Tejon Ranch Co. Reports Second Quarter and Year-to-Date 2019 Results of Operations

August 1, 2019

TEJON RANCH, Calif.--(BUSINESS WIRE)--Aug. 1, 2019-- Tejon Ranch Co., (the Company), (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three- and six-months ended June 30, 2019.

The Company is 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 construction with nearly 6.0 million square feet already developed and an additional 14.3 million square feet available for development. When all entitlements are approved and the communities are fully built out, Tejon Ranch will be home to 34,783 housing units, more than 35 million square feet of commercial/industrial space and 750 lodging units.

"With last April's final approval by Los Angeles County, for our Centennial master planned community, we now look forward to advancing each of these projects through their various stages to ultimate build-out. This will include prevailing in litigation and successfully navigating the ever-changing regulatory environment in California," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "Californians are struggling with a housing shortage and Tejon Ranch is positioned to be part of the solution."

Second Quarter Financial Results

- Net income attributable to common stockholders for the second quarter of 2019 was $0.7 million, or net income per share attributed to common stockholders, basic and diluted, of $0.03, compared with a net loss attributable to common stockholders of $1.0 million, or net loss per share attributed to common stockholders, basic and diluted, of $0.04, for the second quarter of 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the second quarter of 2019 were $11.3 million, an increase of $5.2 million, or 85%, from $6.1 million for the same period in 2018. Factors affecting the quarterly results include:
  - Commercial/industrial revenues improved $4.4 million, primarily as a result of a land contribution to the Company's TRC-MRC 3 joint venture.
  - Earnings from the Company's joint ventures improved $1.3 million, $1.2 million of which is attributed to strong operating results at TA/Petro, as a result of improved fuel margins.
  - Mineral resources revenues decreased $0.8 million primarily as a result of a water sales price adjustment on water sales earned during the three months ended March 31, 2019. However, based on contractual terms of the sale, an adjustment to the price per acre-foot was made during the second quarter.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first six months of 2019 was $0.8 million, or net income per share attributed to common stockholders, basic and diluted, of $0.03, compared with net income attributable to common stockholders of $0.5 million, or net income per share attributed to common stockholders, basic and diluted, of $0.02, for the first six months of 2018.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first six months of 2019 were $23.2 million, an increase of $3.2 million, or 16%, from $20.0 million for the same period in 2018. Factors affecting the year-to-date results include:
  - Commercial/industrial revenues improved $5.1 million, primarily as a result of a land contribution to the Company's TRC-MRC 3 joint venture.
  - Earnings from the Company's joint ventures improved $2.0 million, $1.8 million of which is attributed to strong operating results at TA/Petro, as a result of strong fuel margins.
  - Mineral resources revenues decreased $3.8 million as a result of the strong California winter rainfall, which reduced water sales opportunities. Comparatively, the Company sold 4,445-acre feet and 7,442-acre feet of water as of June 30, 2019 and 2018, respectively.

2019 Operational Highlights

- The Company's TRC-MRC 3 joint venture, a partnership with Majestic Realty Co., commenced construction of a 579,040 square foot industrial building. The building is expected to be completed during the fourth quarter and is 67% leased.
- The Company received final approval for its Centennial mixed-use residential community including the 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 included a Development Agreement between Los Angeles County, Centennial and the Company, 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 June 30, 2019, total capital, including debt, was approximately $499.0 million. The Company has cash and securities totaling approximately $60.0 million and $30.0 million available on its line of credit.

The Company will continue to aggressively pursue development, leasing, and investment within the 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 for Mountain Village at Tejon Ranch, advancing re-entitlement efforts for Grapevine at Tejon Ranch and defending against lawsuits filed against the County of Los Angeles and the Los Angeles County Board of Supervisors' 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. During 2019, the Company experienced extended heavier rainfall and colder temperatures during the almond bloom period than 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 because of above average winter rain and snow fall which increased the California State Water Project water allocation to 75%.

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Real estate - commercial/industrial	$ 6,595	$ 2,189	$ 9,421	$ 4,343
Mineral resources	660	1,500	6,792	10,631

Farming	886	542	1,701	1,737
Ranch operations	805	839	1,694	1,828
Total revenues from Operations	8,946	5,070	19,608	18,539
Operating Income (Loss):				
Real estate - commercial/industrial	2,002	801	3,036	1,636
Real estate - resort/residential	(642)	(433)	(1,290)	(848)
Mineral resources	62	905	2,362	5,805
Farming	61	(649)	(722)	(1,292)
Ranch operations	(588)	(509)	(1,049)	(909)
Income from Operating Segments	895	115	2,337	4,392
Investment income	329	346	678	629
Other income (loss), net	22	(10)	48	(24)
Corporate expense	(2,290)	(2,464)	(4,764)	(5,196)
Loss from operations before equity in earnings of unconsolidated joint ventures	(1,044)	(2,013)	(1,701)	(199)
Equity in earnings of unconsolidated joint ventures, net	1,971	652	2,847	819
Income (loss) before income tax expense	927	(1,361)	1,146	620
Income tax expense (benefit)	218	(348)	313	178
Net income (loss)	709	(1,013)	833	442
Net income (loss) attributable to non-controlling interest	2	(16)	7	(18)
Net income (loss) attributable to common stockholders	$ 707	$ (997)	$ 826	$ 460
Net income (loss) per share attributable to common stockholders, basic	$ 0.03	$ (0.04)	$ 0.03	$ 0.02
Net income (loss) per share attributable to common stockholders, diluted	$ 0.03	$ (0.04)	$ 0.03	$ 0.02
Weighted average number of shares outstanding:				
Common stock	26,031,800	25,950,851	26,012,196	25,931,940
Common stock equivalents	—	19,748	16,096	29,198
Diluted shares outstanding	26,031,800	25,970,599	26,028,292	25,961,138

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,	
	2019	2018	2019	2018
Net income (loss)	$ 709	$ (1,013)	$ 833	$ 442
Net income (loss) attributed to non-controlling interest	2	(16)	7	(18)
Net income (loss) attributable to common stockholders	707	(997)	826	460
Interest, net:				
Consolidated	(329)	(346)	(678)	(629)
Our share of interest expense from unconsolidated joint ventures	730	554	1,468	1,056
Total interest, net	401	208	790	427
Income tax (benefit)	218	(348)	313	178
Depreciation and amortization:				
Consolidated	1,047	1,149	2,136	2,220
Our share of depreciation and amortization from unconsolidated joint ventures	1,025	1,135	2,134	2,053
Total depreciation and amortization	2,072	2,284	4,270	4,273
EBITDA	3,398	1,147	6,199	5,338
Stock compensation expense	825	828	1,592	1,776

Adjusted EBITDA	$ 4,223	$ 1,975	$ 7,791	$ 7,114

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