



Tejon Ranch Co. Announces First Quarter 2024 Financial Results

May 7, 2024

TEJON RANCH, Calif., May 07, 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 three-months ended March 31, 2024.

"During the first quarter of 2024, the Company continued its strategic focus on unlocking the value of our unique land assets, including commencement of construction of our first residential community, Terra Vista at Tejon, a new multi-family apartment community located immediately adjacent to the Outlets at Tejon. The community will have 228 residences in the first phase with the first units expected to be delivered in the second quarter of 2025. This development marks the Company's evolution as a real estate development company by adding residential communities on the Ranch, adding to the vibrancy of the Ranch, and providing much-needed new housing for the region," said Gregory S. Bielli, President, and CEO of Tejon Ranch Co. "We are also continuing our aggressive fight for our Centennial at Tejon master planned community. While pushing strongly on the litigation front, we have initiated our efforts in Los Angeles County to enhance our existing project approvals by advertising our notice of preparation for a soon-to-be released Supplemental Environmental Impact Report (SEIR)," continued Bielli.

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. In total, TRCC comprises 7.1 million square feet of GLA.
- TRCC commercial portfolio, wholly owned and through joint venture partnerships, comprises 620,907 square feet of GLA and is 95% leased.
- Construction started in February 2024 on Phase 1 of Terra Vista at Tejon, the Company's multi-family residential development adjacent to the Outlets at Tejon. Phase 1 includes 228 of the planned 495 residential units, with the first units becoming available in the first half of 2025 and the remaining units in this phase coming online soon thereafter. See www.tejonranchliving.com for further information.
- Construction of a new distribution facility for Nestlé USA is underway on the east side of TRCC, which will total more than 700,000 square feet.
- 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.
- Outlets at Tejon is celebrating its 10-year anniversary in 2024, with occupancy over 90% as of March 31, 2024. We continue to attract new tenants, with America sportswear company Under Armour moving in during the third quarter of 2023.

First Quarter 2024 Financial Results

- GAAP net loss attributable to common stockholders for the first quarter of 2024 was \$0.9 million, or net loss per share attributable to common stockholders, basic and diluted, of \$0.03. For the first quarter of 2023, the Company had net income attributable to common stockholders of \$1.8 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.07.
 - The primary driver of this decrease resulted from the Company's mineral resources segment, in which operating profit declined \$2.5 million over the comparative period, mainly due to lower water sales revenue resulting from heavy rainfall in California.
 - Additionally, expenses in resort/residential segment increased by \$1.2 million due to higher professional service fees incurred during this period.
 - Partially offsetting this decrease was \$0.9 million of tax benefits recorded during this quarter compared to \$1.0 million of tax provisions recorded over the comparative period.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first quarter of 2024 were \$9.5 million, compared with \$14.6 million for the first quarter of 2023.
 - The primary driver of this decrease was the mineral resources segment, whose revenue declined \$4.4 million over the comparative period due to lower water sales revenue realized during the quarter.
- Adjusted EBITDA, a non-GAAP measure, was \$2.1 million for the first quarter ended March 31, 2024, compared with \$6.4 million for the same period in 2023.

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, 2024, total market capitalization, including pro rata share (PRS) of unconsolidated joint venture debt, was approximately \$574.7 million, consisting of an equity market capitalization of \$412.9 million and \$161.8 million of debt, and our debt to total market capitalization was 28%. As of March 31, 2024, the Company had cash and securities totaling approximately \$60.7 million and \$108.6 million available on its line of credit, for total liquidity of \$169.3 million. The ratio of net debt, including PRS of unconsolidated joint venture debt, of \$101.1 million, to trailing twelve months adjusted EBITDA of \$17.1 million was 5.9x.

2024 Outlook:

The Company will continue to strategically 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 to advance 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 40% of contract amounts, with the expectation that the allocation may increase.

The Company's farming operations in 2024 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 2024 almond industry crop production, 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 30 miles south of Bakersfield.

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. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 35,552	\$ 31,907
Marketable securities - available-for-sale	25,119	32,556
Accounts receivable	3,694	8,352
Inventories	5,821	3,493
Prepaid expenses and other current assets	4,477	3,502
Total current assets	74,663	79,810
Real estate and improvements - held for lease, net	16,559	16,609
Real estate development (includes \$121,133 at March 31, 2024 and \$119,788 at December 31, 2023, attributable to CFL, Note 14)	342,198	337,257

Property and equipment, net	55,172	53,985
Investments in unconsolidated joint ventures	30,075	33,648
Net investment in water assets	58,023	52,130
Other assets	4,941	4,084
TOTAL ASSETS	\$ 581,631	\$ 577,523
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 9,752	\$ 6,457
Accrued liabilities and other	3,186	3,214
Deferred income	2,421	1,891
Total current liabilities	15,359	11,562
Revolving line of credit	47,942	47,942
Long-term deferred gains	11,447	11,447
Deferred tax liability	8,267	8,269
Other liabilities	15,894	15,207
Total liabilities	98,909	94,427
Commitments and contingencies (Note 11)		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 26,797,440 at March 31, 2024 and 26,770,545 at December 31, 2023	13,400	13,386
Additional paid-in capital	346,141	345,609
Accumulated other comprehensive loss	(177)	(171)
Retained earnings	107,994	108,908
Total Tejon Ranch Co. Stockholders' Equity	467,358	467,732
Non-controlling interest	15,364	15,364
Total equity	482,722	483,096
TOTAL LIABILITIES AND EQUITY	\$ 581,631	\$ 577,523

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	2023
Revenues:		
Real estate - commercial/industrial	\$ 2,945	\$ 2,676
Mineral resources	2,489	6,912
Farming	865	1,185
Ranch operations	1,107	1,492
Total revenues	7,406	12,265
Costs and Expenses:		
Real estate - commercial/industrial	1,927	1,695
Real estate - resort/residential	1,561	388
Mineral resources	2,116	4,066
Farming	2,067	2,013
Ranch operations	1,227	1,330
Corporate expenses	2,492	2,287
Total expenses	11,390	11,779
Operating (loss) income	(3,984)	486
Other Income (Loss):		
Investment income	685	456
Other (loss) income, net	(70)	334
Total other income	615	790

(Loss) income from operations before equity in earnings of unconsolidated joint ventures and income tax	(3,369)	1,276
Equity in earnings of unconsolidated joint ventures, net	1,513	1,517
(Loss) income before income tax expense	(1,856)	2,793
Income tax (benefit) expense	(942)	1,013
Net (loss) income	(914)	1,780
Net income attributable to non-controlling interest	—	6
Net (loss) income attributable to common stockholders	\$ (914)	\$ 1,774
Net (loss) income per share attributable to common stockholders, basic	\$ (0.03)	\$ 0.07
Net (loss) income per share attributable to common stockholders, diluted	\$ (0.03)	\$ 0.07

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,	
	2024	2023
Net (loss) income	\$ (914)	\$ 1,780
Net income attributable to non-controlling interest	—	6
Interest, net		
Consolidated	(685)	(456)
Our share of interest expense from unconsolidated joint ventures	1,543	1,175
Total interest, net	858	719
Income taxes	(942)	1,013
Depreciation and amortization:		
Consolidated	1,006	988
Our share of depreciation and amortization from unconsolidated joint ventures	1,607	1,274
Total depreciation and amortization	2,613	2,262
EBITDA	1,615	5,768
Stock compensation expense	513	621
Adjusted EBITDA	\$ 2,128	\$ 6,389

Summary of Outstanding Debt as of March 31, 2024
(Unaudited)

Entity/Borrowing	Amount	% Share	PRS Debt
Revolving line-of-credit	\$ 47,942	100%	\$ 47,942
Petro Travel Plaza Holdings, LLC	12,365	60%	7,419
TRCC/Rock Outlet Center, LLC	20,776	50%	10,388
TRC-MRC 1, LLC	21,979	50%	10,990
TRC-MRC 2, LLC	21,766	50%	10,883
TRC-MRC 3, LLC	33,404	50%	16,702
TRC-MRC 4, LLC	61,556	50%	30,778
TRC-MRC 5, LLC	53,354	50%	26,677
Total	\$ 273,142		\$ 161,779

Market Capitalization and Debt Ratios
(Unaudited)

	March 31, 2024
Period End Share Price	\$ 15.41
Outstanding Shares	26,797,440
Equity Market Capitalization as of Reporting Date	\$ 412,949
Total Debt including PRS Unconsolidated Joint Venture Debt	\$ 161,779
Total Market Capitalization	\$ 574,728
Debt to total market capitalization	28.1%
Net debt, including PRS unconsolidated joint venture debt, to TTM adjusted EBITDA	5.9

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