

TEJON RANCH CO
Form 10-Q
November 07, 2012

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 September 30, 2012
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, Lebec, 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 Smaller reporting company

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 November 2, 2012 was 20,082,157.

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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 September 30 | | Nine Months Ended September 30 | | |
|--------------------------------------------------------------------------------------|------------------------------------|---------|-----------------------------------|----------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| Revenues: | | | | | |
| Real estate - commercial/industrial | \$6,185 | \$5,760 | \$18,741 | \$15,152 | |
| Real estate - resort/residential | 132 | 88 | 267 | 15,966 | |
| Farming | 9,797 | 8,917 | 14,534 | 12,165 | |
| Total revenues | 16,114 | 14,765 | 33,542 | 43,283 | |
| Costs and Expenses: | | | | | |
| Real estate - commercial/industrial | 3,089 | 3,249 | 9,184 | 9,435 | |
| Real estate - resort/residential | 1,430 | 1,001 | 3,585 | 2,878 | |
| Farming | 5,003 | 4,825 | 8,224 | 8,015 | |
| Corporate expenses | 2,590 | 2,655 | 9,437 | 8,253 | |
| Total expenses | 12,112 | 11,730 | 30,430 | 28,581 | |
| Operating income | 4,002 | 3,035 | 3,112 | 14,702 | |
| Other Income: | | | | | |
| Investment income | 313 | 317 | 948 | 927 | |
| Interest income (expense) | 33 | — | (2 |) — | |
| Other income | 15 | 17 | 50 | 77 | |
| Total other income | 361 | 334 | 996 | 1,004 | |
| Income from operations before equity in earnings of unconsolidated joint ventures | 4,363 | 3,369 | 4,108 | 15,706 | |
| Equity in earnings of unconsolidated joint ventures, net | 1,114 | 613 | 1,648 | 583 | |
| Income before income tax expense | 5,477 | 3,982 | 5,756 | 16,289 | |
| Income tax expense | 1,525 | 1,442 | 1,461 | 5,710 | |
| Net income | 3,952 | 2,540 | 4,295 | 10,579 | |
| Net loss attributable to non-controlling interest | (69 |) (18 |) (119 |) (77 |) |
| Net income attributable to common stockholders | \$4,021 | \$2,558 | \$4,414 | \$10,656 | |
| Net income per share attributable to common stockholders, basic | \$0.20 | \$0.13 | \$0.22 | \$0.54 | |
| Net income per share attributable to common stockholders, diluted | \$0.20 | \$0.13 | \$0.22 | \$0.54 | |

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TEJON RANCH CO. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------------------------------------------------------------|--------------------|---------|-------------------|----------|
| | September 30 | | September 30 | |
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$3,952 | \$2,540 | \$4,295 | \$10,579 |
| Other comprehensive income (loss): | | | | |
| Unrealized gains (losses) on available for sale securities | 193 | (274 |) 344 | 14 |
| Benefit plan adjustments | — | (112 |) — | (486 |
| Equity in other comprehensive income of unconsolidated joint venture | 33 | 39 | 152 | 128 |
| Other comprehensive income (loss) before taxes | 226 | (347 |) 496 | (344 |
| (Provisions) benefit for income taxes related to other comprehensive income (loss) items | (90 |) 109 | (198 |) 109 |
| Other comprehensive income (loss) | 136 | (238 |) 298 | (235 |
| Comprehensive income | 4,088 | 2,302 | 4,593 | 10,344 |
| Comprehensive loss attributable to non-controlling interests | (69 |) (18 |) (119 |) (77 |
| Comprehensive income attributable to common stockholders | \$4,157 | \$2,320 | \$4,712 | \$10,421 |

See accompanying notes.

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TEJON RANCH CO. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In thousands)

| | September 30, 2012 (unaudited) | December 31, 2011 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$7,208 | \$18,372 |
| Marketable securities - available-for-sale | 67,836 | 68,566 |
| Accounts receivable | 11,223 | 7,832 |
| Inventories | 6,178 | 3,587 |
| Prepaid expenses and other current assets | 4,187 | 4,317 |
| Deferred tax assets | 906 | 1,099 |
| Total current assets | 97,538 | 103,773 |
| Property and equipment - net of depreciation (includes \$71,258 at September 30, 2012 and \$66,412 at December 31, 2011, attributable to Centennial Founders LLC, Note E) | 140,086 | 128,430 |
| Investments in unconsolidated joint ventures | 52,885 | 53,893 |
| Long-term water assets | 28,714 | 28,336 |
| Long-term deferred tax assets | 6,839 | 6,845 |
| Other assets | 1,684 | 699 |
| TOTAL ASSETS | \$327,746 | \$321,976 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Trade accounts payable | \$4,273 | \$2,447 |
| Other accrued liabilities | 2,336 | 3,074 |
| Income taxes payable | 1,180 | 2,484 |
| Deferred income | 1,644 | 2,125 |
| Current portion of long-term debt | 39 | 37 |
| Total current liabilities | 9,472 | 10,167 |
| Long-term debt, less current portion | 223 | 253 |
| Long-term deferred gains | 2,248 | 2,664 |
| Other liabilities | 5,812 | 5,474 |
| Pension liability | 2,606 | 2,979 |
| Total liabilities | 20,361 | 21,537 |
| 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 - 20,082,157 at September 30, 2012 and 19,975,706 at December 31, 2011 | 10,037 | 9,988 |
| Additional paid-in capital | 196,577 | 194,273 |
| Accumulated other comprehensive loss | (4,458 |) (4,756 |
| Retained earnings | 65,523 | 61,109 |
| Total Tejon Ranch Co. Stockholders' Equity | 267,679 | 260,614 |
| Non-controlling interest | 39,706 | 39,825 |
| Total equity | 307,385 | 300,439 |

| | | |
|----------------------------------------------------------|-----------|-----------|
| TOTAL LIABILITIES AND EQUITY | \$327,746 | \$321,976 |
| See Notes to Unaudited Consolidated Financial Statements | | |

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

| | Nine Months Ended September 30 | |
|-----------------------------------------------------------------------------------|-----------------------------------|-------------------|
| | 2012 | 2011 |
| OPERATING ACTIVITIES | | |
| Net income | \$4,295 | \$10,579 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,294 | 3,066 |
| Equity in earnings | (1,648) |) (583) |
| Non-cash retirement plan expense | 313 | 70 |
| Amortization of stock compensation expense | 4,184 | 3,846 |
| Gains on sales of real estate/assets | (606) |) — |
| Gains on sale of easements | — | (15,730) |
| Deferred income taxes | — | (144) |
| Distribution of earnings from unconsolidated joint ventures | 7,200 | — |
| Changes in operating assets and liabilities: | | |
| Receivables, inventories and other assets, net | (5,458) |) 537 |
| Current liabilities, net | (1,088) |) 4,102 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 11,486 | 5,743 |
| INVESTING ACTIVITIES | | |
| Maturities and sales of marketable securities | 14,266 | 9,768 |
| Funds invested in marketable securities | (13,831) |) (28,739) |
| Property and equipment expenditures | (15,777) |) (9,509) |
| Proceeds from sale of easements | — | 15,750 |
| Investment in unconsolidated joint ventures | (5,404) |) (2,282) |
| Distribution of equity from unconsolidated joint ventures | 1,012 | — |
| Investment in pistachio processor | — | (485) |
| Other | (776) |) (532) |
| NET CASH USED IN INVESTING ACTIVITIES | (20,510) |) (16,029) |
| FINANCING ACTIVITIES | | |
| Borrowings of short-term debt | 1,500 | — |
| Repayments of short-term debt | (1,500) |) — |
| Repayments of long-term debt | (28) |) |