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

November 9, 2015

TEJON RANCH, Calif.--(BUSINESS WIRE)--Nov. 9, 2015-- Tejon Ranch Co. (NYSE:TRC), a diversified real estate development and agribusiness company, today released the results of operations for the nine- and three-months ended September 30, 2015.

Nine months ended September 30, 2015:

- Revenue from operations for the nine months ended September 30, 2015, totaled $35,579,000, a decrease of $931,000, or 3%, compared to $36,510,000 in revenue for the same period in 2014;
- Net income attributable to common stockholders for the nine months ended September 30, 2015, was $1,235,000, or $0.06 per common share, compared to net income attributable to common stockholders of $3,739,000, or $0.18 per common share, for the same period in 2014. All per share references in this release are presented on a fully diluted basis.

The year-over-year reduction in net income attributable to common stockholders during the first nine months of 2015 was primarily the result of reduced revenues in our commodity-based business units in farming and mineral resources, and increased expenses across all business units, with the exception of commercial/industrial real estate, which saw both higher revenues and lower expenses. The reduction in net income was partially offset by a nearly 60% increase in our share of earnings from our TA/Petro joint venture.

Three months ended September 30, 2015:

- For the third quarter ended September 30, 2015, the Company reported revenue from operations of $11,946,000, a decrease of $1,891,000, or 14%, compared to $13,837,000 during the same period in 2014;
- Net loss attributable to common stockholders was $788,000, or ($0.04) per common share, in the third quarter of 2015, compared to net income attributable to common stockholders of $1,752,000, or $0.08 per common share, for the third quarter of 2014.

The primary driver of the decline and resulting loss in net income for the quarter was a decline in farming and mineral resource revenues, which was partially offset by an improvement in equity in earnings of joint ventures.

“Like many other companies that operate businesses linked to commodities, 2015 has presented a series of challenges,” said Gregory S. Bielli, president and CEO. “In addition to the mild winter, which caused a historic decline in pistachio production throughout the region and impacted our farming revenues, a more than 50% decline in oil prices negatively impacted our mineral resources business unit. While we are optimistic that commodities will ultimately regain their strength, we are pleased to see continued growth in areas where we can exercise more control, such as our commercial/industrial real estate operations. Importantly, our Board of Directors has approved the detailed business plan that will guide the ultimate development and marketing of Tejon Mountain Village. This marks a significant milestone for this project.”

Results of Operations for the First Nine Months of 2015:

Total revenue from operations for the first nine months of 2015 decreased by $931,000, or 3%, as compared to the same period in 2014, largely due to lower revenues from the Company’s farming and mineral resources business units, which were partially offset by increased commercial/industrial revenue. Revenue from commercial/industrial real estate was up by $868,000 while farming revenue and mineral resources revenue declined by $1,172,000 and $627,000 respectively.

Commercial/industrial revenue totaled $8,935,000 for the first nine months of the year, an 11% increase compared to the same period in 2014. The increase was primarily due to a $275,000 improvement in percentage lease rent from the power plant lease, a $239,000 increase in property management fees related to the outlet center, and an increase of $335,000 in commercial lease revenues as three new tenants took possession under their respective lease terms.

The Company’s share of earnings from joint ventures was $4,861,000, an increase of $1,568,000, or 48%, during the first nine months of 2015 compared to the same period in 2014, primarily due to $1,819,000 in higher net income from the TA/Petro joint venture. The improvement in operations within the joint venture was driven by an increase in diesel volume of 1.5 million gallons and gas volume of 890,000 gallons. Tejon Ranch also saw a $0.13 per gallon improvement in the margin on gas sales for the first nine months of 2015. The improvement in gallons sold is due to growing traffic along Interstate-5 and the expansion of offerings at TRCC such as the Outlets at Tejon. Additionally, the TA/Petro joint venture is benefitting from an increase in non-fuel revenue margins during 2015 due to an increase in the volume of activity and the addition of a new restaurant that opened at the end of 2014.

Mineral resource revenues declined $627,000, or 4%, to $14,174,000, compared to the same nine-month period in 2014, primarily due to an oil royalty revenue decline of $2,883,000. Oil prices were down approximately 52% during the period, declining to an average of $45 per barrel compared to $98 per barrel during 2014. The price decline also lead to a drop in production. The decrease in oil revenue was partially offset by a $2,462,000 increase in water sales revenue resulting from the sale of 7,922 acre feet of water. During the first quarter of 2015, following a determination that the Company had excess water supply for its 2015 needs, it sold its entire allotment of the 2015 Kern River water plus carry forward inventory from 2014.

Farming segment revenues decreased by $1,172,000, or 9%, to $12,470,000 during the first nine months of 2015, compared to the same period in 2014. The decrease was primarily due to a $3,338,000 decrease in pistachio revenues, which were severely impacted by the mild winter. During a mild winter, the number of hours pistachio trees are dormant decreases, which adversely impacts the pollination of the pistachio tree. The Company typically expects 5% to 10% of its crops to produce blanks or hollow shells. However, Tejon Ranch experienced blanks in 90% of its pistachio crop, which is unprecedented compared to historical trends. This impact to pistachio production impacted a large majority of the pistachio production throughout California. The decrease in sales was partially offset by a $693,000 and $1,769,000 increase in wine grape and almond sales, respectively. Wine grape revenues increased as 2,782 tons in new grape production came on line during 2015. Almond revenues increased as a result of an increase in the selling price per pound.

Operating expenses increased $4,064,000, or 12%, during the period primarily due to increases in farming segment expenses of $2,329,000, mineral resources expenses of $1,091,000, and corporate expenses of $926,000. The increase in farming expense is due to higher cultural costs for wine grapes and pistachios and higher staffing costs. Mineral resources was driven by higher water resource costs primarily due to a $967,000 increase in water cost of sales. The increase in corporate expense was 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 Third Quarter of 2015:

Total revenue declined $1,891,000, or 14%, during the quarter, as compared to the same period in 2014, due to a reduction in farming and mineral resources revenues.

Commercial/industrial revenues were $2,548,000 for the quarter, a net decline of $24,000 compared to the same period in 2014. The 1% drop in revenue was primarily due to a decline of $324,000 in grazing revenues as the exercise of a drought clause reduced the amount of revenue recognized. Revenue from commercial lease activities increased $299,000 during the quarter.

Tejon Ranch's share of earnings from joint ventures increased by $348,000, or 20%, 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 nine months of 2015.

Mineral resource revenues declined $1,071,000, or 45%, during the quarter as lower oil prices led to lower royalties and production.

Farming revenues declined $796,000, or 9%, during the quarter due to a drop in pistachio revenues of $1,982,000 resulting from the 2015 mild winter previously described. The decrease in sales was partially offset by a $693,000 and $485,000 increase in wine grape and almond sales, respectively.

2015 Outlook:

Tejon Ranch manages its cash and marketable securities, along with cash flow, for the pursuit of land entitlement, development, farming and conservation. As of September 30, 2015, the Company had cash and securities totaling $37,218,000 and $21,060,000 of availability on a line of credit to meet any short-term funding needs. As of October 26, 2015, the Company had the full availability of $30,000,000 on its line of credit.

The Company believes the variability of its quarterly and annual operating results will continue during the remainder 2015 due to the inherent uncertain nature of its commodity-based farming and mineral resources business units, its real estate activities and to the majority of projected water sales for 2015 being completed through the second quarter of 2015. The 2015 mild winter severely impacted pistachio production as described earlier, and while the Company expects improved production in 2016, it is cautious on the level of improvement due to the minimal amount of growth in the pistachio trees during 2015. Commercial retail activity continues to grow and the Company expects to open a new convenience store/gas station at TRCC-East before the end of the year through its TA/Petro joint venture.

The Company also announced today in a separate press release that the Board of Directors has approved the detailed business plan for Tejon Mountain Village, including authorizing the first steps to commence Tentative Tract Maps preparation. The maps are required before any construction can begin.

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.

About Tejon Ranch Co.

Tejon Ranch Company (NYSE: TRC) is a growth-oriented, 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 25 miles south of Bakersfield. Tejon Ranch is positioned for growth with its fully operational commercial/industrial real estate development and three master planned communities on the horizon.

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
THIRD QUARTER ENDED SEPTEMBER 30
(In thousands, except earnings per share)
(Unaudited)

	Three Months Ended	Nine Months Ended

	September 30		September 30	
	2015	2014	2015	2014
Revenues:				
Real estate – commercial/industrial	$ 2,548	$ 2,572	$ 8,935	$ 8,067
Mineral resources	1,322	2,393	14,174	14,801
Farming	8,076	8,872	12,470	13,642
Total revenues	11,946	13,837	35,579	36,510
Costs and Expenses:				
Real estate – commercial/industrial	3,273	3,374	9,570	10,021
Real estate – resort/residential	558	565	1,885	1,716
Mineral resources	606	505	7,023	5,932
Farming	8,123	6,089	11,710	9,381
Corporate expenses	2,927	2,932	9,214	8,288
Total expenses	15,487	13,465	39,402	35,338
Operating income (loss)	(3,541)	372	(3,823)	1,172
Other income				
Investment income	116	138	413	521
Other income	125	81	180	311
Total other income	241	219	593	832
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	(3,300)	591	(3,230)	2,004
Equity in earnings of unconsolidated joint ventures, net	2,055	1,707	4,861	3,293
Income before income tax expense	(1,245)	2,298	1,631	5,297
Income tax expense	(434)	627	464	1,647
Net income	(811)	1,671	1,167	3,650
Net loss attributable to non-controlling interest	(23)	(81)	(68)	(89)
Net income attributable to common stockholders	(788)	1,752	1,235	3,739
Net income per share to common stockholders, basic	$ (0.04)	$ 0.09	$ 0.06	$ 0.18
Net income per share to common stockholders, diluted	$ (0.04)	$ 0.08	$ 0.06	$ 0.18
Weighted average number of shares outstanding:				
Common stock	20,669,348	20,591,529	20,658,750	20,582,082
Common stock equivalents – stock options	79,544	32,006	70,969	33,100
Diluted shares outstanding	20,748,892	20,623,535	20,729,719	20,615,182

View source version on businesswire.com: http://www.businesswire.com/news/home/20151109005477/en/

Source: Tejon Ranch Co.

Tejon Ranch Co.
Allen Lyda, 661-248-3000
Executive Vice President & Chief Financial Officer