Tejon Ranch Co. Announces Third Quarter 2021 Financial Results

November 4, 2021

TEJON RANCH, Calif., Nov. 04, 2021 (GLOBE NEWSWIRE) -- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the three- and nine-months ended September 30, 2021.

The Company operates in a variety of land-based business segments, including farming, mineral resources, and ranch operations, as well as a commercial/industrial mixed use master plan known as the Tejon Ranch Commerce Center, that is currently in operation focusing on leasing, development, and sales. The Company is also in the process of developing three additional mixed use master planned residential developments in southern California. When all four master planned developments are fully built out, Tejon Ranch will be home to 35,278 housing units, more than 35 million square feet of commercial/industrial space and 750 lodging units.

“The Company is maintaining positive momentum even in the face of challenges in the current economic and business environment,” said Gregory S. Bielli, President and CEO. “On the industrial real estate front, all 4.8 million square feet of leasable space has been leased and occupied at Tejon Ranch Commerce Center and we have started construction on another 630,000 square-foot industrial spec building to provide additional opportunities for growth and reoccurring revenues. On the residential side, we are advancing our projects and have submitted for approval the final map for the initial phases of our Mountain Village community.”

Third Quarter Financial Results

- Net income attributable to common stockholders for the third quarter of 2021 was $0.2 million, or net income per share attributed to common stockholders, basic and diluted, of $0.01, compared with a net income attributable to common stockholders of $0.4 million, or net income per share attributed to common stockholders, basic and diluted, of $0.02, for the third quarter of 2020.

- Revenues and other income, for the third quarter of 2021, including equity in earnings of unconsolidated joint ventures were $16.5 million, compared with $15.1 million for the third quarter of 2020. Factors affecting the quarterly results include:

    - Mineral resources segment revenues were $4.8 million for the three months ended September 30, 2021, an increase of $3.5 million, or 261%, from $1.3 million for the three months ended September 30, 2020. The dry 2020/2021 winter diminished water availability in California, eventually resulting in a State Water Project Allocation of 5%, which increased water transaction opportunities. With this demand, the Company generated $3.1 million in additional water sales. During the quarter ended September 30, 2021, the Company sold 2,603 acre-feet of water, while comparatively, there were no water sales during the third quarter of 2020. Additionally, the Company generated more rock aggregate royalties due to demand fueled by increased infrastructure construction throughout the state.

    - Farming segment revenues were $6.7 million for the three months ended September 30, 2021, a decrease of $1.8 million, or 21%, from $8.5 million for the third quarter of 2020. Pistachio revenues for the quarter decreased $1,243,000 primarily due to a decrease in insurance proceeds received in 2021 when compared to 2020. In 2020, the Company received pistachio crop insurance proceeds of $3,789,000 as weather conditions negatively impacted the expected yields, but because the 2021 pistachio crop year is a down bearing production year and yields were expected to be lower, the insurance proceeds were only $466,000, a decrease of $3,323,000. With respect to yields, the Company sold 1,615,000 and 456,000 pounds of pistachios for the quarters ended September 30, 2021 and 2020, respectively. Almond revenues decreased $472,000 as a result of the timing of sales. Comparatively, the Company sold 337,000 and 529,000 pounds of almonds for the quarters ended September 30, 2021 and 2020, respectively. Supply chain disruption could hinder the Company's ability to sell the entirety of its almond crop in 2021, which would result in a greater portion of the 2021 crops being sold in the 2022.

    - Equity in earnings from the Company's joint ventures were $1.5 million for the three months ended September 30, 2021, an increase of $0.4 million or 38%, from $1.1 million during the same period in 2020. The changes are primarily attributed to the following:
        - The Petro Travel Plaza improved its operating results during the quarter now that all of its restaurants are open for business. Additionally, the joint venture saw an increase in traffic as evidenced by a 22% increase in fuel sales volumes over the comparative period.
        - The TRCC/Rock Outlet Center improved its operating results as a result of not having to issue COVID-19 related lease concessions in 2021. Additionally, there were fewer tenant departures over the comparative periods.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first nine months of 2021 was $2.0 million, or net income per share attributed to common stockholders, basic and diluted, of $0.08, compared with a net loss attributable to common stockholders of $0.6 million, or net loss per share attributed to common stockholders, basic and diluted, of $0.02, for the first nine months of 2020.

- Revenues and other income, for the first nine months of 2021, including equity in earnings of unconsolidated joint ventures, totaled $45.6 million, compared with $34.5 million for the first nine months of 2020. Factors impacting the year-to-date results include:

  - Commercial/industrial real estate development segment revenues totaled $12.8 million for the first nine months of 2021, an increase of $5.7 million, or 79%, from $7.1 million for the first nine months of 2020. The increase was primarily attributed to a land sale to the TRC-MRC 4 joint venture that resulted in $5.7 million in additional revenues.

  - Mineral resources segment revenues were $19.4 million for the first nine months of 2021, an increase of $10.1 million, or 109%, from $9.3 million for the first nine months of 2020. The 2021 State Water Project Allocation of 5% brought about favorable sales conditions, resulting in a significant increase in water sales. Comparatively, the Company sold 13,199 acre-feet and 4,625 acre-feet of water as of September 30, 2021 and 2020, respectively. The Company in 2021 also generated additional rock aggregate royalties resulting from increased demand for building supplies.

  - he above increases were partially offset by a decrease in farming revenues. Farming revenues were $7.6 million for the first nine months of 2021, a decrease of $2.1 million, or 22%, from $9.7 million for the first nine months of 2020. The decline is attributed to lower pistachio revenues of $1.3 million because of lower crop loss insurance proceeds, and lower almond revenues of $0.9 million as a result of the timing of sales as discussed previously.

  - Equity in earnings were $2.8 million for the nine months ended September 30, 2021, a decrease of $0.8 million, or 22%, from $3.6 million during the same period in 2020. The decrease was primarily attributed to the Petro Travel Plaza Holdings joint venture, or Petro. Although Petro improved its fuel sales volume by 24% in 2021 when compared with 2020, the Company's share of operating results declined by $0.9 million due to an 91% increase in the overall cost of fuel that was only partially offset by a 64% increase in fuel sales prices.

  - Lastly, in 2020 the Company sold a building and land previously operated by a fast food tenant to its Petro joint venture. The Company received a cash distribution of $2.0 million from the joint venture, and realized a Gain on Sale of Real Estate of $1.3 million. There was no such transaction in 2021.

2021 Outlook:

TRCC has seen an increase in traffic as evidenced by a 24% increase in fuel sales volumes at the Petro Travel Plaza joint venture when compared to the same prior year period. The Company's other segments continue to operate without restrictions as they are and continue to be deemed essential.

As it relates to COVID-19, the Company will continue to prioritize employee health and provide work safety guidelines prescribed by Cal/OSHA. The Company is adhering to the applicable COVID-19 safety requirements as prescribed by the Federal Government.

Uncertainty remains over long-term vaccine efficacy, global vaccine adoption and availability, and the possibility of reinstating pandemic restrictions arising from future mutations such as the Delta variant.

Labor shortages are increasing the Company's cost of labor in its farming segment, while supply chain disruptions are impacting the ability to deliver our farm production to customers. We expect almond sales for 2021 to be affected by these two factors, however the total impact is not known at this time. The long-term impact of such uncertainties on the Company's business are currently unknown and may vary in scope and severity from the impacts to-date.

The actions taken by governments, other businesses, and individuals in response to the supply chain disruptions and the pandemic will continue to have an impact on results of operations and overall financial performance.

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects during this time of uncertainty. As of September 30, 2021, total capital, including debt, was approximately $505.3 million. As of September 30, 2021, Company had cash and securities totaling approximately $45.5 million and $35.0 million available on its line of credit.

The Company will continue to aggressively pursue commercial/industrial development, multi-family development opportunities, leasing, sales, and investment within TRCC and its joint ventures. The Company will also continue to invest in its residential projects, including Mountain Village at Tejon Ranch, Centennial at Tejon Ranch and Grapevine at Tejon Ranch.

For the remainder of 2021, the Company will continue to invest in master project infrastructure, defending currently held entitlements, and vertical development within its active commercial and industrial developments. 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 and mineral resources segments, and the timing of sales and leasing of land within its 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 the Company's 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. 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, the impact of COVID-19, 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Real estate - commercial/industrial	$ 2,466	$ 2,710	$ 12,820	$ 7,144
Mineral resources	4,774	1,322	19,354	9,276
Farming	6,726	8,537	7,612	9,698
Ranch operations	996	944	2,868	2,483
Total revenues	14,962	13,513	42,654	28,601
Cost and Expenses:				
Real estate - commercial/industrial	2,331	2,026	8,595	5,704
Real estate - resort/residential	322	273	1,314	1,225
Mineral resources	3,025	648	12,325	5,240
Farming	7,296	8,108	9,977	10,909
Ranch operations	1,182	1,164	3,511	3,748
Corporate expenses	2,021	2,121	6,676	7,148
Total expenses	16,177	14,340	42,398	33,974
Operating (loss) income	(1,215)	(827)	256	(5,373)
Other Income:				
Investment income	5	455	21	834
(Loss) gain on sale of real estate	—	(2)	—	1,331
Other income, net	24	68	131	64
Total other income	29	521	152	2,229
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(1,186)	(306)	408	(3,144)
Equity in earnings of unconsolidated joint ventures, net	1,510	1,093	2,816	3,629
Income before income tax expense	324	787	3,224	485
Income tax (benefit) expense	98	403	1,237	1,111
Net income (loss)	226	384	1,987	(626)
Net income (loss) attributable to non-controlling interest	7	(14)	1	(9)
Net income (loss) attributable to common stockholders	$ 219	$ 398	$ 1,986	$ (617)
Net income (loss) per share attributable to common stockholders, basic	$ 0.01	$ 0.02	$ 0.08	$ (0.02)
Net income (loss) per share attributable to common stockholders, diluted	$ 0.01	$ 0.02	$ 0.08	$ (0.02)
Weighted average number of shares outstanding:				
Common stock	26,351,254	26,229,226	26,336,247	26,193,058
Common stock equivalents	163,689	57,484	135,264	157,579
Diluted shares outstanding	26,514,943	26,286,710	26,471,511	26,350,637

TEJON RANCH CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 37,660	$ 54,919
Marketable securities - available-for-sale	7,791	2,771
Accounts receivable	5,974	4,592
Inventories	5,703	2,990
Prepaid expenses and other current assets	4,636	3,243
Total current assets	61,764	68,515
Real estate and improvements - held for lease, net	17,391	17,660
Real estate development (includes $110,668 at September 30, 2021 and $108,600 at December 31, 2020, attributable to Centennial Founders, LLC, Note 15)	316,143	310,439
Property and equipment, net	50,252	46,246
Investments in unconsolidated joint ventures	42,517	33,524
Net investment in water assets	51,710	56,698
Other assets	2,314	3,267
TOTAL ASSETS	$ 542,091	$ 536,349
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 4,006	$ 3,367
Accrued liabilities and other	4,325	3,305
Deferred income	2,057	1,972
Current maturities of long-term debt	4,424	4,295
Total current liabilities	14,812	12,939
Long-term debt, less current portion	49,290	52,587
Long-term deferred gains	8,334	5,550
Deferred tax liability	1,703	925
Other liabilities	16,503	19,017
Total liabilities	90,642	91,018
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, $0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 26,352,193 at September 30, 2021 and 26,276,830 at December 31, 2020	13,175	13,137
Additional paid-in capital	344,547	342,059
Accumulated other comprehensive loss	(8,115)	(9,720)
Retained earnings	86,473	84,487
Total Tejon Ranch Co. Stockholders' Equity	436,080	429,963
Non-controlling interest	15,369	15,368
Total equity	451,449	445,331
TOTAL LIABILITIES AND EQUITY	$ 542,091	$ 536,349

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 unlevered 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 September 30,		Nine Months Ended September 30,	
($ in thousands)	2021	2020	2021	2020
Net income (loss)	$ 226	$ 384	$ 1,987	$ (626)
Net income (loss) attributable to non-controlling interest	7	(14)	1	(9)
Net income (loss) attributable to common stockholders	219	398	1,986	(617)
Interest, net				
Consolidated	(5)	(455)	(21)	(834)
Our share of interest expense from unconsolidated joint ventures	621	653	1,874	1,971
Total interest, net	616	198	1,853	1,137
Income taxes	98	403	1,237	1,111
Depreciation and amortization:				
Consolidated	1,476	1,455	3,408	3,635
Our share of depreciation and amortization from unconsolidated joint ventures	1,105	1,167	3,461	3,222
Total depreciation and amortization	2,581	2,622	6,869	6,857
EBITDA	3,514	3,621	11,945	8,488
Stock compensation expense	937	1,167	3,162	3,566
Adjusted EBITDA	$ 4,451	$ 4,788	$ 15,107	$ 12,054

Tejon Ranch Co.
Robert D. Velasquez, 661-248-3000
Senior Vice President and Chief Financial Officer

TEJON RANCH

Source: Tejon Ranch Co