

(Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues:				
Real estate - commercial/industrial	$ 2,633	$ 2,462	$ 5,309	$ 9,811
Mineral resources	1,600	4,131	8,512	16,099
Farming	1,025	1,921	2,210	2,576
Ranch operations	840	755	2,332	1,803
Total revenues	6,098	9,269	18,363	30,289
Cost and Expenses:				
Real estate - commercial/industrial	1,685	1,822	3,380	4,558
Real estate - resort/residential	324	423	712	846
Mineral resources	925	2,445	4,991	9,602
Farming	1,474	3,462	3,487	5,224
Ranch operations	1,338	1,250	2,668	2,565
Corporate expenses	2,222	2,185	4,509	4,600
Total expenses	7,968	11,587	19,747	27,395
Operating (loss) income	(1,870)	(2,318)	(1,384)	2,894
Other Income:				
Investment income	619	79	1,075	96
Other (loss) income, net	(32)	(91)	302	827
Total other income (loss)	587	(12)	1,377	923
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(1,283)	(2,330)	(7)	3,817
Equity in earnings of unconsolidated joint ventures, net	1,938	1,663	3,455	2,876
Income (loss) before income tax expense	655	(667)	3,448	6,693
Income tax expense (benefit)	391	(5)	1,404	3,041
Net income (loss)	264	(662)	2,044	3,652
Net (loss) income attributable to non-controlling interest	(3)	5	3	12
Net income (loss) attributable to common stockholders	$ 267	$ (667)	$ 2,041	$ 3,640
Net income (loss) per share attributable to common stockholders, basic	$ 0.01	$ (0.03)	$ 0.08	$ 0.14
Net income (loss) per share attributable to common stockholders, diluted	$ 0.01	$ (0.03)	$ 0.08	$ 0.14
Weighted average number of shares outstanding:				
Common stock	26,713,090	26,480,405	26,680,508	26,456,330
Common stock equivalents	87,146	47,507	65,194	57,665
Diluted shares outstanding	26,800,236	26,527,912	26,745,702	26,513,995

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

	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 27,342	$ 39,119
Marketable securities - available-for-sale	39,651	33,444
Accounts receivable	2,414	4,453
Inventories	7,558	3,369
Prepaid expenses and other current assets	4,324	2,660
Total current assets	81,289	83,045
Real estate and improvements - held for lease, net	16,887	16,940
Real estate development (includes $116,781 at June 30, 2023 and $115,221 at December 31, 2022, attributable to CFL)	327,521	321,293
Property and equipment, net	54,520	52,980
Investments in unconsolidated joint ventures	38,350	41,891
Net investment in water assets	51,157	47,045
Other assets	3,220	3,597
TOTAL ASSETS	$ 572,944	$ 566,791

LIABILITIES AND EQUITY
Current Liabilities:

Trade accounts payable	$ 5,362	$ 5,117
Accrued liabilities and other	2,424	3,602
Deferred income	1,884	1,531
Income taxes payable	873	—
Current maturities of long-term debt	1,822	1,779
Total current liabilities	12,365	12,029
Long-term debt, less current portion	47,258	48,161
Long-term deferred gains	11,447	11,447
Deferred tax liability	7,177	7,180
Other liabilities	15,620	10,380
Total liabilities	93,867	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 - 26,718,773 at June 30, 2023 and 26,541,553 at December 31, 2022	13,359	13,271
Additional paid-in capital	344,434	345,344
Accumulated other comprehensive loss	(1,767)	(2,028)
Retained earnings	107,684	105,643
Total Tejon Ranch Co. Stockholders' Equity	463,710	462,230
Noncontrolling interest	15,367	15,364
Total equity	479,077	477,594
TOTAL LIABILITIES AND EQUITY	$ 572,944	$ 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in thousands)	2023	2022	2023	2022
Net income (loss)	$ 264	$ (662)	$ 2,044	$ 3,652
Net (loss) income attributable to non-controlling interest	(3)	5	3	12
Net income (loss) attributable to common stockholders	267	(667)	2,041	3,640
Interest, net				
Consolidated	(619)	(79)	(1,075)	(96)
Our share of interest expense from unconsolidated joint ventures	1,227	640	2,402	1,231
Total interest, net	608	561	1,327	1,135
Income taxes	391	(5)	1,404	3,041
Depreciation and amortization:				
Consolidated	987	1,081	1,975	2,048
Our share of depreciation and amortization from unconsolidated joint ventures	1,339	1,093	2,613	2,242

Total depreciation and amortization	2,326	2,174	4,588	4,290
EBITDA	3,592	2,063	9,360	12,106
Stock compensation expense	884	868	1,505	2,087
Adjusted EBITDA	$ 4,476	$ 2,931	$ 10,865	$ 14,193

Tejon Ranch Co.
Brett A. Brown, 661-248-3000
Executive Vice President, Chief Financial Officer

TEJON RANCH
COMPANY

Source: Tejon Ranch Co