Tejon Ranch Co. Reports Third Quarter and Year-to-Date 2017 Results of Operations

November 9, 2017

TEJON RANCH, Calif.--(BUSINESS WIRE)--Nov. 9, 2017-- Tejon Ranch Co., or the Company, (NYSE:TRC), a diversified real estate and agribusiness company, which is in the process of entitling, planning and developing three master planned residential communities and a large-scale commercial center, today released its results of operations for the three and nine months ended September 30, 2017.

“We maintained our focus in the third quarter on continuing to move forward with entitlement and land development activities, which are at the core of our strategic growth plans,” said Gregory S. Bielli, President and CEO. “Our shareholders continue to show confidence in those plans, as evidenced by our recently-concluded rights offering where we raised $90 million in capital. Demand for our shares was more than double the total shares available through the offering.”

Third Quarter Financial Results

Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the third quarter of 2017 were $13.8 million, a decrease of $1.8 million, or 12%, compared with $15.6 million for the same period in 2016. The decrease was mainly due to the following:

- During the third quarter of 2017, revenues from the Company's farming segment decreased to $7.5 million from $9.3 million in the same period in 2016 due to the following:
    - Overall pistachio revenues decreased $2.6 million. The Company’s 2017 pistachio crops and yields were negatively impacted by a warm winter, similar to conditions seen in 2015 and to the alternate bearing nature of pistachios, resulting in a $4.4 million year-over-year reduction in 2017 crop pistachio revenues when compared to the 2016 crop revenues. Record yields in 2016 magnify the year-over-year comparison. The Company maintains crop insurance to mitigate weather-related declines in crop production, and during the third quarter, submitted a claim that is expected to recover a portion of the decline in revenue. The Company anticipates hearing from the insurance company as to the amount during the fourth quarter. Offsetting this decrease was a grower bonus of $1.5 million associated with our 2016 crop. The Company recorded a receivable for this amount and expects payment during the fourth quarter.
    - The reduction was offset by a $0.2 million increase in wine grape revenues as a result of improved 2017 wine grape yields, and a $0.4 million improvement in almond revenues that resulted from selling additional units of the Company’s current-year almond crop. Our 2017 almond crop yields were consistent with prior year. Tejon sold 661,000 pounds and 413,000 pounds of almonds, respectively, as of the quarters ended September 30, 2017 and 2016.

- In the third quarter of 2017, revenues from the Company’s ranch operations improved by $0.5 million compared with the same period in 2016. This is largely due to the fact that 2016 revenues were impacted by a drought clause within its grazing leases.
- Equity in earnings from unconsolidated joint ventures was $1.7 million, for the third quarter of 2017, compared with $2.4 million for the same period in 2016. The decrease was due to a non-cash GAAP loss associated with the Company's TRC-MRC 2 joint venture. The joint venture was formed with Majestic Realty Co. during 2016 to purchase a 626,000 square foot industrial building in Tejon Ranch Commerce Center (TRCC)-West. Additionally, there were increased operating costs associated with new offerings at the Company’s TA/Petro joint venture and a decline in gas fuel margins.

Net loss attributable to common stockholders for the third quarter of 2017 was $22,000, or $0.00 per common share, compared to net income attributed to common stockholders of $0.3 million, or $0.02 per common share, for the same period in 2016. All per share numbers in this release are diluted earnings per common share.

Year-to-Date Financial Results

Revenues and other income, including equity in earnings of unconsolidated joint ventures, for the first nine months of 2017 decreased $11.1 million to $27.9 million, compared with $39.0 million for the same period in 2016. The decrease was mainly due to the following:

- Water sales opportunities within the Company's mineral resources segment were down $8.4 million, when compared with the same period in 2016, due to the fact that California experienced above normal rain fall and snow levels during the winter of 2017, resulting in a reduction in water market activity throughout the state.
- Farming revenues decreased $1.6 million as a result of reduced pistachio yields as previously discussed in the third-quarter financial results summary.
- Equity in earnings from unconsolidated joint ventures for the nine months ended September 30, 2017 was $3.5 million, compared with $5.7 million for the same period in 2016. The primary drivers of the decrease were:
    - Increased operating expenses at TA/Petro associated with a new fast casual restaurant offering, a one-time

    - worker's compensation charge, and a decrease on gas fuel margins.
    - Lease terminations at the TRCC/Rock Outlet joint venture triggered write-offs of tenant related leasing costs, including allowances. Leases with Express Factory Outlet, Samsonite and Old Navy have been executed to fill these vacancies.
    - Non-cash GAAP loss associated with the Company's TRC-MRC 2 joint venture as previously discussed in the third-quarter financial results summary.
- Tejon had offsetting improvements within its commercial and ranch operations segments of $1.1 million as a result of completing performance obligations associated with a 2016 land sale along with improvements in grazing lease revenues.

Net loss attributable to common stockholders for the nine months ended September 30, 2017 was $1.9 million, or $0.09 per common share, compared to net income attributed to common stockholders of $0.8 million, or $0.04 per common share, for the same period in 2016. All per share numbers in this release are diluted earnings per common share.

2017 Operational Highlights

- On October 27, 2017, the Company completed a rights offering, which raised $90 million in proceeds. The net proceeds of the offering will be used to provide additional working capital for general corporate purposes, including to fund general infrastructure costs and the development of buildings at Tejon Ranch Commerce Center, to continue forward with entitlement and permitting programs for the Centennial at Tejon Ranch and Grapevine at Tejon Ranch communities and costs related to the preparation of the development of Mountain Village at Tejon Ranch.
- The Los Angeles County Department of Regional Planning is finalizing responses to comments received during the public review of the Draft Environmental Impact Report for the Company's Centennial master planned community. The responses will become part of the Final Environmental Impact Report that will be considered first by the Los Angeles County Regional Planning Commission and later by the Board of Supervisors.
- TRC-MRC 1 joint venture has received a certificate of occupancy for its 480,480 square foot industrial building located in TRCC-East.

2017 Outlook:

The Company's capital structure provides a solid foundation for continued investment in ongoing and future projects. As of September 30, 2017, total capital, including debt, was approximately $424.1 million. The Company also has cash and securities totaling approximately $24.2 million and $13.0 million available on its line of credit. Subsequent to the end of the third quarter, Tejon completed a rights offering generating $90 million in proceeds.

The Company believes the variability of its operating results will continue through the fourth quarter of 2017 due to the seasonal nature of farming activities primarily related to almond and grape revenue. The Company expects the majority of its almond revenues during the fourth quarter of 2017.

The Company will continue to aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center and in its joint ventures. The Company also continues to invest in its master planned communities, including the completion of entitlements for Centennial at Tejon Ranch, preparing applications for state and federal permits for its Grapevine community, which was approved by the Kern County Board of Supervisors in December 2016, and in pre-development activities for Mountain Village at Tejon Ranch. California is one of the most highly regulated states in regard to real estate development and, as such, delays, including those resulting from litigation, can be reasonably anticipated. Accordingly, throughout the next few years, we expect net income to fluctuate from year-to-year based on commodity prices, production within the farming segment, and the timing of sales of land and the leasing of land within the Company's commercial/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 our website at www.tejonranch.com.

To watch a video overview of Tejon Ranch Co., please visit: http://tejonranch.com/investorvideo/

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Real estate - commercial/industrial	$ 2,432	$ 2,221	$ 7,106	$ 6,534
Mineral resources	1,142	1,125	4,662	13,052
Farming	7,466	9,319	9,398	11,042
Ranch operations	868	414	2,809	2,253
Total revenues from Operations	11,908	13,079	23,975	32,881
Operating Profits:				
Real estate - commercial/industrial	1,117	474	2,146	1,394
Real estate - resort/residential	(271)	(323)	(1,401)	(1,252)
Mineral resources	614	458	2,281	5,892
Farming	(455)	1,538	(1,104)	405
Ranch operations	(285)	(960)	(1,298)	(2,010)
Income (loss) from Operating Segments	720	1,187	624	4,429
Investment income	91	112	289	350
Other income	52	32	83	120
Corporate expense	(2,277)	(3,096)	(7,716)	(9,262)
(Loss) from operations before equity in earnings of unconsolidated joint ventures	(1,414)	(1,765)	(6,720)	(4,363)
Equity in earnings of unconsolidated joint ventures, net	1,724	2,353	3,512	5,650
Income (loss) before income tax expense	310	588	(3,208)	1,287
Income tax expense (benefit)	336	271	(1,268)	503
Net income (loss)	(26)	317	(1,940)	784
Net loss attributable to non-controlling interest	(4)	(7)	(42)	(61)
Net income (loss) attributable to common stockholders	$ (22)	$ 324	$ (1,898)	$ 845
Net income (loss) per share attributable to common stockholders, basic	$ —	$ 0.02	$ (0.09)	$ 0.04
Net income (loss) per share attributable to common stockholders, diluted	$ —	$ 0.02	$ (0.09)	$ 0.04
Weighted average number of shares outstanding:				
Common stock	20,864,470	20,732,767	20,849,325	20,719,900
Common stock equivalents	30,003	128,334	43,951	125,940
Diluted shares outstanding	20,894,473	20,861,101	20,893,276	20,845,840

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 unleveraged 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,

	2017	2016	2017	2016
Net income	$ (26)	$ 317	$ (1,940)	$ 784
Net income (loss) attributed to non-controlling interest	(4)	(7)	(42)	(61)
Interest, net:				
Consolidated	(91)	(112)	(289)	(350)
Our share of interest expense from unconsolidated joint ventures	431	360	1,262	1,031
Total interest, net	340	248	973	681
Income taxes	336	271	(1,268)	503
Depreciation and amortization:				
Consolidated	1,140	1,360	3,422	4,170
Our share of depreciation and amortization from unconsolidated joint ventures	1,333	792	3,970	2,164
Total depreciation and amortization	2,473	2,152	7,392	6,334
EBITDA	3,127	2,995	5,199	8,363
Stock compensation expense	877	1,166	2,571	3,297
Adjusted EBITDA	$ 4,004	$ 4,161	$ 7,770	$ 11,660

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