Tejon Ranch Co. Reports Second Quarter Results of Operations – 2014

Aug 7, 2014

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 7, 2014-- Tejon Ranch Co. (NYSE:TRC) today released the results of operations for the six months ended June 30, 2014, with the Company showing net income attributable to common stockholders of $1,987,000, or $0.10 per common share, compared to net income attributable to common stockholders of $2,699,000, or $0.13 per common share, for the same period in 2013. Revenue from operations for the six months ended June 30, 2014 was $15,153,000, compared to $17,235,000 of revenue for the same period during 2013. All per share references in this release are presented on a fully diluted basis.

For the second quarter ended June 30, 2014, the Company had net income attributable to common stockholders of $874,000, or $0.04 per common share, compared to net income attributable to common stockholders of $2,084,000, or $0.10 per common share, for the second quarter of 2013. Revenue from operations for the second quarter of 2014 was $8,008,000 compared to $7,475,000 of revenue during the same period of 2013.

Results of Operations for the First Six Months of 2014:

The decline in net income attributable to common stockholders during the first six months of 2014, when compared to the same period in 2013, is primarily the result of lower farming net operating profits, a decline in oil royalty revenue, and an increase in corporate expenses. These unfavorable variances were partially offset by $3,179,000 in net income received from water sales during the year. Revenue declined $2,082,000 during the first six months of 2014, as compared to the same period in 2013, largely due to a decrease in farming and mineral resources revenues.

The decline in farming revenue of $1,220,000 during the first six months of 2014, compared to the same period in 2013, is primarily due to a $2,148,000 decrease in almond sales resulting from a 54% decrease in pounds sold from the 2013 crop inventory carryover. The decline in sales volume was partially offset by higher almond prices and an increase in pistachio revenues due to higher prices.

Mineral resource revenues decreased $926,000 during the first six months of 2014, compared to 2013, primarily due to an $896,000 decrease in oil and gas royalty payments. The decrease stems from the timing of new wells being put into production and reduced production due to the timing of completion of the expansion of lessees' production facilities. In addition, we had a decline in leasehold payments resulting from a tenant beginning a drill program during 2013, which eliminated their obligation for continued leasehold payments. Improvements of $400,000 in rock and aggregate royalties and in production at the National Cement lease helped to offset the oil related revenue declines.

Operating expenses increased $1,371,000 during the period primarily due to an increase in corporate expense of $1,543,000. The increase in corporate expense is mainly due to higher stock compensation expense during 2014, as compared to 2013, due to the reversal in 2013 of $2,271,000 of previously recorded stock compensation expense related to unvested awards that would not vest related to the retirement of the Company's then CEO at the end of 2013.

Results of Operations for the Second Quarter of 2014:

Revenue improved $533,000 due to an increase in farming revenue being partially offset by lower oil royalty income and reduced commercial/industrial revenues.

Farming revenues increased $1,135,000 during the quarter as higher pistachio prices produced a $788,000 increase in revenues. Almond revenues also improved by $242,000 during the quarter due to a 21% increase in price and a 17% increase in pounds sold, when compared to the second quarter of 2013.

Mineral resource revenues fell during the quarter due to the operational factors described above. The decline in commercial/industrial revenues is primarily due to a one time adjustment to reflect the reversal of an overpayment of percentage rent related to the Calpine lease, which was partially offset by an increase in development management fees tied to the construction of the Outlets at Tejon that opened August 7, 2014.

The primary driver to the decline in net income for the quarter, as compared to the same period of 2013, is the increase in corporate expense that more than offset the improvement in revenue during the quarter. The increase in expense during the second quarter of 2014, when compared to 2013, is related to the reversal of previously recorded stock compensation expense during the second quarter of 2013 as described above.

2014 Outlook:

Management believes that the capital structure of the Company provides a solid foundation for continued investment in our projects. At June 30, 2014, total capital, including long-term debt, was approximately $328,000,000. As of June 30, 2014, the Company also had cash and securities totaling approximately $54,742,000 and $19,800,000 of availability on lines of credit to meet any short-term funding needs.

As was previously reported, the Company purchased the interest of its partner in Tejon Mountain Village for $70,000,000, with an initial payment of $10,000,000 and the remaining $60,000,000 payable on or before October 13, 2004, unless extended by 30 days. The Company is in the final stages of completing a long-term debt facility to fully fund the $70,000,000 purchase price. Once the financing documents are complete the Company will provide the information through a Current Report on Form 8-K.

The Company will continue to aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center and in our joint ventures, which include the completion and opening of the Outlets at Tejon on August 7, 2014. The Company is continuing to invest in its residential projects to complete the entitlements for the Centennial and Grapevine projects and begin pre-development investment for Tejon Mountain Village.

The Company believes the variability of its quarterly and annual operating results will continue during 2014 due to its farming and real estate activities. Prices received by the Company for many of its products are dependent upon the prevailing market conditions and commodity prices. Many of the Company's projects, especially in real estate, require a lengthy process to complete the entitlement and development phases before revenue can begin to be recognized. The timing of projects and sales of both real estate inventory and non-strategic assets can vary from year-to-year; therefore, it is difficult for the Company to accurately predict quarterly and annual revenues and results of operations.

Tejon Ranch Co. 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 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.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
SECOND QUARTER ENDED JUNE 30
(In thousands, except earnings per share)
(Unaudited)

	Three Months Ended June 30		**Six Months Ended June 30**	
	2014	**2013**	**2014**	**2013**
Revenues:				
Real estate - commercial/industrial	$ 2,553	$ 2,825	$ 5,495	$ 5,547
Real estate - resort/residential	228	234	587	471
Mineral resources	2,441	2,765	4,705	5,631
Farming	2,786	1,651	4,366	5,586
Total revenues	8,008	7,475	15,153	17,235
Costs and Expenses:				
Real estate - commercial/industrial	3,336	3,141	6,647	6,254
Real estate - resort/residential	918	1,265	1,573	1,574
Mineral resources	152	65	227	225
Farming	1,197	1,179	2,870	3,436
Corporate expenses	2,608	658	6,032	4,489
Total expenses	8,211	6,308	17,349	15,978
Operating income (loss)	(203)	1,167	(2,196)	1,257
Other income				

Income from water sales, net	177	-	3,179	-
Investment income	185	238	383	513
Other income	20	14	47	17
Total other income	382	252	3,609	530
Income from operations before equity in earnings of unconsolidated joint ventures	179	1,419	1,413	1,787
Equity in earnings of unconsolidated joint ventures, net	1,148	1,270	1,586	1,679
Income before income tax expense	1,327	2,689	2,999	3,466
Income tax expense	479	686	1,020	833
Net income	848	2,003	1,979	2,633
Net loss attributable to non-controlling interest	(26)	(81)	(8)	(66)
Net income attributable to common stockholders	874	2,084	1,987	2,699
Net income per share to common stockholders, basic	$ 0.04	$ 0.10	$ 0.10	$ 0.13
Net income per share to common stockholders, diluted	$ 0.04	$ 0.10	$ 0.10	$ 0.13
Weighted average number of shares outstanding:				
Common stock	20,586,190	20,136,188	20,577,280	20,118,152
Common stock equivalents – stock options	35,406	16,323	40,323	17,039
Diluted shares outstanding	20,621,596	20,152,511	20,617,603	20,135,191

Source: Tejon Ranch Co.

Tejon Ranch Co.
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