Tejon Ranch Co. Reports Year-to-Date and Second Quarter 2015 Results

August 10, 2015

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 10, 2015-- Tejon Ranch Co. (NYSE:TRC), a diversified real estate development and agribusiness company, today released the results of operations for the three- and six- months ended June 30, 2015.

Six months ended June 30, 2015:

- Revenue from operations for the six months ended June 30, 2015 totaled $23,633,000, an increase of $777,000, or 3%, compared to $22,856,000 in revenue for the same period in 2014;
- Net income attributable to common stockholders for the six month period ended June 30, 2015 was $2,023,000, or $0.10 per common share, compared to net income attributable to common stockholders of $1,987,000, or $0.10 per common share, for the same period in 2014. All per share references in this release are presented on a fully diluted basis.

The improvement in net income attributable to common stockholders during the first six months of 2015, when compared to the same period in 2014, is primarily the result of increases in commercial/industrial operating income, an increase in our equity in earnings of the TA/Petro joint venture, and higher water sales. All per share references in this release are presented on a fully diluted basis.

Three months ended June 30, 2015:

- For the second quarter ended June 30, 2015, the Company reported revenue from operations of $7,000,000, a decrease of $1,321,000, or 16%, compared to $8,321,000 during the same period in 2014;
- Net income attributable to common stockholders was $406,000, or $0.02 per common share, in the second quarter of 2015, compared to net income attributable to common stockholders of $874,000, or $0.04 per common share, for the second quarter of 2014.

The primary driver to the decline in net income for the quarter, as compared to the same period of 2014, was a decline in farming and mineral resource revenues, which was partially offset by an improvement in equity in earnings of joint ventures.

"While our commodity-based business units continue to be important sources of revenue for the Company, we're encouraged by the momentum in our real estate business units, particularly in our commercial/industrial operations and our joint venture with TA/Petro at the Tejon Ranch Commerce Center," said Gregory S. Bielli, president and CEO. "Additionally, we're pleased the Outlets at Tejon are proving to be a catalyst for additional development within the Commerce Center, along with the progress we're making on the entitlement efforts of our master planned communities.

Results of Operations for the First Six Months of 2015:

Total revenue from operations for the first six months of 2015 increased $777,000, or 3%, as compared to the same period in 2014, largely due to improved commercial/industrial and mineral resources revenues.

The increase in commercial/industrial revenue of $892,000, or 16%, during the first six months of 2015, compared to the same period in 2014, is primarily due to a $278,000 improvement in percentage lease rent from the power plant lease, a $230,000 increase in property management fees related to the outlet center, and a net $78,000 increase in commercial lease income as three new tenants came on line during the period. The increase more than offset the expiration of a communication lease and a convenience store lease. In addition, we saw an increase in revenue from grazing leases and game management of $328,000.

Our share of earnings from our joint ventures was $2,806,000, an increase of $1,220,000, or 77%, during the first six months of 2015 when compared to the same period in 2014, primarily due to $1,217,000 higher net income from our TA/Petro joint venture. The improvement in operations within the joint venture was driven by an increase in diesel volume of 766,000 gallons and gas volume of 573,000 gallons. We also saw an improvement in the margin on gas sales for the first six months of 2015. The improvement in gallons sold is being driven by the growing traffic along Interstate-5 and the expansion of offerings at TRCC such as the Outlets at Tejon.

Mineral resource revenues improved $444,000 during the first six months of 2015, or 4%, compared to the same period in 2014, primarily due to an increase in water sales of $2,462,000 resulting from an additional sale of approximately 1,700 acre feet of water. This increase was partially offset by a $1,829,000 decrease in oil and gas royalty payments as a result of prices declining approximately 52% to an average of $48 per barrel. We also saw a decline in rock and aggregate royalties of $244,000 resulting from lower production driven by a decrease in demand.

Farming revenues declined $376,000, or 8%, during the first six months of 2015, compared to the same period in 2014, due primarily to the receipt in 2014 of $143,000 in revenue related to a payment received for tree removal from an oil exploration company. In addition, the Company saw a decrease in hay crop sales related to the timing of harvest and sales during 2015.

Operating expenses increased $2,042,000, or 9%, during the period primarily due to an increase in mineral resources expense of $990,000 and corporate expense of $931,000. The increase in mineral resources was driven by higher water resource costs primarily due to a $712,000 increase in water cost of sales. The increase in corporate expense is mainly due to increased staffing costs driven by higher employee benefit costs and performance based stock and bonus expense during 2015, as compared to 2014.

Results of Operations for the Second Quarter of 2015:

Total revenue declined $1,321,000, or 16%, during the quarter, as compared to the same period in 2014, due to a reduction in farming and mineral resources revenues partially offset by higher commercial/industrial revenues.

Commercial/industrial revenues improved $472,000, or 18%, during the quarter, as compared to the same period in 2014, primarily due to an increase of $393,000 in percentage rent from the power plant lease, improved rental income of $111,000 related to new leases, and a $304,000 increase in grazing lease and game management revenues. These improvements were partially offset by a $359,000 reduction in development fees tied to the 2014 construction of the outlet center.

Our share of earnings from joint ventures increased by $508,000, or 44%, when compared to the same period in 2014, primarily due to higher net income from the TA/Petro joint venture as a result of improved operations as noted in the description of results for the first six months of 2015.

Mineral resource revenues fell $102,000, or 4%, during the quarter as reduced oil royalties and rock and aggregate royalties offset water sales. Water sales were $1,172,000, an increase of $860,000 compared to 2014, which was offset by an $865,000 decrease in oil royalties and a $121,000 decline in rock and aggregate revenues.

Farming revenues declined $1,601,000, or 55%, during the quarter due to a drop in pistachio revenues of $1,300,000 as a result of the receipt of final price adjustments related to the 2013 crop that was received in the second quarter of 2014. Historically, any price adjustments or bonuses related to a prior year pistachio crop are received during the third quarter of each year as the harvest for the new crop year begins. Comparative revenue also declined due to the receipt in 2014 of a payment from an oil exploration company for $143,000 for the removal of trees from an orchard.

2015 Outlook:

Tejon Ranch Co. manages its cash and marketable securities, along with cash flow, for the pursuit of land entitlement, development, farming and conservation. As of June 30, 2015, the Company had cash and securities totaling $39,400,000 and $26,040,000 of availability on a line of credit to meet any short-term funding needs.

The Company believes the variability of its quarterly and annual operating results will continue during 2015 due to its farming and real estate activities and to the majority of projected water sales for 2015 being completed through the second quarter of 2015. As we are in the early stages of our 2015 crop harvests, we do not have an accurate estimate of 2015 crop yields or revenue at this time. However, we are expecting lower yields in 2015 for pistachios and almonds as a result of the 2015 bloom for these crops being light compared to historical standards, resulting from a very mild winter that impacted the hours the trees were dormant.

Many of our 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.

About Tejon Ranch Co.

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**	
	2015	**2014**	**2015**	**2014**
Revenues:				
Real estate - commercial/industrial	$ 3,025	$ 2,553	$ 6,387	$ 5,495
Real estate - resort/residential	-	90	-	183
Mineral resources	2,652	2,754	12,852	12,408
Farming	1,323	2,924	4,394	4,770
Total revenues	7,000	8,321	23,633	22,856
Costs and Expenses:				
Real estate - commercial/industrial	3,095	3,336	6,297	6,647
Real estate - resort/residential	576	687	1,327	1,151

Mineral resources	723	626	6,417	5,427
Farming	1,244	1,428	3,587	3,292
Corporate expenses	2,764	2,270	6,287	5,356
Total expenses	8,402	8,347	23,915	21,873
Operating income (loss)	(1,402)	(26)	(282)	983
Other income				
Investment income	142	185	297	383
Other income	17	20	55	47
Total other income	159	205	352	430
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	(1,243)	179	70	1,413
Equity in earnings of unconsolidated joint ventures, net	1,656	1,148	2,806	1,586
Income before income tax expense	413	1,327	2,876	2,999
Income tax expense	36	479	898	1,020
Net income	377	848	1,978	1,979
Net loss attributable to non-controlling interest	(29)	(26)	(45)	(8)
Net income attributable to common stockholders	406	874	2,023	1,987
Net income per share to common stockholders, basic	$ 0.02	$ 0.04	$ 0.10	$ 0.10
Net income per share to common stockholders, diluted	$ 0.02	$ 0.04	$ 0.10	$ 0.10
Weighted average number of shares outstanding:				
Common stock	20,660,797	20,586,190	20,653,363	20,577,280
Common stock equivalents – stock options	69,701	35,406	64,554	40,323
Diluted shares outstanding	20,730,498	20,621,596	20,717,917	20,617,603

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