# Tejon Ranch Co. Reports First Quarter 2017 Results of Operations

May 8, 2017

TEJON RANCH, Calif.--(BUSINESS WIRE)--May 8, 2017-- Tejon Ranch Co. (NYSE:TRC), a diversified real estate and agribusiness company, today released its results of operations for the three-months ended March 31, 2017.

"The Company faced a series of challenges in the first quarter of 2017, mostly related to commodity prices," said Gregory S. Bielli, President and CEO. "With prices for almonds lower than previous periods, we held back carry-forward inventory we'd normally sell in the first quarter so we'd be in a position to capitalize on potentially higher pricing later in the year. Oil prices remained relatively flat and have yet to rebound significantly from recent lows. The unprecedented winter rains also limited any potential water sale opportunities. Knowing the variability of commodity pricing and the importance of continuing to invest in our real estate developments, we've made strong efforts to control our operating expenses, which are down compared to previous periods. Our focus on real estate development is bearing fruit as our commercial real estate segment has shown continued growth."

**First Quarter Financial Highlights**

- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first quarter of 2017 were $6.2 million, a decrease of $8.4 million, or 57%, compared to $14.6 million for the same period in 2016. The decrease was mainly due to the following:
  - The Company has deferred the sale of carry forward almond inventory until pricing becomes more favorable, decreasing almond revenues in the first quarter of 2017 by $985,000 when compared to the same period in 2016. Although almond pricing remains in flux due to the uncertainty surrounding the 2017 almond crop, current almond prices remain consistent with their December 31, 2016 levels.
  - During the winter of 2017, California experienced above normal rain fall and snow levels, resulting in a reduction in water market activity throughout the state. This adversely impacted sales opportunities by $6.6 million.
  - Equity in earnings from unconsolidated joint ventures for the first quarter of 2017 was $228,000, a decrease of $1.2 million, or 84%, compared to $1.4 million for the same period in 2016. The decrease was driven by the following:
    - Lower fuel margins from our TA/Petro joint venture due to higher inventory costs.
    - Lease terminations at our TRCC/Rock Outlet joint venture triggered write-offs of tenant related leasing costs, including allowances. We've executed a new lease with Express Factory Outlet to fill the vacant space.
- Net loss attributable to common stockholders for the first quarter of 2017 was $1.9 million, representing net loss per common share of $0.09, compared to net income attributed to common stockholders of $1.2 million, or income per common share of $0.06, for the same period in 2016. All per share numbers in this release are diluted earnings per common share.

**2017 Operational Highlights**

- During the first quarter of 2017, either on its own, or through a separate joint venture, we began two key construction projects within Tejon Ranch Commerce Center:
  - Infrastructure work on a new hotel site within TRCC-East to supplement the current offerings
  - Vertical construction on the 480,480-square foot industrial building at TRCC-East

**2017 Outlook:**

Our capital structure provides a solid foundation for continued investment in ongoing and future projects. As of March 31, 2017, total capital, including debt, was approximately $422.1 million. We also have cash and securities totaling approximately $27.7 million and $14.0 million available on our line of credit.

We believe the variability of our operating results will continue through the remainder of 2017 due to the seasonal nature of our farming activities. Mineral resource revenue from excess water sales is expected to be negatively impacted in 2017 due to heavy winter rain and snow in California that has provided additional statewide water resources. Farm revenues may be adversely impacted in 2017, compared with 2016, due to recent declines in almond prices and uncertainties related to the overall production of our crops. The increased rainfall in California has, for now, lessened the water burden faced during the drought. However, the increased rainfall and winter storms created time constraints during the critical pollination period of our 2017 almond trees. As the spring bloom in the orchards has just completed, it is too early to make any estimate as to farm production for 2017.

The Company will continue to aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center and in its joint ventures. The Company continues to invest in our master planned communities, including the completion of entitlements for Centennial at Tejon Ranch, preparing applications for state and federal permits for our Grapevine community, which was approved by the Kern County Board of Supervisor in December 2016, and in pre-development activities 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.

**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](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.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands, except earnings per share)
(Unaudited)

| | Three Months Ended March 31 | |
|---|---|---|
| | **2017** | **2016** |
| Revenues: | | |
| Real estate - commercial/industrial | $ 2,189 | $ 2,154 |
| Mineral resources | 2,001 | 8,740 |
| Farming | 431 | 1,221 |
| Ranch operations | 1,081 | 838 |
| Total revenues from Operations | 5,702 | 12,953 |
| | | |
| Operating Profits: | | |
| Real estate - commercial/industrial | 446 | 475 |
| Real estate - resort/residential | (630 ) | (542 ) |
| Mineral resources | 677 | 4,047 |
| Farming | (892 ) | (285 ) |
| Ranch operations | (412 ) | (509 ) |
| Income from Operating Segments | (811 ) | 3,186 |
| | | |
| Investment income | 103 | 118 |
| Gain on sale of real estate | - | - |
| Other income | 180 | 51 |
| Corporate expense | (2,945 ) | (3,003 ) |
| | | |
| (Loss) income from operations before equity in earning of unconsolidated joint ventures | (3,473 ) | 352 |
| | | |
| Equity in earnings of unconsolidated joint ventures, net | 228 | 1,455 |
| | | |
| (Loss) income before income tax expense | (3,245 ) | 1,807 |
| Income tax (benefit) expense | (1,332 ) | 612 |
| Net income (loss) | (1,913 ) | 1,195 |
| Net income (loss) attributable to non-controlling interest | (11 ) | (14 ) |
| Net income (loss) attributable to common stockholders | $ (1,902 ) | $ 1,209 |
| Net income (loss) per share to common stockholders, basic | $ (0.09 ) | $ 0.06 |
| Net income (loss) per share to common stockholders, diluted | $ (0.09 ) | $ 0.06 |
| Weighted average number of shares outstanding: | | |
| Common stock | 20,827,993 | 20,702,103 |
| Common stock equivalents – stock options | 47,052 | 71,364 |
| Diluted shares outstanding | 20,875,045 | 20,773,467 |

**Non-GAAP Financial Measure**

This news release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents our 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 us and others as a supplemental measure of performance. We use Adjusted EBITDA to assess the performance of our 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. We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from our operations on an unleveraged 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 our performance independent of our capital structure and indebtedness and, therefore, allow for a more meaningful comparison of our performance to that of other companies, both in the real estate industry and in other industries. We believe that excluding charges related to share-based compensation facilitates a comparison of our 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 our control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of our performance. EBITDA and Adjusted EBITDA do not reflect our 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, our computation of EBITDA and Adjusted EBITDA may not be comparable to similar measures reported by other companies.

**TEJON RANCH CO.**

**Non-GAAP Financial Measures**

(in thousands)

(Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Net (loss) income | $ (1,913 ) | $ 1,195 |
| Net loss attributed to non-controlling interest | (11 ) | (14 ) |
| Interest, net | | |
| Consolidated | (103 ) | (118 ) |
| Our share of interest expense from unconsolidated joint ventures | 404 | 299 |
| Total interest, net | 301 | 181 |
| Income taxes | (1,332 ) | 612 |
| Depreciation and amortization: | | |
| Consolidated | 1,150 | 1,366 |
| Our share of depreciation and amortization from unconsolidated joint ventures | 1,316 | 669 |
| Total deprecation and amortization | 2,466 | 2,035 |
| EBITDA | (467 ) | 4,037 |
| Stock compensation expense | 811 | 973 |
| Adjusted EBITDA | $ 344 | $ 5,010 |

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Source: Tejon Ranch Co.

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