

TEJON RANCH CO
Form 10-Q
August 09, 2016

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 June 30, 2016
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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Non-accelerated filer

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 July 31, 2016 was 20,733,667.

TEJON RANCH CO. AND SUBSIDIARIES
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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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Real estate - commercial/industrial	\$2,159	\$1,810	\$4,313	\$4,089
Mineral resources	3,187	2,652	11,927	12,852
Farming	502	1,323	1,723	4,394
Ranch operations	1,001	1,215	1,839	2,298
Total revenues	6,849	7,000	19,802	23,633
Costs and Expenses:				
Real estate - commercial/industrial	1,714	1,676	3,393	3,285
Real estate - resort/residential	387	576	929	1,327
Mineral resources	1,800	723	6,493	6,417
Farming	1,350	1,244	2,856	3,587
Ranch operations	1,542	1,419	2,889	3,012
Corporate expenses	3,163	2,764	6,166	6,287
Total expenses	9,956	8,402	22,726	23,915
Operating loss	(3,107)	(1,402)	(2,924)	(282)
Other Income:				
Investment income	120	142	238	297
Other income	37	17	88	55
Total other income	157	159	326	352
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(2,950)	(1,243)	(2,598)	70
Equity in earnings of unconsolidated joint ventures, net	1,842	1,656	3,297	2,806
(Loss) income before income tax expense	(1,108)	413	699	2,876
Income tax (benefit) expense	(380)	36	232	898
Net (loss) income	(728)	377	467	1,978
Net loss attributable to non-controlling interest	(40)	(29)	(54)	(45)
Net (loss) income attributable to common stockholders	\$(688)	\$406	\$521	\$2,023
Net (loss) income per share attributable to common stockholders, basic	\$(0.03)	\$0.02	\$0.03	\$0.10
Net (loss) income per share attributable to common stockholders, diluted	\$(0.03)	\$0.02	\$0.03	\$0.10

See accompanying notes.

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

	Three Months		Six Months		
	Ended June 30,		Ended June 30,		
	2016	2015	2016	2015	
Net (loss) income	\$(728	) \$377	\$467	\$1,978
Other comprehensive income:					
Unrealized gain (loss) on available for sale securities	54	(119) 242	(57)
Unrealized (loss) gain on interest rate swap	(1,031	) 1,794	(3,307	) 399
Other comprehensive (loss) income before taxes	(977	) 1,675	(3,065	) 342
Benefit (provision) from income taxes related to other comprehensive income (loss) items	342	(670) 1,072	(136)
Other comprehensive (loss) income	(635	) 1,005	(1,993	) 206
Comprehensive (loss) income	(1,363	) 1,382	(1,526	) 2,184
Comprehensive loss attributable to non-controlling interests	(40) (29) (54) (45)
Comprehensive (loss) income attributable to common stockholders	\$(1,323)	\$1,411	\$(1,472)	\$2,229	
See accompanying notes.					

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 862	\$ 1,930
Marketable securities - available-for-sale	32,661	32,815
Accounts receivable	3,066	6,511
Inventories	9,466	3,517
Prepaid expenses and other current assets	6,261	4,120
Total current assets	52,316	48,893
Real estate and improvements - held for lease, net	23,234	21,942
Real estate development (includes \$87,217 at June 30, 2016 and \$84,194 at December 31, 2015, attributable to Centennial Founders, LLC, Note 15)	239,932	235,466
Property and equipment, net	45,819	44,469
Investments in unconsolidated joint ventures	33,432	30,680
Long-term water assets	43,089	43,806
Deferred tax assets	5,732	4,659
Other assets	2,444	2,004
TOTAL ASSETS	\$445,998	\$ 431,919
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$4,135	\$ 3,252
Accrued liabilities and other	2,853	3,492
Income taxes payable	—	1,237
Deferred income	1,698	1,525
Revolving line of credit	11,000	—
Current maturities of long-term debt	2,503	815
Total current liabilities	22,189	10,321
Long-term debt, less current portion	71,417	73,223
Long-term deferred gains	3,811	3,816
Other liabilities	16,843	13,251
Total liabilities	114,260	100,611
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 20,725,851 at June 30, 2016 and 20,688,154 at December 31, 2015	10,363	10,344
Additional paid-in capital	218,740	216,803
Accumulated other comprehensive loss	(8,895	) (6,902
Retained earnings	71,910	71,389
Total Tejon Ranch Co. Stockholders' Equity	292,118	291,634
Non-controlling interest	39,620	39,674
Total equity	331,738	331,308

TOTAL LIABILITIES AND EQUITY

\$445,998 \$ 431,919

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Six Months Ended June 30,	
	2016	2015
Operating Activities		
Net income	\$467	\$1,978
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,810	2,431
Amortization of premium/discount of marketable securities	255	328
Equity in earnings of unconsolidated joint ventures	(3,297)	(2,806)
Non-cash retirement plan expense	483	507
Deferred income taxes	—	1
Stock compensation expense	2,131	1,900
Changes in operating assets and liabilities:		
Receivables, inventories and other assets, net	(4,939)	(2,830)
Current liabilities	(1,607)	124
Net cash (used in) provided by operating activities	(3,697)	1,633
Investing Activities		
Maturities and sales of marketable securities	3,291	14,665
Funds invested in marketable securities	(3,151)	(12,200)
Property and equipment expenditures	(13,266)	(12,113)
Communities Facilities District and other reimbursements	4,650	4,971
Investment in unconsolidated joint ventures	(55)	—
Distribution of equity from unconsolidated joint ventures	600	1,100
Other	—	(38)
Net cash used in investing activities	(7,931)	(3,615)
Financing Activities		
Borrowings of short-term debt	11,000	10,560
Repayments of short-term debt	—	(13,450)
Repayments of long-term debt	(126)	(126)
Taxes on vested stock grants	(314)	(529)
Net cash provided by (used in) financing activities		