Tejon Ranch Co. Announces Third Quarter 2023 Financial Results

Nov 07,2023

TEJON RANCH, Calif., Nov. 07, 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 nine-months ended September 30, 2023.

"The momentum we've built over the last several years at the Tejon Ranch Commerce Center (TRCC) continues, as the Company is experiencing increased activity," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "A Los Angeles-based company recently pre-leased space at TRCC, and construction of our newest industrial building (MRC-5), which is also pre-leased, is on track for completion by the first quarter of 2024, adding to our portfolio of income producing assets. We continue to add new stores to the Outlets at Tejon, and later this month will be welcoming a major new tenant, American sportswear company Under Armour. On the residential front, we are aggressively pursuing an appeal of the court ruling in the CEQA challenge involving Centennial. Additionally, in 2016 the Company was instrumental in the separation of the White Wolf Subbasin, where our Kern County agricultural and development lands are located, from the adjacent Kern County Subbasin. This led to the formation of the White Wolf Groundwater Sustainability Agency, whose Groundwater Sustainability Plan was approved by the California Department of Water Resources on October 26, 2023. This is important to the Company in that it allows the local water districts (Tejon-Castac, Wheeler Ridge Maricopa and Arvin-Edison) management of the groundwater basin that is currently balanced and not overdrawn."

Commercial/Industrial Real Estate 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. 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 94% leased.
- Construction of a 446,400 square foot industrial building is nearing completion, with final completion expected by the first quarter of 2024; a lease for this building was secured in advance of construction.
- Signed a lease with a manufacturer and distributor of industrial components for 240,000 square feet of space currently occupied by Sunrise Brands, an apparel company, which will vacate the space and relocate to the new 446,400 square foot building upon completion.
- Design and engineering for Phase 1 of the Company's planned multi-family residential development at TRCC is underway. Phase 1 includes 228 of the planned 495 residential units.

Third Quarter 2023 Financial Results

- GAAP net loss attributable to common stockholders for the third quarter of 2023 was $341,000, or net loss per share attributable to common stockholders, basic and diluted, of $0.01. For the third quarter of 2022, the Company had net income attributable to common stockholders of $10.2 million, or net income per share attributable to common stockholders, basic and diluted, of $0.38.
  - The primary driver of this decrease resulted from the Company's commercial/industrial segment, whose operating profit declined $14.2 million over the comparative period, primarily related to the absence of a land sale during the current period compared to one land sale in 2022.
  - Partially offsetting this decrease was a $4.5 million improvement in farming segment operating results, driven by lower cost of sales and lower fixed water charges.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the third quarter of 2023 were $12.0 million, compared with $33.9 million for the third quarter of 2022.
  - The primary driver of this decrease resulted from the Company's commercial/industrial segment, whose revenue declined $19.0 million over the comparative period, primarily related to the absence of a land sale during the current period compared to one land sale last year.
- Adjusted EBITDA, a non-GAAP measure, was $5.7 million for the third quarter ended September 30, 2023, compared with $16.3 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 2023 Financial Results

- GAAP net income attributable to common stockholders for the first nine months of 2023 was $1.7 million, or net income per share attributed to common stockholders, basic and diluted, of $0.06, compared with net income attributable to common stockholders of $13.8 million, or net income per share attributed to common stockholders, basic and diluted, of $0.52, for the first nine months of 2022.
  - Commercial/industrial real estate development segment operating profit of $3.2 million for the first nine months of 2023 compared with $20.8 million for the first nine months of 2022, resulting from the absence of land sales in 2023 compared to two land sales in 2022.
  - Mineral resources segment operating profit was $4.6 million for the first nine months of 2023, compared with $7.9 million for the first nine months of 2022. The decrease in operating profit 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 improvement in farming segment operating results of $5.8 million, attributable primarily to lower cost of sales and lower fixed water charges.
  - Also offsetting the decreases was $2.6 million in lower income tax expense over the comparative period, resulting from lower operating income recognized for the year.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first nine months of 2023, totaled $35.2 million, compared with $68.0 million for the first nine months of 2022.
  - The primary driver of this decrease resulted from the Company's commercial/industrial segment, whose revenue declined $23.5 million over the comparative period, primarily related to the absence of land sales in 2023 compared to two land sales in 2022.
- Adjusted EBITDA, a non-GAAP measure, was $16.5 million for the nine-months ended September 30, 2023, compared with $30.5 million for the same period in 2022.

Liquidity and Capital Resources

- As of September 30, 2023, total capital, including debt, was approximately $529.8 million. The Company had total liquidity of approximately $113.2 million, consisting of cash and securities totaling approximately $72.6 million and $40.6 million available on its line of credit as of September 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 also 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 the above mentioned activity, along with 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 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 in 2023 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 from prior years are anticipated to have an adverse effect on selling prices for the remainder of 2023. The current subjective production estimate for the 2023 California 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Real estate - commercial/industrial	$ 3,397	$ 22,352	$ 8,706	$ 32,163
Mineral resources	3,118	3,139	11,630	19,238
Farming	2,642	4,776	4,852	7,352
Ranch operations	1,052	1,208	3,384	3,011
Total revenues	10,209	31,475	28,572	61,764
Cost and Expenses:				
Real estate - commercial/industrial	2,137	6,845	5,517	11,403
Real estate - resort/residential	367	372	1,079	1,218
Mineral resources	2,000	1,745	6,991	11,347
Farming	2,157	8,752	5,644	13,976
Ranch operations	1,196	1,143	3,864	3,708
Corporate expenses	2,315	1,630	6,824	6,230
Total expenses	10,172	20,487	29,919	47,882
Operating income (loss)	37	10,988	(1,347)	13,882
Other Income:				
Investment income	700	204	1,775	300
Other (loss) income, net	(30)	211	272	1,038
Total other income	670	415	2,047	1,338
Income from operations before equity in earnings of unconsolidated joint ventures	707	11,403	700	15,220
Equity in earnings of unconsolidated joint ventures, net	1,161	1,991	4,616	4,867
Income before income tax expense	1,868	13,394	5,316	20,087
Income tax expense	2,215	3,221	3,619	6,262
Net (loss) income	(347)	10,173	1,697	13,825
Net (loss) income attributable to non-controlling interest	(6)	(11)	(3)	1
Net (loss) income attributable to common stockholders	$ (341)	$ 10,184	$ 1,700	$ 13,824
Net (loss) income per share attributable to common stockholders, basic	$ (0.01)	$ 0.38	$ 0.06	$ 0.52
Net (loss) income per share attributable to common stockholders, diluted	$ (0.01)	$ 0.38	$ 0.06	$ 0.52
Weighted average number of shares outstanding:				
Common stock	26,725,628	26,491,251	26,695,714	26,468,099
Common stock equivalents	72,435	47,507	76,668	164,364
Diluted shares outstanding	26,798,063	26,538,758	26,772,382	26,632,463

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

	September 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 43,149	$ 39,119
Marketable securities - available-for-sale	29,456	33,444

Accounts receivable	3,980	4,453
Inventories	8,925	3,369
Prepaid expenses and other current assets	3,520	2,660
Total current assets	89,030	83,045
Real estate and improvements - held for lease, net	16,780	16,940
Real estate development (includes $117,518 at September 30, 2023 and $115,221 at December 31, 2022, attributable to CFL)	330,566	321,293
Property and equipment, net	54,941	52,980
Investments in unconsolidated joint ventures	31,345	41,891
Net investment in water assets	52,507	47,045
Other assets	5,104	3,597
TOTAL ASSETS	$ 580,273	$ 566,791
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 6,393	$ 5,117
Accrued liabilities and other	4,504	3,602
Deferred income	2,326	1,531
Income taxes payable	3,088	—
Current maturities of long-term debt	1,844	1,779
Total current liabilities	18,155	12,029
Long-term debt, less current portion	46,793	48,161
Long-term deferred gains	11,447	11,447
Deferred tax liability	7,676	7,180
Other liabilities	15,212	10,380
Total liabilities	99,283	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 - 26,726,464 at September 30, 2023 and 26,541,553 at December 31, 2022	13,363	13,271
Additional paid-in capital	345,404	345,344
Accumulated other comprehensive loss	(481)	(2,028)
Retained earnings	107,343	105,643
Total Tejon Ranch Co. Stockholders' Equity	465,629	462,230
Noncontrolling interest	15,361	15,364
Total equity	480,990	477,594
TOTAL LIABILITIES AND EQUITY	$ 580,273	$ 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 September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net (loss) income	$ (347)	$ 10,173	$ 1,697	$ 13,825
Net (loss) income attributable to non-controlling interest	(6)	(11)	(3)	1
Net (loss) income attributable to common stockholders	(341)	10,184	1,700	13,824
Interest, net				
Consolidated	(700)	(204)	(1,775)	(300)
Our share of interest expense from unconsolidated joint ventures	1,216	725	3,618	1,955
Total interest, net	516	521	1,843	1,655
Income taxes	2,215	3,221	3,619	6,262
Depreciation and amortization:				
Consolidated	1,028	1,294	3,003	3,342
Our share of depreciation and amortization from unconsolidated joint ventures	1,393	1,095	4,005	3,337
Total depreciation and amortization	2,421	2,389	7,008	6,679
EBITDA	4,811	16,315	14,170	28,420
Stock compensation expense	864	1	2,369	2,088
Adjusted EBITDA	$ 5,675	$ 16,316	$ 16,539	$ 30,508

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

TEJON RANCH
COMPANY

Source: Tejon Ranch Co