FIVEPOINT

# Five Point Holdings, LLC Announces Third Quarter 2018 Results

November 13, 2018

Third Quarter 2018 and Recent Highlights

- Continued land development activity at Newhall in Los Angeles County, Candlestick Point in San Francisco, and the Great Park Neighborhoods in Orange County.
- Consistent home buyer demand at the Great Park Neighborhoods.
- Company maintains strong credit profile, including total liquidity of $718.9 million and debt to total capitalization of 24.4% at September 30, 2018.

ALISO VIEJO, Calif.--(BUSINESS WIRE)-- Five Point Holdings, LLC (“Five Point” or the “Company”) (NYSE:FPH), an owner and developer of large mixed-use, master-planned communities in California, today reported financial results for the third quarter of 2018. Emile Haddad, Chairman and CEO, said, “Consistent job growth during the past six years and limited new residential construction activity in San Francisco, Los Angeles, and Orange County have resulted in pent-up demand in California’s primary housing markets. We think the persistence of this dynamic will benefit our communities in contrast with choppier demand trends in the national housing market. Operationally, our ongoing efforts to develop Newhall in Los Angeles County remain on track, and we continue to believe that we are positioned to generate revenue in that community sometime toward the end of 2019. In San Francisco, we are continuing to build infrastructure at Candlestick Point, consistent with our prior comments that this will be our main area of focus while the Navy continues retesting at Hunters Point. In the Great Park Neighborhoods, home buyer activity remains consistent with prior trends. From our perspective, a pronounced imbalance between levels of supply and demand across our markets is likely to persist into next year.”

## Third Quarter 2018 Consolidated Results

*Liquidity and Capital Resources*

As of September 30, 2018, total liquidity of $718.9 million was comprised of cash and cash equivalents totaling $594.9 million and borrowing availability of $124.0 million under our $125.0 million unsecured revolving credit facility. Total capital was $1.9 billion, reflecting $3.0 billion in assets and $1.1 billion in liabilities.

*Results of Operations for the Three Months Ended September 30, 2018*

**Revenues.** Revenues of $13.0 million for the three months ended September 30, 2018 were primarily generated from management services. Our adoption of new revenue accounting guidance on January 1, 2018 has resulted in accelerated recognition of revenue from variable incentive compensation in our development management agreement with the Great Park Venture.

**Equity in loss from unconsolidated entities.** Equity in loss from unconsolidated entities was $4.0 million for the three months ended September 30, 2018. The loss was primarily due to our proportionate share of the Great Park Venture's net loss during the quarter of $10.0 million. After adjusting for amortization and accretion of the basis difference, our equity in loss from our 37.5% percentage interest in the Great Park Venture was $3.5 million. Equity in loss from our 75% interest in the Gateway Commercial Venture was $0.5 million for the three months ended September 30, 2018.

**Selling, general, and administrative.** Selling, general, and administrative expenses were $26.2 million for the three months ended September 30, 2018.

**Net loss.** Consolidated net loss for the quarter was $21.9 million. The net loss attributable to noncontrolling interests totaled $11.9 million, resulting in a net loss attributable to the Company of $10.0 million.

*Segment Results*

**Newhall Segment.** Total segment revenues were $1.4 million for the third quarter of 2018 and were derived from agricultural leasing and the sale of citrus crops. Selling, general, and administrative expenses were $3.6 million for the three months ended September 30, 2018.

**San Francisco Segment.** Total segment revenues were $1.1 million for the third quarter of 2018. Revenues during the quarter were mostly attributable to fees generated from management agreements. Selling, general, and administrative expenses were $5.3 million for the three months ended September 30, 2018.

**Great Park Segment.** Total segment revenues were $11.3 million for the third quarter of 2018. Revenues were mainly attributable to management services we provide to the Great Park Venture. The Great Park segment's net loss for the quarter was $6.7 million, which included net loss of $10.0 million attributed to the Great Park Venture that is not consolidated in our financial statements. After adjusting to account for a difference in investment basis, the Company's equity in loss from the Great Park Venture was $3.5 million for the three months ended September 30, 2018.

**Commercial Segment.** For the three months ended September 30, 2018, the Commercial segment recognized $6.9 million in revenues from rental income at the Five Point Gateway Campus and property management services provided by us at the Five Point Gateway Campus. Segment expenses were mostly comprised of depreciation, amortization and interest expense totaling $5.8 million. Segment net loss was approximately $46,000. Our share of equity in loss from the Gateway Commercial Venture totaled $0.5 million for the three months ended September 30, 2018.

## Conference Call Information

In conjunction with this release, Five Point will host a conference call today, Tuesday, November 13, 2018 at 5:00 p.m. Eastern Time. Emile Haddad, President and Chief Executive Officer, and Erik Higgins, Vice President and Chief Financial Officer, will host the call. Interested investors and other parties can listen to a live Internet audio webcast of the conference call that will be available on the Five Point website at ir.fivepoint.com. The conference call can also be accessed by dialing (877) 425-9470 (domestic) or (201) 389-0878 (international). A telephonic replay will be available starting approximately two hours after the end of the call by dialing (844) 512-2921, or for international callers, (412) 317-6671. The passcode for the live call and the replay is 13684857. The telephonic replay will be available until 11:59 p.m. Eastern Time on November 27, 2018.

## About Five Point

Five Point, headquartered in Aliso Viejo, California, designs and develops large mixed-use, master-planned communities in Orange County, Los Angeles County, and San Francisco County that combine residential, commercial, retail, educational, and recreational elements with public amenities, including civic areas for parks and open space. Five Point's communities include the Great Park Neighborhoods® in Orange County, Newhall Ranch® in Los Angeles County, and Candlestick Point and The San Francisco Shipyard in the City of San Francisco.

These communities are designed to include approximately 40,000 residential homes and approximately 23 million square feet of commercial space.

## Forward-Looking Statements

This press release contains forward-looking statements that are subject to risks and uncertainties. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. When used, the words “anticipate,” “believe,” “expect,” “intend,” “may,” “might,” “plan,” “estimate,” “project,” “should,” “will,” “would,” “result” and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. This press release may contain forward-looking statements regarding: our expectations of our future revenues, costs and financial performance; future demographics and market conditions in the areas where our communities are located; the outcome of pending litigation and its effect on our operations; the timing of our development activities; and the timing of future real estate purchases or sales. We caution you that any forward-looking statements included in this press release are based on our current views and information currently available to us. Forward-looking statements are subject to risks, trends, uncertainties and factors that are beyond our control. Some of these risks and uncertainties are described in more detail in our filings with the SEC, including our Annual Report on Form 10-K, under the heading “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law.

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**FIVE POINT HOLDINGS, LLC**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands)**

**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| REVENUES: | | | | |
| Land sales | $ 70 | $ 2,655 | $ 122 | $ 7,859 |
| Land sales—related party | 225 | 693 | 667 | 85,551 |
| Management services—related party | 11,159 | 5,466 | 34,366 | 16,417 |
| Operating properties | 1,534 | 2,805 | 5,890 | 7,341 |
| Total revenues | 12,988 | 11,619 | 41,045 | 117,168 |
| COSTS AND EXPENSES: | | | | |
| Land sales | 90 | 1,641 | 180 | 83,755 |
| Management services | 6,684 | 2,572 | 20,536 | 7,878 |
| Operating properties | 1,027 | 3,115 | 4,524 | 8,307 |

| | | | | |
|---|---|---|---|---|
| Selling, general, and administrative | 26,220 | 37,450 | 83,831 | 92,605 |
| Total costs and expenses | 34,021 | 44,778 | 109,071 | 192,545 |
| OTHER INCOME: | | | | |
| Adjustment to payable pursuant to tax receivable agreement | — | — | 1,928 | — |
| Interest income | 3,062 | — | 8,719 | — |
| Miscellaneous | 60 | 23 | 8,472 | 69 |
| Total other income | 3,122 | 23 | 19,119 | 69 |
| EQUITY IN (LOSS) EARNINGS FROM UNCONSOLIDATED ENTITIES | (4,028) | 22,825 | 1,368 | 17,584 |
| LOSS BEFORE INCOME TAX BENEFIT | (21,939) | (10,311) | (47,539) | (57,724) |
| INCOME TAX BENEFIT | — | — | — | — |
| NET LOSS | (21,939) | (10,311) | (47,539) | (57,724) |
| LESS NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | (11,920) | (5,844) | (27,128) | (35,632) |
| NET LOSS ATTRIBUTABLE TO | $ (10,019) | $ (4,467) | $ (20,411) | $ (22,092) |

| THE COMPANY | | | | |
|---|---|---|---|---|
| NET LOSS ATTRIBUTABLE TO THE COMPANY PER CLASS A SHARE | | | | |
| Basic | $ (0.15) | $ (0.07) | $ (0.31) | $ (0.45) |
| Diluted | $ (0.15) | $ (0.07) | $ (0.33) | $ (0.45) |
| WEIGHTED AVERAGE CLASS A SHARES OUTSTANDING | | | | |
| Basic | 65,740,931 | 62,946,348 | 64,736,942 | 51,024,766 |
| Diluted | 65,740,931 | 62,946,348 | 144,872,638 | 51,024,766 |
| NET LOSS ATTRIBUTABLE TO THE COMPANY PER CLASS B SHARE | | | | |
| Basic and diluted | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| WEIGHTED AVERAGE CLASS B SHARES OUTSTANDING | | | | |
| Basic and diluted | 79,145,487 | 81,463,433 | 80,111,663 | 77,944,525 |

**FIVE POINT HOLDINGS, LLC**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except shares)**
**(Unaudited)**

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| **ASSETS** | | |
| INVENTORIES | $ 1,628,113 | $ 1,425,892 |
| INVESTMENT IN UNCONSOLIDATED ENTITIES | 542,880 | 530,007 |
| PROPERTIES AND EQUIPMENT, NET | 29,869 | 29,656 |
| ASSETS HELD FOR SALE, NET | — | 4,519 |
| INTANGIBLE ASSET, NET—RELATED PARTY | 97,212 | 127,593 |
| CASH AND CASH EQUIVALENTS | 594,908 | 848,478 |
| RESTRICTED CASH AND CERTIFICATES OF DEPOSIT | 1,403 | 1,467 |
| RELATED PARTY ASSETS | 55,049 | 3,158 |
| OTHER ASSETS | 9,433 | 7,585 |

| | | |
|---|---|---|
| TOTAL | $ 2,958,867 | $ 2,978,355 |
| **LIABILITIES AND CAPITAL** | | |
| LIABILITIES: | | |
| Notes payable, net | $ 556,707 | $ 560,618 |
| Accounts payable and other liabilities | 186,488 | 167,620 |
| Liabilities related to assets held for sale | — | 5,363 |
| Related party liabilities | 178,675 | 186,670 |
| Payable pursuant to tax receivable agreement | 168,027 | 152,475 |
| Total liabilities | 1,089,897 | 1,072,746 |
| CAPITAL: | | |
| Class A common shares; No par value; Issued and outstanding: 2018—66,504,137 shares; 2017—62,314,850 shares | | |
| Class B common shares; No par value; Issued and outstanding: 2018—79,145,487 shares; 2017—81,463,433 shares | | |
| Contributed capital | 551,905 | 530,015 |

| | | |
|---|---|---|
| Retained earnings | 48,114 | 57,841 |
| Accumulated other comprehensive loss | (2,530) | (2,455) |
| Total members' capital | 597,489 | 585,401 |
| Noncontrolling interests | 1,271,481 | 1,320,208 |
| Total capital | 1,868,970 | 1,905,609 |
| TOTAL | $ 2,958,867 | $ 2,978,355 |

**FIVE POINT HOLDINGS, LLC**
**SUPPLEMENTAL DATA**
**(In thousands)**
**(Unaudited)**

**Liquidity**

| | September 30, 2018 |
|---|---|
| Cash and cash equivalents | $ 594,908 |
| Borrowing capacity (1) | 124,000 |
| Total liquidity | $ 718,908 |

(1) As of September 30, 2018, no funds have been drawn on the Company's $125.0 million revolving credit facility; however, letters of credit of $1.0 million are issued and outstanding under the revolving credit facility, thus reducing the available capacity by the outstanding letters of credit amount.

**Debt to Total Capitalization**

| | September 30, 2018 |
|---|---|
| Debt (1) | $ 602,692 |
| Total capital | 1,868,970 |
| Total capitalization | $ 2,471,662 |
| Debt to total capitalization | 24.4% |

(1) For purposes of this calculation, debt consists of (i) the outstanding principal on the Company's 7.875% senior notes due 2025 of $500.0 million, and (ii) the Company's related party EB-5 reimbursement obligation of $102.7 million.

**Segment Results**

*Newhall*

The following table summarizes the results of operations of our Newhall segment for the three months and nine months ended September 30, 2018 and 2017.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousands) | | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Land sales | $ 70 | $ 2,655 | $ 122 | $ 7,859 |
| Land sales—related party | 4 | 109 | 4 | 962 |
| Operating properties | 1,354 | 2,501 | 5,342 | 6,983 |
| *Total revenues* | 1,428 | 5,265 | 5,468 | 15,804 |
| Costs and expenses | | | | |
| Land sales | 14 | 1,197 | 104 | 3,166 |
| Operating properties | 1,027 | 3,115 | 4,524 | 8,307 |
| Selling, general, and administrative | 3,615 | 7,045 | 12,131 | 23,604 |
| *Total costs and expenses* | 4,656 | 11,357 | 16,759 | 35,077 |

| | | | | |
|---|---|---|---|---|
| Other income | 60 | 23 | 6,922 | 69 |
| Segment loss | $ (3,168) | $ (6,069) | $(4,369) | $(19,204) |

*San Francisco*

The following table summarizes the results of operations of our San Francisco segment for the three months and nine months ended September 30, 2018 and 2017.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousands) | | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Land sales—related party | $ 221 | $ 584 | $ 663 | $84,589 |
| Operating property | 180 | 304 | 548 | 358 |
| Management services—related party | 689 | 1,467 | 3,741 | 4,352 |
| *Total revenues* | 1,090 | 2,355 | 4,952 | 89,299 |

| | | | | |
|---|---|---|---|---|
| Costs and expenses | | | | |
| Land sales | 76 | 444 | 76 | 80,589 |
| Management services | 219 | 183 | 830 | 503 |
| Selling, general, and administrative | 5,281 | 7,266 | 18,211 | 20,772 |
| *Total costs and expenses* | 5,576 | 7,893 | 19,117 | 101,864 |
| Segment loss | $ (4,486) | $ (5,538) | $(14,165) | $(12,565) |

*Great Park*

The following table summarizes the results of operations of our Great Park segment for the three months and nine months ended September 30, 2018 and 2017.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | | (in thousands) | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |

| | | | | |
|---|---|---|---|---|
| Land sales | $ 485 | $ 457,516 | $ 171,061 | $ 461,710 |
| Land sales—related party | 936 | 720 | 1,373 | 3,706 |
| Management services—related party | 9,833 | 3,929 | 29,808 | 11,995 |
| *Total revenues* | 11,254 | 462,165 | 202,242 | 477,411 |
| Costs and expenses | | | | |
| Land sales | — | 325,678 | 118,113 | 328,871 |
| Management services | 6,465 | 2,389 | 19,706 | 7,375 |
| Selling, general, and administrative | 9,365 | 6,364 | 26,157 | 18,444 |
| Management fees—related party | 2,594 | 1,539 | 17,858 | 4,618 |
| *Total costs and expenses* | 18,424 | 335,970 | 181,834 | 359,308 |
| Interest income | 505 | — | 2,392 | — |
| Segment (loss) income | $ (6,665) | $ 126,195 | $ 22,800 | $ 118,103 |

The table below reconciles the Great Park segment results to the equity in (loss) earnings from our investment in the Great Park Venture that is reflected in the condensed consolidated statements of operations for the three months and nine months ended September 30, 2018 and 2017.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousands) | | | |
| Segment net (loss) income from operations | $ (6,665) | $ 126,195 | $22,800 | $118,103 |
| Less net income of management company attributed to the Great Park segment | 3,368 | 1,574 | 10,102 | 4,618 |
| *Net (loss) income of Great Park Venture* | (10,033) | 124,621 | 12,698 | 113,485 |
| The Company's share of net (loss) income of the Great Park Venture | (3,762) | 46,733 | 4,762 | 42,557 |
| Basis difference accretion (amortization) | 246 | (23,770) | (3,406) | (24,835) |
| Equity in (loss) earnings from the Great Park Venture | $ (3,516) | $ 22,963 | $ 1,356 | $ 17,722 |

*Commercial*

The following table summarizes the results of operations of our Commercial segment for the three months and nine months ended September 30, 2018.

| | Three Months Ended September 30, | Nine Months Ended September 30, |
|---|---|---|
| | 2018 | 2018 |
| | (in thousands) | |
| **Statement of Operations Data** | | |
| Revenues | | |
| Rental and related income | $ 6,299 | $ 19,245 |
| Property management fees | 637 | 817 |
| *Total revenues* | 6,936 | 20,062 |
| Costs and expenses | | |
| Rental operating expenses | 1,106 | 2,773 |
| Other expenses | 5,876 | 16,456 |
| *Total costs and expenses* | 6,982 | 19,229 |
| Segment (loss) income | $ (46) | $ 833 |

The table below reconciles the Commercial segment results to the equity in (loss) earnings from our investment in the Gateway Commercial Venture that is reflected in the condensed consolidated statements of operations for the three and nine months ended September 30, 2018.

| | Three Months Ended September 30, | Nine Months Ended September 30, |
|---|---|---|
| | 2018 | 2018 |
| | (in thousands) | |
| Segment net (loss) income from operations | $ (46) | $ 833 |
| Less net income of management company attributed to the Commercial segment | 637 | 817 |
| *Net (loss) income of Gateway Commercial Venture* | (683) | 16 |
| Equity in (loss) earnings from the Gateway Commercial Venture | $ (512) | $ 12 |

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