



Tejon Ranch Co. Announces Second Quarter 2024 Financial Results

Aug 6, 2024

TEJON RANCH, Calif., Aug. 06, 2024 (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 six-months ended June 30, 2024.

"In the second quarter 2024, we continued our strategic efforts to unlock the value of our entitled land assets and grow our diversified cash flow streams for the Company. Terra Vista at Tejon, our first multi-family apartment community located in our Tejon Ranch Commerce Center, has seen significant progress with its development timeline and is expected to have leasable units available in the second quarter of 2025. Ultimately, Terra Vista at Tejon will include up to 495 units, highlighting our commitment to fostering economic growth in our retail and industrial assets, while we address the existing housing needs of the employment base in the region and Tejon Ranch Commerce Center. This is for the current workforce of approximately 5,000 employees and future growth yet to come in the near future," said Gregory S. Bielli, President and CEO of Tejon Ranch Co. "Additionally, we are proud to recognize the 10-year anniversary of the Outlets at Tejon Ranch, with an occupancy rate of 90% at June 30, 2024." continued Bielli.

Commercial/Industrial Real Estate Highlights

- The Tejon Ranch Commerce Center, or TRCC, industrial portfolio, through the Company's joint venture partnerships, consists of 2.8 million square feet of gross leasable area (GLA), and is 100% leased. In total, TRCC comprises 7.1 million square feet of GLA.
- TRCC commercial portfolio, wholly owned and through joint venture partnerships, comprises 620,907 square feet of GLA and is 95% leased.
- Construction started in February 2024 on Phase 1 of Terra Vista at Tejon, the Company's multi-family residential development located in TRCC. Phase 1 includes 228 of the planned 495 residential units, with the first units becoming available in the first half of 2025 and the remaining units in this phase coming online soon thereafter. See www.tejonranchliving.com for further information.
- Construction of a new distribution facility for Nestlé USA is underway on the east side of TRCC, which will total more than 700,000 square feet.
- Signed a lease with RectorSeal, a manufacturer and distributor of industrial components for 240,000 square feet of space that was previously occupied by Sunrise Brands, an apparel company. Sunrise Brands relocated to the new 446,400 square foot building in January 2024.
- Outlets at Tejon is celebrating its 10-year anniversary in 2024, with occupancy over 90% as of June 30, 2024.

Second Quarter 2024 Financial Results

- GAAP net income attributable to common stockholders for the second quarter of 2024 was \$1.0 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.04. For the second quarter of 2023, the Company had net income attributable to common stockholders of \$0.3 million, or net income per share attributable to common stockholders, basic and diluted, of \$0.01.
 - The primary driver of this increase of \$0.7 million was \$1.2 million of tax benefits recorded during this quarter compared to \$0.4 million of tax provisions recorded over the comparative period.
 - Equity in earnings of unconsolidated joint ventures increased by \$0.8 million mainly related to improved fuel margins at the Company's TA/Petro joint venture.
 - Corporate expenses experienced an increase of \$1.1 million, primarily attributable to higher stock compensation expenses recorded during the quarter.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the second quarter of 2024 were \$9.0 million, compared with \$8.6 million for the second quarter of 2023.
 - The primary driver of this increase was a \$0.8 million increase of equity in earnings of unconsolidated joint ventures, due to the improved fuel margins at the Company's TA/Petro joint venture.
 - Revenue from the mineral resources segment increased by \$0.4 million which was primarily attributable to higher water sales revenue of \$0.3 million and an increase in rock aggregate royalties of \$0.2 million attributable to higher pricing.
 - The above increases were partially offset by a \$0.9 million decrease of farming segment revenue over the

comparative period due to absence of crop sales in the second quarter of 2024 compared with 508,000 pounds of crops sold during the second quarter of 2023.

- Adjusted EBITDA, a non-GAAP measure, was \$5.1 million for the second quarter ended June 30, 2024, compared with \$4.5 million for the same period in 2023.

Tejon Ranch Co. provides Adjusted EBITDA, a non-GAAP financial measure, because management believes 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.

Year-to-Date Financial Results

- Net income attributable to common stockholders for the first six months of 2024 was \$43.0 thousand, or net income per share attributed to common stockholders, basic and diluted, of \$0.00, compared with net income attributable to common stockholders of \$2.0 million, or net income per share attributed to common stockholders, basic and diluted, of \$0.08, for the first six months of 2023.
- Revenues and other income, for the first six months of 2024, including equity in earnings of unconsolidated joint ventures, totaled \$18.6 million, compared with \$23.2 million for the first six months of 2023. Factors impacting the year-to-date results include:
 - Mineral resources segment revenues were \$4.5 million for the first six months of 2024, a decrease of \$4.0 million, or 47%, from \$8.5 million for the first six months of 2023. The reduction in revenues is primarily attributed to a decline in water sales revenue of \$3.4 million due to back-to-back strong rainfall years in California, which severely limited water sales opportunities. Reimbursable revenues also decreased \$0.8 million due to mineral resources taxes reassessment for this segment.
 - Farming segment also experienced a decrease in revenues for the first six months of 2024. Revenues for this segment were \$1.0 million, a decrease of \$1.2 million, or 54%, from \$2.2 million for the first six months of 2023. Almond sales revenue, the biggest contributor to this decrease, fell by \$832,000 due to lower units sold in current year. The Company sold 381,000 and 914,000 pounds of almonds during the first six months ended June 30, 2024 and 2023, respectively. Other farming revenues also decreased by \$227,000 which was attributed to less farm water sold. Additionally, hay sales revenue decreased by \$109,000 resulted from lower sales volume.
 - The above decreases were partially offset by an increase in equity in earnings of unconsolidated joint ventures. The equity in earnings were \$4.3 million for the six months ended June 30, 2024, an increase of \$0.8 million, or 24%, from \$3.5 million during the same period in 2023. The primary driver of the improved results was TRCC/Rock Outlet Center joint venture, which was over 90% occupied as of June 30, 2024. Rental revenue for the Outlet Center has increased by \$509,000 in the first six months of 2024 over the comparative period. Equity in earnings for our TRC-MRC LLC joint ventures increased due to higher rental rates and rental income coming on line from TRC-MRC 5, except for a decrease in TRC-MRC 1 LLC earnings caused by an increase of repair cost from storm damage.

Liquidity and Capital Resources

- As of June 30, 2024, total market capitalization, including pro rata share (PRS) of unconsolidated joint venture debt, was approximately \$622.5 million, consisting of an equity market capitalization of \$457.3 million and \$165.2 million of debt, and our debt to total market capitalization was 27%. As of June 30, 2024, the Company had cash and securities totaling approximately \$49.6 million and \$104.6 million available on its line of credit, for total liquidity of \$154.2 million. The ratio of total debt including pro rata share of unconsolidated joint venture debt, net of cash and securities, of \$115.6 million, to trailing twelve months adjusted EBITDA of \$17.8 million was 6.5x.

2024 Outlook:

The Company will continue to strategically pursue commercial/industrial development, multi-family development, leasing, sales, and investment within TRCC and its joint ventures. The Company also will continue to invest in advancing 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 the above-mentioned activity, along with commodity prices, production within its farming and mineral resources segments, and the timing of land sales and 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, as well as State Water Project, or SWP, allocations. The current SWP allocation is at 40% of contract amounts, with the expectation that the allocation may increase.

The Company's farming operations in 2024 continue to be impacted by higher costs of production, such as fuel costs, fertilizer costs, pest control costs, and labor costs. The Company is anticipating higher 2024 almond industry crop production, which may

have an adverse effect on 2024 selling prices.

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 15 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. 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, external 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.

(Financial tables follow)

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 33,032	\$ 31,907
Marketable securities - available-for-sale	16,533	32,556
Accounts receivable	2,359	8,352
Inventories	9,001	3,493
Prepaid expenses and other current assets	3,567	3,502
Total current assets	64,492	79,810
Real estate and improvements - held for lease, net	16,426	16,609
Real estate development (includes \$122,329 at June 30, 2024 and \$119,788 at December 31, 2023, attributable to CFL)	357,574	337,257
Property and equipment, net	56,074	53,985
Investments in unconsolidated joint ventures	32,134	33,648
Net investment in water assets	57,800	52,130
Other assets	6,334	4,084
TOTAL ASSETS	\$ 590,834	\$ 577,523
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 13,234	\$ 6,457
Accrued liabilities and other	3,871	3,214
Deferred income	1,681	1,891
Total current liabilities	18,786	11,562
Revolving line of credit	51,942	47,942
Long-term deferred gains	11,447	11,447
Deferred tax liability	8,267	8,269
Other liabilities	15,809	15,207
Total liabilities	106,251	94,427
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 - 26,806,409 at June 30, 2024 and 26,770,545 at December 31, 2023

	13,404	13,386
Additional paid-in capital	347,040	345,609
Accumulated other comprehensive loss	(175)	(171)
Retained earnings	108,951	108,908
Total Tejon Ranch Co. Stockholders' Equity	469,220	467,732
Non-controlling interest	15,363	15,364
Total equity	484,583	483,096
TOTAL LIABILITIES AND EQUITY	\$ 590,834	\$ 577,523

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Real estate - commercial/industrial	\$ 2,550	\$ 2,633	\$ 5,495	\$ 5,309
Mineral resources	2,032	1,600	4,521	8,512
Farming	142	1,025	1,007	2,210
Ranch operations	965	840	2,072	2,332
Total revenues	5,689	6,098	13,095	18,363
Costs and Expenses:				
Real estate - commercial/industrial	1,990	1,685	3,917	3,380
Real estate - resort/residential	427	324	1,988	712
Mineral resources	1,115	925	3,231	4,991
Farming	1,087	1,474	3,154	3,487
Ranch operations	1,261	1,338	2,488	2,668
Corporate expenses	3,357	2,222	5,849	4,509
Total expenses	9,237	7,968	20,627	19,747
Operating loss	(3,548)	(1,870)	(7,532)	(1,384)
Other Income (Loss):				
Investment income	630	619	1,315	1,075
Other (loss) income, net	(71)	(32)	(141)	302
Total other income, net	559	587	1,174	1,377
Loss from operations before equity in earnings of unconsolidated joint ventures and income tax	(2,989)	(1,283)	(6,358)	(7)
Equity in earnings of unconsolidated joint ventures, net	2,769	1,938	4,282	3,455
(Loss) income before income tax	(220)	655	(2,076)	3,448
Income tax (benefit) expense	(1,176)	391	(2,118)	1,404
Net income	956	264	42	2,044
Net (loss) income attributable to non-controlling interest	(1)	(3)	(1)	3
Net income attributable to common stockholders	\$ 957	\$ 267	\$ 43	\$ 2,041
Net income per share attributable to common stockholders, basic	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.08
Net income per share attributable to common stockholders, diluted	\$ 0.04	\$ 0.01	\$ 0.00	\$ 0.08

Non-GAAP Financial Measure

This press release includes references to the Company's non-GAAP financial measure "EBITDA." EBITDA represents the Company's 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 the Company and others as a supplemental measure of performance. Tejon Ranch uses Adjusted

EBITDA to assess the performance of the Company's 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. The Company believes Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from 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 the Company's performance independent of its capital structure and indebtedness and, therefore, allow for a more meaningful comparison of the Company's performance to that of other companies, both in the real estate industry and in other industries. The Company believes that excluding charges related to share-based compensation facilitates a comparison of its 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 the Company's control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of the Company's performance. EBITDA and Adjusted EBITDA do not reflect Tejon Ranch's 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, the Company's 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)

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 956	\$ 264	\$ 42	\$ 2,044
Net (loss) income attributable to non-controlling interest	(1)	(3)	(1)	3
Interest, net				
Consolidated	(630)	(619)	(1,315)	(1,075)
Our share of interest expense from unconsolidated joint ventures	1,552	1,227	3,094	2,402
Total interest, net	922	608	1,779	1,327
Income tax (benefit) expense	(1,176)	391	(2,118)	1,404
Depreciation and amortization:				
Consolidated	915	987	1,921	1,975
Our share of depreciation and amortization from unconsolidated joint ventures	1,687	1,339	3,294	2,613
Total depreciation and amortization	2,602	2,326	5,215	4,588
EBITDA	3,305	3,592	4,919	9,360
Stock compensation expense	1,841	884	2,354	1,505
Adjusted EBITDA	\$ 5,146	\$ 4,476	\$ 7,273	\$ 10,865

Summary of Outstanding Debt as of June 30, 2024
(Unaudited)

Entity/Borrowing	Amount	% Share	PRS Debt
Revolving line-of-credit	\$ 51,942	100%	\$ 51,942
Petro Travel Plaza Holdings, LLC	12,174	60%	7,304
TRCC/Rock Outlet Center, LLC	20,702	50%	10,351
TRC-MRC 1, LLC	21,811	50%	10,906
TRC-MRC 2, LLC	21,591	50%	10,796
TRC-MRC 3, LLC	33,179	50%	16,590
TRC-MRC 4, LLC	61,361	50%	30,681
TRC-MRC 5, LLC	53,170	50%	26,585
Total	\$ 275,930		\$ 165,155

Market Capitalization and Debt Ratios
(Unaudited)

	June 30, 2024
Period End Share Price	\$ 17.06
Outstanding Shares	26,806,409
Equity Market Capitalization as of Reporting Date	\$ 457,317
Total Debt including PRS Unconsolidated Joint Venture Debt	\$ 165,155
Total Market Capitalization	\$ 622,472
Debt to total market capitalization	26.5%
Net debt, including PRS unconsolidated joint venture debt, to TTM adjusted EBITDA	6.5

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Source: Tejon Ranch Co