

TEJON RANCH CO

Form 10-Q

May 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-7183

TEJON RANCH CO.

(Exact name of

Registrant as specified in

its charter)

Delaware 77-0196136

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

P.O. Box 1000, Tejon Ranch, California 93243

(Address of principal executive offices)

Registrant's telephone number, including area code: (661) 248-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of the Company's outstanding shares of Common Stock on April 30, 2018 was 25,950,242.

TEJON RANCH CO. AND SUBSIDIARIES
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2018 and 2017</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended March 31, 2018 and 2017</u>	<u>4</u>
<u>Consolidated Balance Sheets as of March 31, 2018 (unaudited) and December 31, 2017</u>	<u>5</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017</u>	<u>6</u>
<u>Unaudited Consolidated Statement of Changes in Equity and Noncontrolling Interests for the Three Months Ended March 31, 2018</u>	<u>7</u>
Notes to Unaudited Consolidated Financial Statements	<u>8</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>32</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>53</u>
Item 4. Controls and Procedures	<u>56</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>56</u>
Item 1A. Risk Factors	<u>56</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>56</u>
Item 3. Defaults Upon Senior Securities	<u>56</u>
Item 4. Mine Safety Disclosures	<u>56</u>
Item 5. Other Information	<u>56</u>
Item 6. Exhibits	<u>57</u>
SIGNATURES	<u>61</u>

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Real estate - commercial/industrial	\$2,154	\$2,189
Mineral resources	9,131	2,001
Farming	1,195	431
Ranch operations	989	1,081
Total revenues	13,469	5,702
Costs and Expenses:		
Real estate - commercial/industrial	1,319	1,743
Real estate - resort/residential	415	630
Mineral resources	4,231	1,324
Farming	1,838	1,323
Ranch operations	1,389	1,493
Corporate expenses	2,732	2,751
Total expenses	11,924	9,264
Operating income (loss)	1,545	(3,562)
Other Income:		
Investment income	283	103
Other income, net	(14)	(14)
Total other income	269	89
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	1,814	(3,473)
Equity in earnings of unconsolidated joint ventures, net	167	228
Income (loss) before income tax expense	1,981	(3,245)
Income tax expense (benefit)	526	(1,332)
Net income (loss)	1,455	(1,913)
Net loss attributable to non-controlling interest	(2)	(11)
Net income (loss) attributable to common stockholders	\$1,457	\$(1,902)
Net income (loss) per share attributable to common stockholders, basic	\$0.06	\$(0.09)
Net income (loss) per share attributable to common stockholders, diluted	\$0.06	\$(0.09)

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	\$1,455	\$(1,913)
Other comprehensive income (loss):		
Unrealized (loss) gain on available-for-sale securities	(302)	38
Unrealized gain on interest rate swap	1,328	374
Other comprehensive income before taxes	1,026	412
Provision from income taxes related to other comprehensive income (loss) items	(216)	(162)
Other comprehensive income	810	250
Comprehensive income (loss)	2,265	(1,663)
Comprehensive loss attributable to non-controlling interests	(2)	(11)
Comprehensive income (loss) attributable to common stockholders	\$2,267	\$(1,652)

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2018	December 31, 2017
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 19,479	\$ 20,107
Marketable securities - available-for-sale	71,109	70,868
Accounts receivable	4,175	7,608
Inventories	4,750	2,469
Prepaid expenses and other current assets	2,475	2,849
Total current assets	101,988	103,901
Real estate and improvements - held for lease, net	19,022	19,115
Real estate development (includes \$92,194 at March 31, 2018 and \$94,271 at December 31, 2017, attributable to Centennial Founders, LLC, Note 15)	270,064	267,336
Property and equipment, net	45,383	45,332
Investments in unconsolidated joint ventures	30,098	30,031
Net investment in water assets	49,478	47,130
Deferred tax assets	1,346	1,562