Tejon Ranch Co. Announces Third Quarter 2024 Financial Results

Nov 7, 2024

TEJON RANCH, Calif., Nov. 07, 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 nine-months ended September 30, 2024.

“In the third quarter of 2024, we continued the momentum in key areas of the company's real estate portfolio. The company continues to make progress toward the opening of our first multi-family apartment community, Terra Vista at Tejon, during the first half of 2025. The company also announced a new joint-venture with Dedeaux Properties to develop a 510,500 square foot building in Tejon Ranch Commerce Center. The Outlets at Tejon celebrated their 10th anniversary and currently is over 90% occupied.” said Gregory S. Bielli, President & CEO of Tejon Ranch Co.

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 of Terra Vista at Tejon Phase 1, the Company's multi-family residential development located in TRCC, is underway. 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.
- Outlets at Tejon is celebrating its 10-year anniversary in 2024, with occupancy over 90% as of September 30, 2024.
- On October 4, 2024, a new joint venture with Dedeaux Properties was formed to develop, manage, and operate an industrial building of 510,500 square feet of space at TRCC-East.

Third Quarter 2024 Financial Results

- GAAP net loss attributable to common stockholders for the third quarter of 2024 was $1.8 million, or net loss per share attributable to common stockholders, basic and diluted, of $0.07. For the third quarter of 2023, the Company had net loss attributable to common stockholders of $0.3 million, or net loss per share attributable to common stockholders, basic and diluted, of $0.01.
    - The primary driver of this decrease of $1.5 million was the lack of pistachio crop yield in 2024, primarily due to insufficient chilling hours, coupled with 2024 being the down-production year following a substantial harvest last season. Historically, the pistachio harvest begins in the third quarter, but in 2023, the harvest was delayed due to unusual weather conditions. This delay impacted the timing of cost recognition, resulting in lower overall farming costs for the third quarter of 2023.
    - The above decrease was partially offset by the increase of $2.2 million in Equity in earnings of unconsolidated joint ventures mainly related to improved fuel margins at the Company's TA/Petro joint venture.
- Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the third quarter of 2024 were $14.6 million, compared with $12.0 million for the third quarter of 2023.
    - The primary driver of this increase was a $2.2 million increase of equity in earnings of unconsolidated joint ventures, due to the improved fuel margins at the Company's TA/Petro joint venture.
- Adjusted EBITDA, a non-GAAP measure, was $5.6 million for the third quarter ended September 30, 2024, compared with $5.7 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 loss attributable to common stockholders for the first nine months of 2024 was $1.8 million, or net loss per share attributed to common stockholders, basic and diluted, of $0.07, compared with net income attributable to common stockholders of $1.7 million, or net income per share attributed to common stockholders, basic and diluted, of $0.06, for the first nine months of 2023.
    - The primary factor driving this change was the reduction in operating profits within the farming segment of $4,365,000 mainly due to 2024 being a down production year for pistachio crops as stated above.
- Revenues and other income, for the first nine months of 2024, including equity in earnings of unconsolidated joint ventures, totaled $33.2 million, compared with $35.2 million for the first nine months of 2023. Factors impacting the year-to-date results include:
    - Mineral resources segment revenues were $7.7 million for the first nine months of 2024, a decrease of $3.9 million, or 34%, from $11.6 million for the first nine 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.
    - The above decrease was partially offset by an increase in equity in earnings of unconsolidated joint ventures, and the main driver of the improved results was related to higher fuel margins at the TA/Petro joint venture.

Liquidity and Capital Resources

- As of September 30, 2024, total capitalization, including pro rata share (PRS) of unconsolidated joint venture debt, was approximately $643.1 million, consisting of an equity market capitalization of $470.6 million and $172.5 million of debt, and our debt to total capitalization was 26.8%. As of September 30, 2024, the Company had cash and securities totaling approximately $41.3 million and $100.1 million available on its line of credit, for total liquidity of $141.3 million. The ratio of total debt including pro rata share of unconsolidated joint venture debt, net of cash and securities, of $131.2 million, to trailing twelve months adjusted EBITDA of $17.8 million was 7.4x.

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.

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 almond industry is estimating the 2024 almond crop at 2.6 billion pounds. This estimate along with a lower inventory carry forward has helped to improve pricing. The late spring rains negatively impacted 2024 grape production as the rains occurred during the grape bloom. The timing of the rains also increased cultural costs within grapes to fight higher levels of mildew in the vineyards.

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)

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 27,369	$ 31,907
Marketable securities - available-for-sale	13,892	32,556
Accounts receivable	2,783	8,352
Inventories	7,550	3,493
Prepaid expenses and other current assets	4,053	3,502
Total current assets	55,647	79,810
Real estate and improvements - held for lease, net	16,340	16,609
Real estate development (includes $123,302 at September 30, 2024 and $119,788 at December 31, 2023, attributable to CFL)	374,341	337,257
Property and equipment, net	56,760	53,985
Investments in unconsolidated joint ventures	34,429	33,648
Net investment in water assets	56,024	52,130
Other assets	4,496	4,084
TOTAL ASSETS	$ 598,037	$ 577,523
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 11,283	$ 6,457
Accrued liabilities and other	6,565	3,214
Deferred income	1,721	1,891
Total current liabilities	19,569	11,562
Revolving line of credit	59,942	47,942
Long-term deferred gains	11,447	11,447
Deferred tax liability	8,282	8,269
Other liabilities	15,114	15,207
Total liabilities	114,354	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 - 26,814,680 at September 30, 2024 and 26,770,545 at December 31, 2023	13,408	13,386
Additional paid-in capital	347,939	345,609
Accumulated other comprehensive loss	(142)	(171)
Retained earnings	107,115	108,908
Total Tejon Ranch Co. Stockholders' Equity	468,320	467,732
Non-controlling interest	15,363	15,364
Total equity	483,683	483,096
TOTAL LIABILITIES AND EQUITY	$ 598,037	$ 577,523

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Real estate - commercial/industrial	$ 3,002	$ 3,397	$ 8,497	$ 8,706
Mineral resources	3,166	3,118	7,687	11,630

Farming	3,242	2,642	4,249	4,852
Ranch operations	1,446	1,052	3,518	3,384
Total revenues	10,856	10,209	23,951	28,572
Costs and Expenses:				
Real estate - commercial/industrial	2,088	2,137	6,005	5,517
Real estate - resort/residential	328	367	2,316	1,079
Mineral resources	1,812	2,000	5,043	6,991
Farming	6,252	2,157	9,406	5,644
Ranch operations	1,223	1,196	3,711	3,864
Corporate expenses	2,945	2,315	8,794	6,824
Total expenses	14,648	10,172	35,275	29,919
Operating (loss) income	(3,792)	37	(11,324)	(1,347)
Other Income:				
Investment income	528	700	1,843	1,775
Other (loss) income, net	(69)	(30)	(210)	272
Total other income, net	459	670	1,633	2,047
(Loss) income from operations before equity in earnings of unconsolidated joint ventures and income tax	(3,333)	707	(9,691)	700
Equity in earnings of unconsolidated joint ventures, net	3,329	1,161	7,611	4,616
(Loss) income before income tax	(4)	1,868	(2,080)	5,316
Income tax expense (benefit)	1,832	2,215	(286)	3,619
Net (loss) income	(1,836)	(347)	(1,794)	1,697
Net loss attributable to non-controlling interest	—	(6)	(1)	(3)
Net (loss) income attributable to common stockholders	$ (1,836)	$ (341)	$ (1,793)	$ 1,700
Net (loss) income per share attributable to common stockholders, basic	$ (0.07)	$ (0.01)	$ (0.07)	$ 0.06
Net (loss) income per share attributable to common stockholders, diluted	$ (0.07)	$ (0.01)	$ (0.07)	$ 0.06

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	2024	2023	2024	2023

Net (loss) income	$ (1,836)	$ (347)	$ (1,794)	$ 1,697
Net loss attributable to non-controlling interest	—	(6)	(1)	(3)
Interest, net				
Consolidated	(528)	(700)	(1,843)	(1,775)
Our share of interest expense from unconsolidated joint ventures	1,532	1,216	4,625	3,618
Total interest, net	1,004	516	2,782	1,843
Income tax expense (benefit)	1,832	2,215	(286)	3,619
Depreciation and amortization:				
Consolidated	1,216	1,028	3,137	3,003
Our share of depreciation and amortization from unconsolidated joint ventures	1,695	1,393	4,989	4,005
Total depreciation and amortization	2,911	2,421	8,126	7,008
EBITDA	3,911	4,811	8,829	14,170
Stock compensation expense	1,732	864	4,086	2,369
Adjusted EBITDA	$ 5,643	$ 5,675	$ 12,915	$ 16,539

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

Entity/Borrowing	Amount	% Share	PRS Debt
Revolving line-of-credit	$ 59,942	100%	$ 59,942
Petro Travel Plaza Holdings, LLC	11,984	60%	7,190
TRCC/Rock Outlet Center, LLC	20,626	50%	10,313
TRC-MRC 1, LLC	21,642	50%	10,821
TRC-MRC 2, LLC	21,414	50%	10,707
TRC-MRC 3, LLC	32,952	50%	16,476
TRC-MRC 4, LLC	61,144	50%	30,572
TRC-MRC 5, LLC	52,984	50%	26,492
Total	$ 282,688		$ 172,513

Capitalization and Debt Ratios
(Unaudited)

	September 30, 2024
Period End Share Price	$ 17.55
Outstanding Shares	26,814,680
Equity Market Capitalization as of Reporting Date	$ 470,598
Total Debt including PRS Unconsolidated Joint Venture Debt	$ 172,513
Total Capitalization	$ 643,111
Debt to total capitalization	26.8%
Net debt, including PRS unconsolidated joint venture debt, to TTM adjusted EBITDA	7.4

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Source: Tejon Ranch Co