

TEJON RANCH CO
Form 10-Q
August 10, 2015

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, 2015
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

(State or other jurisdiction of
incorporation or organization)

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

(Address of principal executive offices)

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

77-0196136

(IRS Employer
Identification No.)

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, 2015 was 20,669,350.

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 INCOME

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Revenues:				
Real estate - commercial/industrial	\$3,025	\$2,553	\$6,387	\$5,495
Real estate - resort/residential	—	90	—	183
Mineral resources	2,652	2,754	12,852	12,408
Farming	1,323	2,924	4,394	4,770
Total revenues	7,000	8,321	23,633	22,856
Costs and Expenses:				
Real estate - commercial/industrial	3,095	3,336	6,297	6,647
Real estate - resort/residential	576	687	1,327	1,151
Mineral resources	723	626	6,417	5,427
Farming	1,244	1,428	3,587	3,292
Corporate expenses	2,764	2,270	6,287	5,356
Total expenses	8,402	8,347	23,915	21,873
Operating income (loss)	(1,402)	) (26)	) (282)	) 983
Other Income:				
Investment income	142	185	297	383
Other income	17	20	55	47
Total other income	159	205	352	430
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	(1,243)	) 179	70	1,413
Equity in earnings of unconsolidated joint ventures, net	1,656	1,148	2,806	1,586
Income before income tax expense	413	1,327	2,876	2,999
Income tax expense	36	479	898	1,020
Net income	377	848	1,978	1,979
Net loss attributable to non-controlling interest	(29)	) (26)	) (45)	) (8)
Net income attributable to common stockholders	\$406	\$874	\$2,023	\$1,987
Net income per share attributable to common stockholders, basic	\$0.02	\$0.04	\$0.10	\$0.10
Net income per share attributable to common stockholders, diluted	\$0.02	\$0.04	\$0.10	\$0.10

See accompanying notes.

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

	Three Months Ended		Six Months Ended		
	June 30		June 30		
	2015	2014	2015	2014	
Net income	\$377	\$848	\$1,978	\$1,979	
Other comprehensive income:					
Unrealized gains (losses) on available for sale securities	(119	) (1	) (57	) 11
Benefit plan adjustments	—	—	—	(474)
Benefit plan reclassification for losses included in net income	—	—	—	407	
Unrealized gains on interest rate swap	1,794	—	399	—	
Other comprehensive income (loss) before taxes	1,675	(1) 342	(56)
Provision benefit from income taxes related to other comprehensive income (loss) items	(670	) —	(136	) 186
Other comprehensive income (loss)	1,005	(1	) 206	130
Comprehensive income	1,382	847	2,184	2,109	
Comprehensive loss attributable to non-controlling interests	(29) (26) (45) (8)
Comprehensive income attributable to common stockholders	\$1,411	\$873	\$2,229	\$2,117	
See accompanying notes.					

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 111	\$5,638
Marketable securities - available-for-sale	39,289	42,140
Accounts receivable	3,825	8,506
Inventories	9,986	4,098
Prepaid expenses and other current assets	6,278	4,456
Deferred tax assets	952	1,089
Total current assets	60,441	65,927
Real estate and improvements - held for lease, net	20,130	20,226
Real estate development (includes \$78,555 at June 30, 2015 and \$77,131 at December 31, 2014, attributable to Centennial Founders LLC, Note 14)	224,733	219,654
Property and equipment, net	44,764	43,094
Investments in unconsolidated joint ventures	34,362	32,604
Long-term water assets	44,482	45,349
Long-term deferred tax assets	3,487	3,487
Other assets	1,758	1,774
TOTAL ASSETS	\$434,157	\$432,115
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$5,582	\$3,347
Accrued liabilities and other	3,402	2,774
Income taxes payable	501	1,703
Deferred income	1,210	1,164
Revolving line of credit	3,960	6,850
Current maturities of long-term debt	249	244
Total current liabilities	14,904	16,082
Long-term debt, less current portion	74,089	74,215
Long-term deferred gains	3,816	3,683
Other liabilities	12,327	13,802
Total liabilities	105,136	107,782
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 - 20,661,590 at June 30, 2015 and 20,636,478 at December 31, 2014	10,331	10,318
Additional paid-in capital	215,254	212,763
Accumulated other comprehensive loss	(6,693	) (6,899
Retained earnings	70,462	68,439
Total Tejon Ranch Co. Stockholders' Equity	289,354	284,621
Non-controlling interest	39,667	39,712

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Total equity	329,021	324,333
TOTAL LIABILITIES AND EQUITY	\$434,157	\$432,115

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See accompanying notes.

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

	Six Months Ended	
	June 30	
	2015	2014
Operating Activities		
Net income	\$1,978	\$1,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,431	2,449
Amortization of premium/discount of marketable securities	328	392
Equity in earnings of unconsolidated joint ventures	(2,806	) (1,586
Non-cash retirement plan expense	507	851
Deferred income taxes	1	—
Stock compensation expense	1,900	1,562
Changes in operating assets and liabilities:		
Receivables, inventories and other assets, net	(2,830	) 521
Current liabilities	124	(4,040
Net cash provided by operating activities	1,633	2,128
Investing Activities		
Maturities and sales of marketable securities	14,665	8,352
Funds invested in marketable securities	(12,200	) (6,142
Property and equipment expenditures	(12,113	) (11,479
Reimbursement proceeds from Communities Facilities District	4,971	—
Investment in unconsolidated joint ventures	—	(9,532
Distribution of equity from unconsolidated joint ventures	1,100	—
Investments in long-term water assets	—	(482
Other	(38)