



Tejon Ranch Co. Reports Second Quarter and Year-to-Date 2017 Results of Operations

Aug 8, 2017

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 8, 2017-- Tejon Ranch Co. (NYSE:TRC), a diversified real estate and agribusiness company, which is in the process of entitling, planning and developing three master planned residential communities and a large-scale commercial center, today released its results of operations for the three and six months ended June 30, 2017.

"We continue to make notable progress with regard to our real estate development efforts, which is at the core of our strategy to drive long term shareholder value," said Gregory S. Bielli, President and CEO. "Most notably, our Centennial master planned residential community achieved a significant milestone with the release of its Draft Environmental Impact Report, setting in motion a timeline that leads to Planning Commission and Board of Supervisors hearings."

Second Quarter Financial Results

Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the second quarter of 2017 were \$7.9 million, a decrease of \$0.9 million, or 10.2%, compared with \$8.8 million for the same period in 2016. The decrease was mainly due to the following:

- 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 water sales opportunities within the company's mineral resources segment by \$1.7 million, when compared with the prior period.
- During the second quarter of 2017, revenues from the company's farming segment increased to \$1.5 million from \$0.5 million in the same period in 2016 due to the following:
 - The company generated \$0.3 million in new revenues associated with an agricultural land lease that was entered into during the second half of 2016.
 - Additional almond revenues of \$0.2 million resulting from marginal sales volume increase and positive price adjustments on pooled almond contracts.
 - Additional pistachio revenues of \$0.3 million resulting from sale of 2016 pistachio carryover crop.
- Equity in earnings from unconsolidated joint ventures for the second quarter of 2017 was \$1.6 million, a decrease of \$0.2 million, or 11.1%, compared with \$1.8 million for the same period in 2016. The decrease was due to a non-cash GAAP loss associated with the company's TRC-MRC 2 joint venture formed with Majestic Realty Co. during 2016 to purchase a 626,000 square foot industrial building in TRCC-West.

Net income attributable to common stockholders for the second quarter of 2017 was \$26,000, representing net income per common share of \$0.00, compared to net loss attributed to common stockholders of \$0.7 million, or net loss per common share of \$0.03, for the same period in 2016. All per share numbers in this release are diluted earnings per common share.

Year-to-Date Financial Results

Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first six months of 2017 were \$14.1 million, a decrease of \$9.3 million, or 39.9%, compared with \$23.4 million for the same period in 2016. The decrease was mainly due to the following:

- 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 water sales opportunities within the company's mineral resources segment by \$8.4 million, when compared to prior period.
- Farming revenues were \$1.9 million for the first six months of 2017, compared with \$1.7 million for the same period in 2016. The \$0.2 million increase is primarily due to a new agricultural land lease entered into during 2017.
- Equity in earnings from unconsolidated joint ventures for the six months ended June 30, 2017 was \$1.8 million, a decrease of \$1.5 million, or 45.8%, compared with \$3.3 million for the same period in 2016. The primary drivers of the decrease were:
 - The company's TA/Petro joint venture had increased operating expenses associated with a new fast casual offering.
 - Lease terminations at the TRCC/Rock Outlet joint venture triggered write-offs of tenant related leasing costs, including allowances. Leases with Express Factory Outlet, Samsonite and Old Navy have been executed to fill these vacant spaces.

- Non-cash GAAP loss associated with the company's TRC-MRC 2 joint venture formed with Majestic Realty Co. during 2016 to purchase a 626,000 square foot industrial building in TRCC-West.

Net loss attributable to common stockholders for the six months ended June 30, 2017 was \$1.9 million, representing net loss per common share of \$0.09, compared to net income attributed to common stockholders of \$0.5 million, or income per common share of \$0.03, for the same period in 2016. All per share numbers in this release are diluted earnings per common share.

2017 Operational Highlights

- On May 18, 2017, the Los Angeles County Department of Regional Planning released the Draft Environmental Impact Report for the company's Centennial master planned community for public review and comment. The comment period ends on August 16, 2017.
- Vertical construction continued on the 480,480 square foot industrial building being developed for lease, by the TRC-MRC 1 joint venture, which the company formed with Majestic Realty Co. in 2016. The building is on pace to be delivered by the end of September 2017.
- Construction is underway on an 80-room Hampton Inn located on land the company sold to a hospitality operator/developer in 2016. The lodging facility, which is located just north of the Outlets at Tejon, is expected to be ready for occupancy by mid-2018.
- Foot traffic for the company's TRCC/Rock Outlet joint venture has increased year-over-year, recovering from the declines experienced during the first quarter as a result of the inclement weather.

2017 Outlook:

The company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of June 30, 2017, total capital, including debt, was approximately \$427.0 million. The company also has cash and securities totaling approximately \$23.2 million and \$10.0 million available on its line of credit.

The company believes the variability of its operating results will continue through the remainder of 2017 due to the seasonal nature of farming activities. The company does not expect to generate additional mineral resource revenue from excess water sales for the remainder of 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 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 for 2017 almond trees. The company expects the harvest of almonds to begin in early August and at that time will be able to better estimate the 2017 crop.

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 its master planned communities, including the completion of entitlements for Centennial at Tejon Ranch, preparing applications for state and federal permits for its Grapevine community, which was approved by the Kern County Board of Supervisors 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 the company's 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.

To watch a video overview of Tejon Ranch Co., please visit: <http://tejonranch.com/investorvideo/>

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.

(In thousands, except earnings per share)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Real estate - commercial/industrial	\$ 2,485	\$ 2,159	\$ 4,674	\$ 4,313
Mineral resources	1,519	3,187	3,520	11,927
Farming	1,501	502	1,932	1,723
Ranch operations	860	1,001	1,941	1,839
Total revenues from Operations	6,365	6,849	12,067	19,802
Operating Profits:				
Real estate - commercial/industrial	583	445	1,029	920
Real estate - resort/residential	(500)	(387)	(1,130)	(929)
Mineral resources	990	1,387	1,667	5,434
Farming	243	(848)	(649)	(1,133)
Ranch operations	(601)	(541)	(1,013)	(1,050)
Income (loss) from Operating Segments	715	56	(96)	3,242
Investment income	95	120	198	238
Other income	(149)	37	31	88
Corporate expense	(2,494)	(3,163)	(5,439)	(6,166)
(Loss) from operations before equity in earnings of unconsolidated joint ventures	(1,833)	(2,950)	(5,306)	(2,598)
Equity in earnings of unconsolidated joint ventures, net	1,560	1,842	1,788	3,297
Income (loss) before income tax expense	(273)	(1,108)	(3,518)	699
Income tax expense (benefit)	(272)	(380)	(1,604)	232
Net income (loss)	(1)	(728)	(1,914)	467
Net loss attributable to non-controlling interest	(27)	(40)	(38)	(54)
Net income (loss) attributable to common stockholders	\$ 26	\$ (688)	\$ (1,876)	\$ 521
Net income (loss) per share attributable to common stockholders, basic	\$ —	\$ (0.03)	\$ (0.09)	\$ 0.03
Net income (loss) per share attributable to common stockholders, diluted	\$ —	\$ (0.03)	\$ (0.09)	\$ 0.03
Weighted average number of shares outstanding:				
Common stock	20,855,112	20,724,689	20,841,627	20,713,396
Common stock equivalents	22,837	115,693	44,003	103,664
Diluted shares outstanding	20,877,949	20,840,382	20,885,630	20,817,060

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
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$ (1)	\$ (728)	\$ (1,914)	\$ 467
Net loss attributable to non-controlling interest	(27)	(40)	(38)	(54)
Interest, net:				
Consolidated	(95)	(120)	(198)	(238)
Our share of interest expense from unconsolidated joint ventures	428	374	832	672
Total interest, net	333	254	634	434
Income taxes	(272)	(380)	(1,604)	232
Depreciation and amortization:				
Consolidated	1,132	1,444	2,282	2,810
Our share of depreciation and amortization from unconsolidated joint ventures	1,322	704	2,638	1,373
Total depreciation and amortization	2,454	2,148	4,920	4,183
EBITDA	2,541	1,334	2,074	5,370
Stock compensation expense	883	1,158	1,694	2,131
Adjusted EBITDA	\$ 3,424	\$ 2,492	\$ 3,768	\$ 7,501



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Source: Tejon Ranch Co.

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