Tejon Ranch Co. Announces First Quarter 2019 Financial Results

May 7, 2019

TEJON RANCH, Calif.--(BUSINESS WIRE)--May 7, 2019-- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three-months ended March 31, 2019.

The Company is in the process of entitling, planning and developing four master planned developments. Three of the developments are mixed-use residential communities and the fourth is a large commercial/industrial center currently in execution with more than 5.0 million square feet already developed and an additional 14.3 million square feet available for development. When all entitlements are approved, the Company's current and future master planned developments will be home to 34,783 housing units, more than 35 million square feet of commercial/industrial space and 750 lodging units.

“We achieved a considerable milestone with the final approval by the Los Angeles County Board of Supervisors of our Centennial at Tejon Ranch mixed-used residential development,” said Gregory S. Bielli, President and CEO of Tejon Ranch Co. “Now, all of our master planned developments have received their initial legislative approval and we look forward to advancing each of these projects through their various stages to ultimate build-out. We are also pleased to see continuing demand, especially out of the Los Angeles basin, for our industrial product at the Tejon Ranch Commerce Center. To lease more than two-thirds of a building, even as you’re just breaking ground, is testament to the market’s favorable view of TRCC,” Bielli added.

First Quarter Financial Results

- Net income attributable to common stockholders for the first quarter of 2019 was $0.1 million, or net income per share attributed to common stockholders, basic and diluted, of $0.00, compared with $1.5 million, or net income per share attributed to common stockholders, basic and diluted, of $0.06, for the first quarter of 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first quarter of 2019 were $11.9 million, a decrease of $2.0 million, or 14%, from $13.9 million for the same period in 2018. Factors affecting first-quarter results include:
  - Strong California winter rainfall reduced water sales opportunities, causing a decrease in mineral resources revenues of $3.0 million. Comparatively, the Company sold 4,445 acre feet and 7,442 acre feet of water as of March 31, 2019 and 2018, respectively. The aforementioned decrease in mineral resources revenues was partially offset by an increase in commercial revenues of $0.7 million primarily driven by an increase of $0.4 million in spark spread revenues from the Company's Pastoria Energy Facility lease.
  - The Company's share of earnings from its joint ventures for the first three months of 2019 was $0.9 million, an increase of $0.7 million, or 350%, from $0.2 million for the same period in 2018. Within this increase, $0.6 million was attributed to an increase in the Company's share of earnings from its TA/Petro joint venture driven by improved fuel margins. Comparatively diesel margins were $0.36 and $0.17 per gallon as of March 31, 2019 and 2018, respectively. Comparatively, gasoline margins were $0.62 and $0.45 per gallon as of March 31, 2019 and 2018, respectively.

2019 Operational Highlights

- The Company's TRC-MRC 3 joint venture, a partnership with Majestic Realty Co., has commenced construction of a 579,040 square foot industrial building. The building is already 67% leased and the tenant is expected to take occupancy in the fourth quarter of 2019.
- The Company received final approval of its Centennial mixed-use residential community upon completion of the finding of facts and the adoption of other resolutions by the Los Angeles County Board of Supervisors on April 30, 2019. This also includes a Development Agreement between Los Angeles County and Centennial, which provides the Company with vested rights to build the project as approved for 30 years. With this approval, Centennial at Tejon Ranch achieved local legislative approval for the building of 19,333 residential units and more than 10.1 million square feet of commercial space.

2019 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of March 31, 2019, total capital, including debt, was approximately $499.6 million. The Company has cash and securities totaling approximately $68.2 million and $30.0 million available on its line of credit.

The Company will continue to aggressively pursue development, leasing, and investment within Tejon Ranch Commerce Center and in its joint ventures. The Company will also continue to invest in its residential projects, including the engineering necessary to advance approved tract maps to a final map status, as well as defining potential capital funding sources for Mountain Village at Tejon Ranch, advancing re-entitlement efforts for Grapevine at Tejon Ranch and preparing for permit applications and potential litigation following Los Angeles County’s approval of Centennial at Tejon Ranch.

California is one of the most highly regulated states in which to engage in real estate development and, as such, natural delays, including those resulting from litigation, can be reasonably anticipated.

Throughout the next few years, the Company expects net income to fluctuate from year-to-year based on commodity prices, production within its farming segment, and the timing of sales of land and the leasing of land within its industrial developments.

The Company believes the variability of its quarterly and annual operating results will continue during 2019 due to the nature of its current farming and real estate activities. Nut and grape crop markets are particularly sensitive to the size of each year's world crop and the demand for those crops. Large crops in California and abroad can rapidly depress prices. Weather conditions can impact the number of tree and vine dormant hours, which are integral to tree and vine growth. The Company will not know the impact of current weather conditions on 2019 production until the early summer of 2019. Thus far, the Company has experienced extended heavier rainfall and colder temperatures during the almond bloom period when compared to the 2017-2018 winter, which could negatively impact 2019 almond production. In addition, 2019 is the alternative bearing cycle for our pistachio trees and a lower than average crop is anticipated, especially compared to our record high yields in 2018. Additionally, increased tariffs from China and India, which are major customers of almonds and pistachios, can make American products less competitive and push customers to switch to another producing country.

Water sales opportunities for the remainder of 2019 will be limited based on winter rain and snow levels, as well as the California State Water Project, or SWP, water allocations being at a 70% level.

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 the Company's 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. Some of 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,			
	2019		2018	
Revenues:				
Real estate - commercial/industrial	$ 2,826		$ 2,154	
Mineral resources	6,132		9,131	
Farming	815		1,195	
Ranch operations	889		989	
Total revenues from Operations	10,662		13,469	
Operating Income (Loss):				
Real estate - commercial/industrial	1,034		835	
Real estate - resort/residential	(648	)	(415	)
Mineral resources	2,300		4,900	
Farming	(783	)	(643	)
Ranch operations	(461	)	(400	)
Income from Operating Segments	1,442		4,277	
Investment income	349		283	
Other loss, net	26		(14	)
Corporate expense	(2,474	)	(2,732	)
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(657	)	1,814	
Equity in earnings of unconsolidated joint ventures, net	876		167	
Income before income tax expense	219		1,981	
Income tax expense	95		526	
Net income	124		1,455	
Net income (loss) attributable to non-controlling interest	5		(2	)
Net income attributable to common stockholders	$ 119		$ 1,457	
Net income per share attributable to common stockholders, basic	$ —		$ 0.06	
Net income per share attributable to common stockholders, diluted	$ —		$ 0.06	

Weighted average number of shares outstanding:		
Common stock	25,992,374	25,912,819
Common stock equivalents	17,707	28,509
Diluted shares outstanding	26,010,081	25,941,328

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 March 31,	
	2019	2018
Net income	$ 124	$ 1,455
Net income (loss) attributed to non-controlling interest	5	(2)
Net income attributable to common stockholders	119	1,457
Interest, net:		
Consolidated	(349)	(283)
Our share of interest expense from unconsolidated joint ventures	738	501
Total interest, net	389	218
Income taxes	95	526
Depreciation and amortization:		
Consolidated	1,089	1,071
Our share of depreciation and amortization from unconsolidated joint ventures	1,109	919
Total depreciation and amortization	2,198	1,990
EBITDA	2,801	4,191
Stock compensation expense	813	948
Adjusted EBITDA	$ 3,614	$ 5,139

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