



Tejon Ranch Co. Announces Fourth Quarter and Year-Ended December 31, 2022 Financial Results

March 8, 2023

TEJON RANCH, Calif., March 08, 2023 (GLOBE NEWSWIRE) -- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate development and agribusiness company, today announced financial results for the fourth quarter and year-ended December 31, 2022.

"2022 was a productive year for the Company, led by our commercial/industrial real estate business segment. We completed construction and fully leased a 629,274 square foot industrial building. In 2023, we plan to further expand our footprint at Tejon Ranch Commerce Center (TRCC) with an additional industrial space, comprised of more than 446,000 square feet, which was fully leased prior to construction commencement. In addition, we sold more than 98 acres of land and made good progress on the design and engineering of our new multi-family residential units and the next industrial building opportunity at TRCC," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "We are entering 2023 with a strong balance sheet and look forward to expanding our footprint at TRCC to further complement our current income producing assets at TRCC."

Commercial/Industrial Real Estate Highlights

- Industrial portfolio, through the Company's joint venture partnerships, consists of 2.3 million square feet of gross leasable area (GLA) and is 100% leased, the entire Tejon Ranch Commerce Center consists of 6.4 million square feet of GLA
- TRCC Commercial portfolio, wholly owned and through joint venture partnerships, consists of 620,907 square feet of GLA and is 89% leased
- Construction of 629,000 square foot industrial building completed during the second half of 2022 and is fully leased
- Construction of 446,400 square foot industrial building has commenced with completion expected in late 2023; a lease for this building was secured in advance of construction
- Design and engineering is underway for Phase 1, or 228 units, of the 495 multi-family residential development at the heart of TRCC

Fourth-Quarter 2022 Financial Highlights

- Net income attributable to common stockholders for the fourth quarter of 2022 was \$2.0 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.07, compared with net income attributable to common stockholders of \$3.4 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.13, for the fourth quarter of 2021.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the fourth quarter of 2022 were \$20.7 million, an increase of \$1.3 million, or 7%, compared with \$19.4 million for the same period in 2021. Factors behind this change included:
 - Farming revenues increased \$2.2 million, or 65%, when compared to the same period in 2021. The increase was largely attributed to an increase in almond sales, partially offset by a decrease in pistachio revenues because the 2022 crop did not bear any fruit due to a very mild winter.
 - Commercial/industrial segment revenues increased \$1.7 million, or 25%, when compared to the fourth quarter in 2021. The increase was primarily attributable to the contribution of a 27.88 acre land parcel with fair value of \$8.5 million to the Company's TRC-MRC5, LLC joint venture. The Company recognized profit of \$3.0 million and deferred profit of \$3.0 million for this transaction. During the fourth quarter of 2021, the Company sold 17.1 acres of land to a third party for \$4.7 million. The Company recognized land sales revenue of \$4.4 million and deferred profit of \$0.3 million.
 - The above mentioned increases were offset by a decrease in equity in earnings from unconsolidated joint ventures of \$3.5 million, primarily attributable to the Company's 18-19 West, LLC joint venture land sale to a third party in the fourth quarter of 2021. 18-19 West, LLC had a purchase option in place with a third-party to purchase lots 18 and 19 at a price of \$15.2 million. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for \$15.2 million. This transaction contributed additional equity in earnings of \$5.1 million during the fourth quarter of 2021.
- Total expenses increased \$4.1 million, or 31%, when compared to the same period in 2021 as a result of higher almond and land sales transactions.
- Adjusted EBITDA, a non-GAAP measure, was \$7.2 million for the quarter ended December 31, 2022, a decrease from \$9.2 million during the quarter ended December 31, 2021.

Tejon Ranch Co. provides Adjusted EBITDA, a non-GAAP financial measure, because it offers additional information for monitoring the Company's

cash flow performance. A table providing a reconciliation of Adjusted EBITDA to its most comparable GAAP measure, as well as an explanation of, and important disclosures about, this non-GAAP measure, is included in the tables at the end of this press release.

Fiscal 2022 Financial Highlights

- Net income attributable to common stockholders for fiscal 2022 was \$15.8 million, or net income per share attributable to common stockholders, basic and diluted of \$0.60 and \$0.59, respectively, compared with net income attributable to common stockholders of \$5.3 million, or \$0.20 basic and diluted, for 2021.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, were \$88.7 million in 2022, an increase of \$23.7 million, or 36%, compared with \$65.0 million in 2021. Factors driving this increase included:
 - An increase in commercial/industrial segment revenue of \$21.0 million, or 108%, compared with 2021, primarily attributable to three land parcel sales totaling 98.2 acres. In addition to the land sale to TRC-MRC5, LLC mentioned above, the Company also sold 58 acres of land at TRCC East to a major multinational corporation for \$22.0 million, and a 12.3 acre land parcel at TRCC West to a third party for \$4.7 million.
 - An increase in mineral resources segment profits of \$1.2 million resulting from greater cement and oil royalties.
 - An increase in other income of \$1.5 million resulting from an increase in interest income along with receiving excess distributions and recognizing long-term deferred gains, associated with the Company's former 18-19 West joint venture.
 - The above mentioned increase was partially offset by a \$1.5 million decrease in equity in earnings of unconsolidated joint ventures primarily attributable to the 18-19 West LLC joint venture land sale in 2021 previously discussed.
- Adjusted EBITDA, a non-GAAP measure, was \$37.7 million for the year ended December 31, 2022, an increase from \$24.3 million for the year ended December 31, 2021.

Tejon Ranch Co. provides Adjusted EBITDA, a non-GAAP financial measure, because it offers additional information for monitoring the Company's cash flow performance. A table providing a reconciliation of Adjusted EBITDA to its most comparable GAAP measure, as well as an explanation of, and important disclosures about, this non-GAAP measure, is included in the tables at the end of this press release.

Liquidity and Capital Resources

As of December 31, 2022, total capital, including debt, was approximately \$527.5 million. As of December 31, 2022, the Company had cash and securities totaling approximately \$72.6 million and \$40.6 million available on its line of credit.

2023 Outlook:

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.

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. Accordingly, 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 mineral resources segment, and the timing of sales of land and the leasing of land within its industrial developments.

Water sales opportunities each year are impacted by the total precipitation and snowpack runoff in Northern California from winter storms along with California State Water Project, or SWP, allocations. The current SWP allocation is at 35% of contract amounts with an expectation that the allocation might increase. With a higher SWP allocation in 2023 we anticipate the demand for water to be lower than in previous years where the SWP allocation was significantly lower.

Pricing for nut and grape crops are particularly sensitive to the size of each year's world crop and demand for those crops. High production levels combined with higher-than-normal inventory levels from the 2021 crop year as a result of supply chain issues have pushed prices to lower levels. We expect prices to remain low until industry inventory levels are reduced, which may not happen until after 2023.

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 online at <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 December		Year Ended	
	31,		December 31,	
	2022	2021	2022	2021
Revenues:				
Real estate - commercial/industrial	\$ 8,352	\$ 6,656	\$ 40,515	\$ 19,476
Mineral resources	2,357	1,633	21,595	20,987
Farming	5,649	3,427	13,001	11,039
Ranch operations	1,095	1,243	4,106	4,111
Total revenues from Operations	17,453	12,959	79,217	55,613
Operating Profits (Losses):				
Real estate - commercial/industrial	3,399	3,298	24,159	7,523
Real estate - resort/residential	(411)	(409)	(1,629)	(1,723)
Mineral resources	735	399	8,626	7,428
Farming	(186)	(712)	(6,810)	(3,077)
Ranch operations	(221)	75	(918)	(568)
Income from Operating Segments	3,316	2,651	23,428	9,583
Investment income	334	36	634	57
Gain on sale of real estate	—	—	—	—
Other income	50	33	1,088	164
Corporate expense	(3,469)	(3,167)	(9,699)	(9,843)
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	231	(447)	15,451	(39)
Equity in earnings of unconsolidated joint ventures, net	2,885	6,386	7,752	9,202
Income before income tax expense	3,116	5,939	23,203	9,163
Income tax expense	1,131	2,584	7,393	3,821
Net income	1,985	3,355	15,810	5,342
Net income (loss) attributable to non-controlling interest	1	(7)	2	(6)
Net income attributable to common stockholders	\$ 1,984	\$ 3,362	\$ 15,808	\$ 5,348
Net income per share attributable to common stockholders, basic	\$ 0.07	\$ 0.13	\$ 0.60	\$ 0.20
Net income per share attributable to common stockholders, diluted	\$ 0.07	\$ 0.13	\$ 0.59	\$ 0.20
Weighted average number of shares outstanding:				
Common stock	26,508,061	26,364,435	26,478,171	26,343,352
Common stock equivalents – stock options	224,778	93,402	174,748	70,662
Diluted shares outstanding	26,732,839	26,457,837	26,652,919	26,414,014

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	December 31	
	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 39,119	\$ 36,195
Marketable securities - available-for-sale	33,444	10,983
Accounts receivable	4,453	6,473
Inventories	3,369	5,702
Prepaid expenses and other current assets	2,660	3,619
Total current assets	83,045	62,972
Real estate and improvements - held for lease, net	16,940	17,301
Real estate development (includes \$115,221 at December 31, 2022 and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 17)	321,293	319,030
Property and equipment, net	52,980	50,699
Investments in unconsolidated joint ventures	41,891	43,418
Net investment in water assets	47,045	50,997
Other assets	3,597	1,619
TOTAL ASSETS	\$ 566,791	\$ 546,036
LIABILITIES AND EQUITY		

Current Liabilities:			
Trade accounts payable	\$	5,117	\$ 4,545
Accrued liabilities and other		3,602	3,451
Income taxes payable		—	1,217
Deferred income		1,531	1,907
Current maturities of long-term debt		1,779	4,475
Total current liabilities		12,029	15,595
Long-term debt, less current portion		48,161	48,155
Long-term deferred gains		11,447	8,409
Deferred tax liability		7,180	2,898
Other liabilities		10,380	14,468
Total liabilities		89,197	89,525
Commitments and contingencies			
Equity:			
Tejon Ranch Co. Stockholders' Equity			
Common stock, \$0.50 par value per share:			
Authorized shares - 50,000,000			
Issued and outstanding shares - 26,541,553 at December 31, 2022 and 26,400,921 at December 31, 2021			
		13,271	13,200
Additional paid-in capital		345,344	344,936
Accumulated other comprehensive loss		(2,028)	(6,822)
Retained earnings		105,643	89,835
Total Tejon Ranch Co. Stockholders' Equity		462,230	441,149
Non-controlling interest		15,364	15,362
Total equity		477,594	456,511
TOTAL LIABILITIES AND EQUITY	\$	566,791	\$ 546,036

Tejon Ranch Co.
Allen E. Lyda, 661-248-3000
Chief Financial Officer

Non-GAAP Financial Measure

This news release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents earnings before interest, taxes, depreciation, and amortization, 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 and asset abandonment charges. 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, stock compensation expense, and abandonment charges. 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. 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 December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income	\$ 1,985	\$ 3,355	\$ 15,810	\$ 5,342
Net income (loss) attributed to non-controlling interest	1	(7)	2	(6)
Interest, net:				
Consolidated	(334)	(36)	(634)	(57)
Our share of interest expense from unconsolidated joint ventures	1,019	(166)	2,974	1,708
Total interest, net	685	(202)	2,340	1,651
Income tax expense	1,131	2,584	7,393	3,821

Depreciation and amortization:				
Consolidated	1,286	1,186	4,628	4,594
Our share of depreciation and amortization from unconsolidated joint ventures	1,281	1,178	4,618	4,639
Total depreciation and amortization	<u>2,567</u>	<u>2,364</u>	<u>9,246</u>	<u>9,233</u>
EBITDA	\$ 6,367	\$ 8,108	\$ 34,787	\$ 20,053
Stock compensation expense	\$ 789	\$ 1,109	\$ 2,877	\$ 4,271
Adjusted EBITDA	\$ 7,156	\$ 9,217	\$ 37,664	\$ 24,324



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Source: Tejon Ranch Co