Tejon Ranch Co. Reports 2013 Results of Operations

March 17, 2014

TEJON RANCH, Calif.--(BUSINESS WIRE)--Mar. 17, 2014-- Tejon Ranch Co. (NYSE:TRC) today released the results of operations for the year ended December 31, 2013, with the Company showing net income attributable to common stockholders of $4,165,000, or $0.21 per common share, compared to net income attributable to common stockholders of $4,441,000, or $0.22 per common share, for the same period in 2012. Total revenue, including investment and other income, for the year ended December 31, 2013 was $46,345,000, compared to $48,444,000 of total revenue for the same period during 2012. All per share references in this release are presented on a fully diluted basis.

For the fourth quarter of 2013, the Company had net losses attributable to common stockholders of $826,000, or ($0.04) per common share, compared to net income attributable to common stockholders of $27,000, or $0.00 per common share during the fourth quarter of 2012. Total revenue for the fourth quarter of 2013, including investment income and other income, was $13,216,000, compared to $13,904,000 of revenue during the same period of 2012.

“Overall, the Company’s performance for 2013 was comparable to 2012. 2013 was also a year we saw the diversity in our revenue sources come into play. Our mineral resource revenue declined in 2013, but the decline was offset by improved commercial/industrial revenue including growth from our joint ventures,” said Gregory S. Bielli, president and CEO. “In 2014 we will continue to advance our various real estate projects with a particular focus on completing and opening The Outlets at Tejon, which is scheduled to open in late summer. Undoubtedly, water is a very important and valuable commodity in California. Many operations around the state may have difficulty in securing all the water they need in 2014, but due to our previous investments in water and water infrastructure, we will have the necessary water resources to continue forward with our real estate and farming activities during this year and beyond.”

Results of Operations for the Year Ended December 31, 2013:

Net income attributable to common stockholders declined slightly when compared to the same period of 2012 as did total revenues. However, the mix in revenues changed from year-to-year with 2013 showing a healthy increase in earnings from unconsolidated joint ventures.

Commercial/industrial revenue improved $1,207,000 during 2013 due to an increase in hunting permit revenues resulting from the re-opening of the hunting program during the third quarter of 2012, and to higher percentage rents of $551,000 from our power plant lease. These improvements were partially offset by a decrease in land sale revenue tied to a deferred gain recognized during 2012.

Mineral resource revenue declined $3,770,000 in 2013 compared to 2012. The decline was the result of a drop in oil royalty revenue of $3,401,000 and lower lease hold payments. The drop in oil royalty revenue came as lease holders closed some wells for maintenance and invested in the expansion of on-site production facilities, as well as regulatory permitting delays, which reduced the number of new wells drilled during 2013. On the positive side, revenues from our rock and aggregate operations and the National Cement lease improved in 2013 as construction activity began to improve in the area.

Farming revenues were flat compared to 2012 but there was a change in primary revenue sources when compared to 2012. Almond revenues improved $1,959,000 during 2013 primarily due to a 46% increase in the average price received for almonds. This improvement in almond revenue was offset by declines in pistachio revenue and wine grape revenue. These declines were largely the result of reduced production due to a summer wind storm, 2013 being the off-production year for pistachios, and fewer vineyards in production due to redevelopment programs. The change noted earlier is the decline in pistachio revenue and the growth in almond revenue during 2013. During 2012, the largest improvement in farming revenue was driven by pistachios.

Equity in earnings of unconsolidated joint ventures is an important component of the Company’s real estate development activities. As we expand our current ventures and add new ventures, such as the outlet center joint venture, these investments will become a growing revenue source for the Company. During 2013, equity in earnings of unconsolidated joint ventures grew to $4,006,000, an increase of $1,471,000 when compared to 2012. The increase was driven by improved fuel sales, margins, and lower interest expense within the TA/Petro joint venture.

Adding to the decline in total revenues in 2013 was a small overall increase in costs and expenses of approximately $201,000. This increase was driven by higher farming cost of sales and increase professional service costs related to stock registration activities, the warrant dividend and services provided for our real estate activities. These increases were somewhat offset by reduced stock compensation expense tied to the reversal of costs related to the departure of two executive officers during 2013.

Results of Operations for the Fourth Quarter of 2013:

The decline in revenue during the fourth quarter of 2013, when compared to the same period in 2012, is due to $593,000 in lower oil royalty revenues as described above and to $375,000 in reduced farming revenues due to the timing of sales of crops and to lower pistachio and wine grape production. These variances were partially offset by improved hunting permit revenue and lease revenue from our power plant lease as previously described above.

The decrease in net income attributable to common stockholders during the fourth quarter of 2013 is driven by the decline in revenues just described, an increase in farming cost of sales, and to an increase in corporate costs primarily related to professional service fees.

2014 Outlook:

Management believes the capital structure of the Company provides a solid foundation for continued investment in our projects, which set the stage for the future growth of the Company. On December 31, 2013, total capital was approximately $325,000,000, with debt accounting for approximately 1.5%

of total capital. As of December 31, 2013, we also had cash and securities totaling approximately $65,000,000 and $30,000,000 of availability on lines of credit to meet any short-term funding needs.

As noted above, 2014 will be a very difficult water year in California. The State Water Project will be delivering a zero allocation of water this year to all contract holders. The Company, however, has adequate water for its needs for 2014. Over the last several years, the Company has invested in water assets and water infrastructure and through those investments we will be able to meet our real estate and farming needs.

During 2014, the Company will continue to aggressively pursue land entitlement activities and investment within the Tejon Ranch Commerce Center and in our joint ventures. The Company believes the variability of its quarterly and annual operating results will continue during 2014 due to its farming and real estate activities. Prices received by the Company for many of its products are dependent upon the prevailing market conditions and commodity prices. Many of the Company's projects, especially in real estate, require a lengthy process to complete the entitlement and development phases before revenue can begin to be recognized. The timing of projects and sales of both real estate inventory and non-strategic assets can vary from year-to-year; therefore, it is difficult for the Company to accurately predict quarterly and annual revenues and results of operations.

Tejon Ranch Co. 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, which could affect the Company, the reader should refer to the Company's filings with the Securities and Exchange Commission.

TEJON RANCH CO.
YEAR-END EARNINGS RELEASE 2013
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
REVENUES:				
Real Estate - Commercial/Industrial	$ 2,759	$ 2,432	$ 11,148	$ 9,941
Real Estate - Resort/Residential	385	316	1,266	583
Mineral Resources	2,187	2,780	10,242	14,012
Farming	7,644	8,019	22,682	22,553
Revenues from Operations	12,975	13,547	45,338	47,089
OPERATING PROFITS:				
Real Estate - Commercial/Industrial	(599)	(845)	(1,754)	(2,330)
Real Estate - Resort/Residential	(588)	(860)	(2,085)	(4,178)
Mineral Resources	2,102	2,636	9,780	13,678
Farming	2,498	2,920	7,876	9,230
Income from Operating Segments	3,413	3,851	13,817	16,400
Investment Income	212	294	941	1,242
Other Income	29	63	66	113
Corporate Expenses	(5,239)	(3,835)	(12,641)	(13,272)
Interest Expense	-	(10)	-	(12)
Income (loss) from Operations before Equity in Earnings of Unconsolidated Joint Ventures	(1,585)	363	2,183	4,471
Equity in Earnings of Unconsolidated Joint Ventures	1,086	887	4,006	2,535
Income (loss) from Operations before Income Tax	(499)	1,250	6,189	7,006
Income Tax Expense	334	1,262	2,086	2,723
Net loss attributable to non-controlling interest	(7)	(39)	(62)	(158)
Net Income (loss) Attributable to Common Stockholders	$ (826)	$ 27	$ 4,165	$ 4,441
Net Income (loss) Per Common Share, Basic	$ (0.04)	$ -	$ 0.21	$ 0.22

Net Income (loss) Per Common Share, Diluted	$ (0.04)	$ -	$ 0.20	$ 0.22

Source: Tejon Ranch Co.

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