Tejon Ranch Co. Reports Year-to-Date and Second Quarter 2016 Results of Operations

August 8, 2016

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 8, 2016-- Tejon Ranch Co. (NYSE:TRC), a diversified real estate and agribusiness company, which is in the process of developing three master plan communities and a large scale commercial center, today released its results of operations for the three- and six-months ended June 30, 2016.

“In the second quarter, we continued to see success executing our strategy as we made great progress in our commercial real estate ventures. We formed a limited liability company with Majestic Realty Co. to purchase a fully-leased 651,909 square foot building at the Tejon Ranch Commerce Center, and looking ahead to the second half of 2016, we expect to finalize our operating agreement with Majestic on a new 480,480 square foot industrial building at TRCC,” said Gregory S. Bielli, President and CEO. “We look forward to updating shareholders as we achieve notable milestones and continue to unlock Tejon Ranch's inherent value.”

Quarter Ended June 30, 2016 Financial Highlights

- Revenue from operations for the second quarter of 2016 was $6.8 million, a decrease of $0.2 million, or 2%, compared to $7.0 million in revenue for the same period in 2015.
  - Water sales increased $0.6 million as a result of the timing of our water sales. Comparatively, with pricing relatively flat, we sold 1,331 and 868 acre-feet of water during the quarter ended June 30, 2016 and 2015, respectively.
  - Pistachio revenues decreased $455,000 primarily a result of reduced 2015 production which reduced carry forward inventory levels in 2016 and the timing of the sale of inventory in 2015. During 2015, the majority of the prior year carry forward inventory was sold during the second quarter of 2015. Our carryover pistachio crop was 9,500 and 305,000 pounds at the beginning of 2016 and 2015, respectively.
  - Almond revenues decreased $0.3 million during the quarter as a result of a decrease in pricing and sales volume.
- Equity in earnings from unconsolidated joint ventures for the second quarter of 2016 was $1.8 million, an increase of $0.1 million, or 11%, compared to $1.7 million for the same period in 2015. The increase was driven by higher fuel margins from our TA/Petro joint venture as a result of lower inventory costs.
- Net loss attributable to common stockholders for the second quarter of 2016 was $0.7 million, representing a loss per common share of $0.03, compared to net income of $0.4 million, or earnings per common share of $0.02, for the same period in 2015. All per share numbers in this release are diluted earnings per common share.

Year-to-Date Financial Highlights

- Revenues from operations for the six-months ended June 30, 2016 were $19.8 million, a decrease of $3.8 million, or 16%, compared to revenues of $23.6 million for the same period in 2015. The decrease in revenues was mainly due to the following:
  - Almond revenues decreased $2.0 million as a result of reduced 2015 almond inventory carryover when compared to the prior year, due to higher sales of 2015 crop during 2015. Our carryover almond crop was 430,000 and 916,000 pounds at the beginning of 2016 and 2015, respectively.
  - Oil royalty revenues decreased $0.9 million due to declines in both the price per barrel of oil and production volume.
  - Water sales decreased $0.6 million. Comparatively, we sold 7,285 and 7,922 acre-feet of water during the six-months ended June 30, 2016 and 2015, respectively. The average sales price was $1,317 and $1,283 per-acre foot during the six-months ended June 30, 2016 and 2015, respectively.
- Equity in earnings from unconsolidated joint ventures for the six-months ended June 30, 2016 was $3.3 million, an increase of $0.5 million, or 17%, compared to $2.8 million for the same period in 2015. The increase was driven by higher fuel margins from our TA/Petro joint venture as a result of lower inventory costs.
- Net income attributable to common stockholders for the six months ended June 30, 2016 was $0.5 million, representing earnings per common share of $0.03, compared to net income of $2.0 million, or earnings per common share of $0.10, for the same period in 2015.

2016 Operational Highlights

- In April 2016, we entered into a non-binding Letter of Intent with Majestic Realty Co., a Los Angeles based commercial/industrial developer, to negotiate a joint venture operating agreement to pursue the development, construction, leasing, and management of a 480,480 square foot industrial building at the Tejon Ranch Commerce Center. The agreement is structured so that each member has a 50% interest. We are in the process of planning and designing the industrial building, as we work towards finalizing the joint venture operating agreement.

- In May 2016, Kern County Planning Department released the Draft Environmental Impact Report related to our Grapevine Specific and Community Plan, for public comment. The comment period has since closed and is currently under review by Kern County. We expect Kern County's decision regarding the Grapevine Community by the end of 2016.
- On August 6, 2016, we entered into a limited liability company agreement with Majestic Realty Co. to purchase, own, and manage a fully-leased, 651,909 square foot industrial building located at the Tejon Ranch Commerce Center. The agreement is structured such that each member has a 50% interest.

2016 Outlook:

We believe our capital structure provides a solid foundation for continued investment in ongoing and future projects. As of June 30, 2016, total capital, including long-term debt, was approximately $405.7 million. We also have cash and securities totaling approximately $33.5 million and $19.0 million available on our line of credit.

We will continue to, either independently or through joint ventures, aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center. We continue to invest in our master plan communities, including the completion of entitlements for Centennial and Grapevine and in pre-development investment for Mountain Village at Tejon Ranch. California is one of the most highly regulated states to engage in real estate development and, as such, delays, including those resulting from litigation, can be reasonably anticipated. Accordingly, throughout the next few years, we expect net income to fluctuate from year-to-year based upon commodity prices, production within our farming segment, and the timing of sales of land and the leasing of land within our commercial/industrial developments.

We believe the variability of our quarterly and annual operating results will continue during 2016 due to the seasonal nature of our farming and real estate activities. Mineral resource revenue from oil royalties is expected to be negatively impacted in 2016 due to lower average prices for oil and reduced production tied to lower prices. It is still too early to have an accurate estimate as to the 2016 crop, but almond and grape production appears to be comparable to 2015 and pistachio production appears to be comparable to an off production year, which will be an improvement over 2015.

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 our 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, 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.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except earnings per share)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Real estate - commercial/industrial	$ 2,159	$ 1,810	$ 4,313	$ 4,089
Mineral resources	3,187	2,652	11,927	12,852
Farming	502	1,323	1,723	4,394
Ranch operations	1,001	1,215	1,839	2,298
Total revenues from Operations	6,849	7,000	19,802	23,633
Operating Profits:				
Real estate - commercial/industrial	445	134	920	804
Real estate - resort/residential	(387)	(576)	(929)	(1,327)
Mineral resources	1,387	1,929	5,434	6,435
Farming	(848)	79	(1,133)	807
Ranch operations	(541)	(204)	(1,050)	(714)
Income from Operating Segments	56	1,362	3,242	6,005
Investment income	120	142	238	297
Other income	37	17	88	55
Corporate expense	3,163	2,764	6,166	6,287
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(2,950)	(1,243)	(2,598)	70
Equity in earnings of unconsolidated joint ventures, net	1,842	1,656	3,297	2,806

(Loss) income before income tax (benefit) expense	(1,108)	413	699	2,876
Income tax (benefit) expense	(380)	36	232	898
Net (loss) income	(728)	377	467	1,978
Net loss attributable to non-controlling interest	(40)	(29)	(54)	(45)
Net (loss) income attributable to common stockholders	$ (688)	$ 406	$ 521	$ 2,023
Net (loss) income per share to common stockholders, basic	(0.03)	0.02	0.03	0.10
Net (loss) income per share to common stockholders, diluted	(0.03)	0.02	0.03	0.10
Weighted average number of shares outstanding:				
Common stock	20,724,689	20,660,797	20,713,396	20,653,363
Common stock equivalents – stock options	115,693	69,701	103,664	64,554
Diluted shares outstanding	20,840,382	20,730,498	20,817,060	20,717,917

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