



Tejon Ranch Co. Announces Fourth Quarter and Year-Ended December 31, 2023 Financial Results

Mar 06, 2024

TEJON RANCH, Calif., March 06, 2024 (GLOBE NEWSWIRE) -- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the fourth quarter and year-ended December 31, 2023.

"In 2023, we established an important foundation for future growth with the closing of a new \$160 million unsecured revolving credit facility with AgWest Farm Credit, based on the Company's deep agricultural heritage and ongoing ranching and farming operations. This new credit facility will be available to fund future real estate construction projects and other operations at favorable terms," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "Additionally, during the fourth quarter of 2023, we enhanced operations at Tejon Ranch Commerce Center by completing the construction of a 446,000 square foot pre-leased industrial building through one of our joint ventures. This new building adds another income producing asset to our robust portfolio. We continue our progress into the first quarter of 2024, with the start of construction of Terra Vista at Tejon, a new multi-family apartment community located immediately adjacent to the Outlets at Tejon at TRCC. Terra Vista at Tejon marks the transition of TRCC to a mixed-use master-planned community, a significant milestone for our Company."

Commercial/Industrial Real Estate Highlights

- TRCC Industrial portfolio, through the Company's joint venture partnerships, consists of 2.8 million square feet of gross leasable area (GLA) and is 100% leased.
- TRCC Commercial portfolio, wholly owned and through joint venture partnerships, consists of 620,907 square feet of GLA and is 96% leased.
- Construction of a 446,400 square foot industrial building was completed in December 2023. 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 that was previously occupied by Sunrise Brands, an apparel company. Sunrise relocated to the new 446,400 square foot building in January 2024.
- Construction started in the first quarter of 2024 on Phase 1 of Terra Vista at Tejon, the Company's multi-family residential development at TRCC. Phase 1 includes 228 of the planned 495 residential units.

Fourth-Quarter 2023 Financial Highlights

- GAAP net income attributable to common stockholders for the fourth quarter of 2023 was \$1.6 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.06, compared with net income attributable to common stockholders of \$2.0 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.07, for the fourth quarter of 2022.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the fourth quarter of 2023 were \$18.8 million, a decrease of \$1.9 million, or 9%, compared with \$20.7 million for the same period in 2022. Factors behind this change included:
 - Commercial/industrial segment revenues decreased \$5.3 million, or 63%, when compared with the fourth quarter in 2022, primarily attributable to the absence of a land contribution in the fourth quarter 2023. During the fourth quarter of 2022, the Company contributed a 27.9-acre land parcel with a fair value of \$8.5 million to the Company's TRC-MRC5, LLC joint venture. The Company recognized profit of \$3.0 million and deferred profit of \$3.0 million for this transaction.
 - The decrease mentioned above was partially offset by an increase in farming revenues by \$3.4 million, or 61%, when compared to the same period in 2022. The increase was largely attributed to an increase in pistachio sales in 2023, as the 2022 crop did not bear fruit due to a mild winter.
- Adjusted EBITDA, a non-GAAP measure, was \$4.8 million for the quarter ended December 31, 2023, compared with \$7.2 million for the quarter ended December 31, 2022.

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.

Fiscal 2023 Financial Highlights

- GAAP net income attributable to common stockholders for fiscal 2023 was \$3.3 million, or net income per share attributable to common stockholders, basic and diluted of \$0.12, compared with net income attributable to common stockholders of \$15.8 million, or \$0.60 per share basic and diluted, for 2022.

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, were \$54.0 million in 2023, a decrease of \$34.7 million, or 39%, compared with \$88.7 million in 2022. Factors driving this decrease included:
 - A decrease in commercial/industrial segment revenue of \$28.8 million, or 71%, compared with 2022, primarily resulting from the absence of land sales in 2023.
 - A decrease in mineral resources segment revenue of \$7.1 million, or 33%, compared with 2022, primarily attributed to lower water sales revenue. The State Water Project (SWP) allocation was at 100% in 2023, which severely limited the Company's water sales opportunities. In 2022 the SWP allocation was 5%. Additionally, the Company experienced a decrease in royalties due to the lower price per barrel for oil production, combined with lower production volume of cement and aggregate, when compared with 2022.
 - The decrease mentioned above was partially offset by a 69% decrease in income tax over the comparative period, resulting from lower operating income recognized for the year.
- Adjusted EBITDA, a non-GAAP measure, was \$21.4 million for the year ended December 31, 2023, compared with \$37.7 million for the year ended December 31, 2022.

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Liquidity and Capital Resources

As of December 31, 2023, total capital, including debt, was approximately \$531.0 million. As of December 31, 2023, the Company had cash and securities totaling approximately \$64.5 million and \$108.6 million available on its line of credit.

2024 Outlook:

In January of 2024, the Company announced that Nestlé USA will start construction on its new distribution center at TRCC East. The new multi-story building, which will total more than 700,000 square feet, will be located on the 58-acre parcel of land that was sold to Nestlé in November 2022.

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 along with SWP allocations. The current SWP allocation is at 15% of contract amounts, with the expectation that the allocation may increase.

The Company expects its 2024 farming operations to continue to be impacted by higher costs of production, such as fuel costs, fertilizer costs, pest control costs, and labor costs. The Company is anticipating higher almond industry inventory levels, which may have an adverse effect on 2024 selling prices.

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 15 miles south of Bakersfield.

More information about Tejon Ranch Co. can be found online at <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. 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, 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31	
	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 31,907	\$ 39,119
Marketable securities - available-for-sale	32,556	33,444
Accounts receivable	8,352	4,453

Inventories	3,493	3,369
Prepaid expenses and other current assets	<u>3,502</u>	<u>2,660</u>
Total current assets	79,810	83,045
Real estate and improvements - held for lease, net	16,609	16,940
Real estate development (includes \$119,788 at December 31, 2023 and \$115,221 at December 31, 2022, attributable to Centennial Founders, LLC, Note 17)	337,257	321,293
Property and equipment, net	53,985	52,980
Investments in unconsolidated joint ventures	33,648	41,891
Net investment in water assets	52,130	47,045
Other assets	<u>4,084</u>	<u>3,597</u>
TOTAL ASSETS	<u>\$ 577,523</u>	<u>\$ 566,791</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 6,457	\$ 5,117
Accrued liabilities and other	3,214	3,602
Deferred income	1,891	1,531
Current maturities of long-term debt	<u>—</u>	<u>1,779</u>
Total current liabilities	11,562	12,029
Long-term debt, less current portion	<u>—</u>	<u>48,161</u>
Revolving line of credit	47,942	—
Long-term deferred gains	11,447	11,447
Deferred tax liability	8,269	7,180
Other liabilities	<u>15,207</u>	<u>10,380</u>
Total liabilities	94,427	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 - 26,770,545 at December 31, 2023 and 26,541,553 at December 31, 2022	13,386	13,271
Additional paid-in capital	345,609	345,344
Accumulated other comprehensive loss	(171)	(2,028)
Retained earnings	<u>108,908</u>	<u>105,643</u>
Total Tejon Ranch Co. Stockholders' Equity	467,732	462,230
Non-controlling interest	<u>15,364</u>	<u>15,364</u>
Total equity	<u>483,096</u>	<u>477,594</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 577,523</u>	<u>\$ 566,791</u>

TEJON RANCH CO.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except earnings per share)

	Three-Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues:				
Real estate - commercial/industrial	\$ 3,052	\$ 8,352	\$ 11,758	\$ 40,515
Mineral resources	2,894	2,357	14,524	21,595
Farming	9,098	5,649	13,950	13,001
Ranch operations	<u>1,123</u>	<u>1,095</u>	<u>4,507</u>	<u>4,106</u>
Total revenues	16,167	17,453	44,739	79,217
Costs and expenses:				
Real estate - commercial/industrial	2,536	4,953	8,053	16,356
Real estate - resort/residential	449	411	1,528	1,629
Mineral resources	1,694	1,622	8,685	12,969
Farming	9,613	5,835	15,257	19,811
Ranch operations	1,179	1,316	5,043	5,024
Corporate expenses	<u>3,048</u>	<u>3,469</u>	<u>9,872</u>	<u>9,699</u>
Total expenses	18,519	17,606	48,438	65,488
Operating (loss) income	(2,352)	(153)	(3,699)	13,729

Other income:				
Investment income	782	334	2,557	634
Other (expense) income	(410)	50	(138)	1,088
Total other income	<u>372</u>	<u>384</u>	<u>2,419</u>	<u>1,722</u>
(Loss) income from operations before equity in earnings of unconsolidated joint ventures and income tax expense	(1,980)	231	(1,280)	15,451
Equity in earnings of unconsolidated joint ventures, net	<u>2,252</u>	<u>2,885</u>	<u>6,868</u>	<u>7,752</u>
Income before income taxes	272	3,116	5,588	23,203
Income tax (benefit) expense	<u>(1,296)</u>	<u>1,131</u>	<u>2,323</u>	<u>7,393</u>
Net income	1,568	1,985	3,265	15,810
Net income attributable to non-controlling interest	<u>3</u>	<u>1</u>	<u>—</u>	<u>2</u>
Net income attributable to common stockholders	<u>\$ 1,565</u>	<u>\$ 1,984</u>	<u>\$ 3,265</u>	<u>\$ 15,808</u>
Net income per share attributable to common stockholders, basic	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.12</u>	<u>\$ 0.60</u>
Net income per share attributable to common stockholders, diluted	<u>\$ 0.06</u>	<u>\$ 0.07</u>	<u>\$ 0.12</u>	<u>\$ 0.59</u>
Weighted average number of shares outstanding:				
Common stock	26,739,791	26,508,061	26,706,824	26,478,171
Common stock equivalents – stock options	<u>2,789</u>	<u>224,778</u>	<u>—</u>	<u>174,748</u>
Diluted shares outstanding	26,742,580	26,732,839	26,706,824	26,652,919

Non-GAAP Financial Measure

This news release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents earnings before interest, taxes, depreciation, and amortization, a non-GAAP financial measure, and is used by us and others as a supplemental measure of performance. We use Adjusted EBITDA to assess the performance of our 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 and asset abandonment charges. We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from our operations on an unleveraged basis before the effects of taxes, depreciation and amortization, stock compensation expense, and abandonment charges. By excluding interest expense and income, EBITDA and Adjusted EBITDA allow investors to measure our performance independent of our capital structure and indebtedness and, therefore, allow for a more meaningful comparison of our performance to that of other companies, both in the real estate industry and in other industries. We believe that excluding charges related to share-based compensation facilitates a comparison of our 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 our control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of our performance. EBITDA and Adjusted EBITDA do not reflect our 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. Further, our 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 December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net income	\$ 1,568	\$ 1,985	\$ 3,265	\$ 15,810
Net income attributed to non-controlling interest	3	1	—	2
Interest, net:				
Consolidated	(782)	(334)	(2,557)	(634)
Our share of interest expense from unconsolidated joint ventures	<u>1,261</u>	<u>1,019</u>	<u>4,879</u>	<u>2,974</u>
Total interest, net	479	685	2,322	2,340
Income tax expense	<u>(1,296)</u>	<u>1,131</u>	<u>2,323</u>	<u>7,393</u>
Depreciation and amortization:				
Consolidated	1,803	1,286	4,806	4,628
Our share of depreciation and amortization from unconsolidated joint ventures	<u>1,413</u>	<u>1,281</u>	<u>5,418</u>	<u>4,618</u>
Total depreciation and amortization	<u>3,216</u>	<u>2,567</u>	<u>10,224</u>	<u>9,246</u>
EBITDA	\$ 3,964	\$ 6,367	\$ 18,134	\$ 34,787
Stock compensation expense	<u>883</u>	<u>789</u>	<u>3,252</u>	<u>2,877</u>
Adjusted EBITDA	\$ 4,847	\$ 7,156	\$ 21,386	\$ 37,664

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