# Five Point Holdings, LLC Reports Second Quarter 2020 Results

August 13, 2020

Second Quarter 2020 and Recent Highlights

- Closed 70 previously sold homesites at Valencia with a base purchase price of $16.6 million, including a seller secured note that is payable in December 2020.
- $56.3 million distribution received from Gateway Commercial Venture from proceeds generated by the sale of approximately 11 acres of land and an approximately 189,000 square foot building to City of Hope.
- Company maintains liquidity of $339.7 million at June 30, 2020.
- Subsequent to the end of the second quarter, the Gateway Commercial Venture closed on the sale of two buildings at the Five Point Gateway Campus for a purchase price of $355 million.

IRVINE, 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 its second quarter 2020 results. Emile Haddad, Chairman and CEO, said, “While we remain cautious about current market conditions, our strong balance sheet and liquidity position give us confidence, and we are encouraged by the positive sentiment of homebuilders and the consistent pace of home sales at our Great Park Neighborhoods community. The recent commercial sales at the Five Point Gateway Campus are strong evidence of the value we are creating within our communities.”

## Second Quarter 2020 Consolidated Results

*Liquidity and Capital Resources*

As of June 30, 2020, total liquidity of $339.7 million was comprised of cash and cash equivalents totaling $215.1 million and borrowing availability of $124.7 million under our $125.0 million unsecured revolving credit facility. Total capital

was $1.8 billion, reflecting $2.9 billion in assets and $1.1 billion in liabilities and redeemable noncontrolling interests.

*Results of Operations for the Three Months Ended June 30, 2020*

**Revenues.** Revenues of $24.3 million for the three months ended June 30, 2020 were primarily generated from land sales at our Valencia segment.

**Equity in earnings from unconsolidated entities.** Equity in earnings from unconsolidated entities was $23.9 million for the three months ended June 30, 2020, comprised of a $4.1 million loss from our 37.5% percentage interest in the Great Park Venture and earnings of $28.0 million from our 75% interest in the Gateway Commercial Venture.

**Selling, general, and administrative.** Selling, general, and administrative expenses were $16.3 million for the three months ended June 30, 2020.

**Net income.** Consolidated net income for the quarter was $14.2 million. The net income attributable to noncontrolling interests totaled $7.6 million, resulting in net income attributable to the Company of $6.6 million.

*Segment Results*

**Valencia Segment (formerly Newhall).** Total segment revenues were $17.9 million for the second quarter of 2020. Revenues were mainly attributable to the sale of land entitled for 70 homesites on approximately seven acres in Valencia. The base purchase price was $16.6 million and the gross margin was approximately 30%. Selling, general, and administrative expenses were $2.7 million for the three months ended June 30, 2020.

**San Francisco Segment.** Selling, general, and administrative expenses were $2.6 million for the three months ended June 30, 2020.

**Great Park Segment.** The Great Park segment’s net loss for the quarter was $10.2 million, which included net income of $1.8 million from management services and a net loss of $12.0 million attributed to the Great Park Venture. We do not include the Great Park Venture as a consolidated subsidiary in our consolidated financial statements but rather account for it as an equity method investee. After adjusting to account for a difference in investment basis, the Company’s equity in loss from the Great Park Venture was $4.1 million for the three months ended June 30, 2020.

**Commercial Segment.** In May 2020, the Gateway Commercial Venture closed on the sale of approximately 11 acres of land and an approximately 189,000 square foot building to City of Hope for a purchase price of $108.0 million. The sale of this land and building, which had a carrying value of approximately $67.5 million, resulted in a gain of approximately $37.4 million, net of transaction costs. Concurrently, the Gateway Commercial Venture made a debt payment of $30.0 million to its lender and made total distributions to its members of approximately $75.0 million, of which approximately $56.3 million was distributed to us. Segment net income was approximately $37.4 million, which included net income of $0.1 million from management services and net income of $37.3 million attributed to the Gateway Commercial Venture. We do not include the Gateway Commercial Venture as a consolidated subsidiary in our consolidated financial statements but rather account for it as an equity method investee. Our share of equity in earnings from the Gateway Commercial Venture totaled $28.0 million for the three months ended June 30, 2020.

## Conference Call Information

In conjunction with this release, Five Point will host a conference call today, Thursday, August 13, 2020 at 5:00 pm 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 (800) 437-2398 (domestic) or (720) 452-9102 (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 6656122. The telephonic replay will be available until 11:59 p.m. Eastern Time on August 27, 2020.

## About Five Point

Five Point, headquartered in Irvine, 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 Irvine, Valencia® (formerly known as Newhall Ranch®) in Los Angeles County, and Candlestick® 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 and our Quarterly Reports on Form 10-Q, 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.

## FIVE POINT HOLDINGS, LLC

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**(In thousands, except share and per share amounts)**

**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| REVENUES: | | | | |
| Land sales | $ 17,028 | $ 10 | $ 17,034 | $ 65 |
| Land sales—related party | 2 | 236 | 12 | 466 |
| Management services —related party | 6,314 | 11,168 | 14,558 | 22,231 |
| Operating properties | 963 | 973 | 1,923 | 2,698 |
| Total revenues | 24,307 | 12,387 | 33,527 | 25,460 |
| COSTS AND EXPENSES: | | | | |
| Land sales | 11,861 | — | 11,861 | — |
| Management services | 4,416 | 7,479 | 10,467 | 15,095 |
| Operating properties | 1,699 | 1,199 | 3,644 | 3,100 |

| | | | | |
|---|---|---|---|---|
| Selling, general, and administrative | 16,312 | 25,993 | 40,938 | 51,766 |
| Total costs and expenses | 34,288 | 34,671 | 66,910 | 69,961 |
| OTHER INCOME: | | | | |
| Interest income | 226 | 2,316 | 1,232 | 4,770 |
| Gain on settlement of contingent consideration—related party | — | — | — | 64,870 |
| Miscellaneous | 88 | 9 | 176 | 19 |
| Total other income | 314 | 2,325 | 1,408 | 69,659 |
| EQUITY IN EARNINGS (LOSS) FROM UNCONSOLIDATED ENTITIES | 23,905 | (2,669) | (7,006) | 6,213 |
| INCOME (LOSS) BEFORE INCOME TAX (PROVISION) BENEFIT | 14,238 | (22,628) | (38,981) | 31,371 |
| INCOME TAX (PROVISION) BENEFIT | — | — | — | (1,266) |
| NET INCOME (LOSS) | 14,238 | (22,628) | (38,981) | 30,105 |

| | | | | |
|---|---|---|---|---|
| LESS NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 7,606 | (12,116) | (20,807) | 16,809 |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY | $ 6,632 | $ (10,512) | $ (18,174) | $ 13,296 |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY PER CLASS A SHARE | | | | |
| Basic | $ 0.10 | $ (0.16) | $ (0.27) | $ 0.19 |
| Diluted | $ 0.10 | $ (0.16) | $ (0.27) | $ 0.18 |
| WEIGHTED AVERAGE CLASS A SHARES OUTSTANDING | | | | |
| Basic | 66,731,233 | 66,256,961 | 66,690,550 | 66,234,066 |
| Diluted | 142,851,412 | 66,256,961 | 68,854,356 | 145,403,189 |
| NET INCOME (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 | 79,233,544 | 79,275,234 | 79,233,544 | 79,169,124 |
| Diluted | 79,233,544 | 79,275,234 | 79,233,544 | 79,275,824 |

**FIVE POINT HOLDINGS, LLC**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In thousands, except shares)**

**(Unaudited)**

| | June 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| INVENTORIES | $ 1,978,879 | $ 1,889,761 |
| INVESTMENT IN UNCONSOLIDATED ENTITIES | 469,564 | 533,239 |
| PROPERTIES AND EQUIPMENT, NET | 33,274 | 32,312 |
| INTANGIBLE ASSET, NET—RELATED PARTY | 75,629 | 80,350 |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS | 215,085 | 346,833 |
| RESTRICTED CASH AND CERTIFICATES OF DEPOSIT | 1,742 | 1,741 |
| RELATED PARTY ASSETS | 97,373 | 97,561 |
| OTHER ASSETS | 36,757 | 22,903 |
| TOTAL | $ 2,908,303 | $ 3,004,700 |
| | | |
| **LIABILITIES AND CAPITAL** | | |
| LIABILITIES: | | |
| Notes payable, net | $ 616,814 | $ 616,046 |
| Accounts payable and other liabilities | 122,262 | 167,711 |
| Related party liabilities | 119,759 | 127,882 |
| Deferred income tax liability, net | 11,628 | 11,628 |
| Payable pursuant to tax receivable agreement | 173,248 | 172,633 |
| Total liabilities | 1,043,711 | 1,095,900 |

| | | |
|---|---|---|
| REDEEMABLE NONCONTROLLING INTEREST | 25,000 | 25,000 |
| CAPITAL: | | |
| Class A common shares; No par value; Issued and outstanding: 2020—69,056,591 shares; 2019—68,788,257 shares | | |
| Class B common shares; No par value; Issued and outstanding: 2020—79,233,544 shares; 2019—79,233,544 shares | | |
| Contributed capital | 572,587 | 571,532 |
| Retained earnings | 24,475 | 42,844 |
| Accumulated other comprehensive loss | (2,656) | (2,682) |
| Total members' capital | 594,406 | 611,694 |
| Noncontrolling interests | 1,245,186 | 1,272,106 |
| Total capital | 1,839,592 | 1,883,800 |
| TOTAL | $ 2,908,303 | $ 3,004,700 |

**SUPPLEMENTAL DATA**

**(In thousands)**

**(Unaudited)**

## Liquidity

| | June 30, 2020 |
|---|---|
| Cash and cash equivalents | $ 215,085 |
| Borrowing capacity (1) | 124,651 |
| Total liquidity | $ 339,736 |

(1) As of June 30, 2020, no amounts were drawn on the Company's $125.0 million revolving credit facility; however, letters of credit of approximately $0.3 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

| | June 30, 2020 |
|---|---|
| Debt (1) | $ 625,000 |
| Total capital | 1,839,592 |
| Total capitalization | $ 2,464,592 |

| | |
|---|---|
| Debt to total capitalization | 25.4% |

(1) For purposes of this calculation, debt is not the same as the calculation of "Consolidated Funded Indebtedness" under the Company's revolving credit facility and Senior Notes indenture, which would include a $95.0 million related party contractual reimbursement obligation. Prior to the second quarter of 2019, the Company presented this calculation inclusive of the reimbursement obligation.

## Segment Results

*Valencia (formerly Newhall)*

The following table summarizes the results of operations of our Valencia segment for the three and six months ended June 30, 2020 and 2019.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | | **(in thousands)** | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Land sales | $ 17,028 | $ 10 | $ 17,034 | $ 65 |
| Land sales—related party | 2 | 14 | 12 | 23 |
| Operating properties | 831 | 796 | 1,611 | 2,347 |
| *Total revenues* | 17,861 | 820 | 18,657 | 2,435 |

| | | | | |
|---|---|---|---|---|
| Costs and expenses | | | | |
| Land sales | 11,861 | — | 11,861 | — |
| Operating properties | 1,699 | 1,199 | 3,644 | 3,100 |
| Selling, general, and administrative | 2,713 | 3,892 | 6,446 | 7,701 |
| *Total costs and expenses* | 16,273 | 5,091 | 21,951 | 10,801 |
| Other income | 89 | 10 | 177 | 21 |
| Segment income (loss) | $ 1,677 | $ (4,261) | $ (3,117) | $ (8,345) |

*San Francisco*

The following table summarizes the results of operations of our San Francisco segment for the three and six months ended June 30, 2020 and 2019.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | | **(in thousands)** | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Land sales—related party | $ — | $ 222 | $ — | $ 443 |

| | | | | |
|---|---|---|---|---|
| Operating property | 132 | 177 | 312 | 351 |
| Management services—related party | 40 | 573 | 835 | 1,271 |
| *Total revenues* | 172 | 972 | 1,147 | 2,065 |
| Costs and expenses | | | | |
| Management services | 13 | 252 | 488 | 629 |
| Selling, general, and administrative | 2,625 | 5,185 | 6,217 | 9,697 |
| *Total costs and expenses* | 2,638 | 5,437 | 6,705 | 10,326 |
| Other income—gain on settlement of contingent consideration, related party | — | — | — | 64,870 |
| Segment (loss) income | $ (2,466) | $ (4,465) | $ (5,558) | $ 56,609 |

*Great Park*

The following table summarizes the results of operations of our Great Park segment for the three and six months ended June 30, 2020 and 2019.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |

| | (in thousands) | | | |
|---|---|---|---|---|
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Land sales | $ 346 | $ 31,079 | $ 21,821 | $ 62,545 |
| Land sales—related party | 304 | 2,338 | 1,005 | 130,035 |
| Management services—related party | 6,177 | 10,437 | 13,529 | 20,833 |
| *Total revenues* | 6,827 | 43,854 | 36,355 | 213,413 |
| Costs and expenses | | | | |
| Land sales | — | 21,149 | 15,304 | 128,968 |
| Management services | 4,403 | 7,227 | 9,979 | 14,466 |
| Selling, general, and administrative | 8,784 | 10,496 | 20,732 | 17,071 |
| Management fees—related party | 4,040 | 8,403 | 4,193 | 16,620 |
| *Total costs and expenses* | 17,227 | 47,275 | 50,208 | 177,125 |
| Interest income | 215 | 1,096 | 1,126 | 1,655 |

| | | | | |
|---|---|---|---|---|
| Segment (loss) income | $ (10,185) | $ (2,325) | $ (12,727) | $ 37,943 |

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 and six months ended June 30, 2020 and 2019.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | | **(in thousands)** | | |
| Segment net (loss) income from operations | $ (10,185) | $ (2,325) | $ (12,727) | $ 37,943 |
| Less net income of management company attributed to the Great Park segment | 1,774 | 3,211 | 3,550 | 6,368 |
| *Net (loss) income of Great Park Venture* | (11,959) | (5,536) | (16,277) | 31,575 |
| The Company's share of net (loss) income of the Great Park Venture | (4,485) | (2,076) | (6,104) | 11,841 |
| Basis difference accretion (amortization) | 393 | 580 | (1,497) | (3,893) |

| | | | | |
|---|---|---|---|---|
| Other-than-temporary investment impairment | — | — | (26,851) | — |
| Equity in (loss) earnings from the Great Park Venture | $ (4,092) | $ (1,496) | $ (34,452) | $ 7,948 |

*Commercial*

The following table summarizes the results of operations of our Commercial segment for the three and six months ended June 30, 2020 and 2019.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | | **(in thousands)** | | |
| **Statement of Operations Data** | | | | |
| Revenues | | | | |
| Rental and related income | $ 6,447 | $ 6,713 | $ 12,862 | $ 13,104 |
| Rental and related income—related party | 2,059 | 2,041 | 4,120 | 4,030 |
| Property management services—related party | 97 | 158 | 194 | 127 |
| *Total revenues* | 8,603 | 8,912 | 17,176 | 17,261 |

| | | | | |
|---|---|---|---|---|
| Costs and expenses | | | | |
| Rental operating expenses | 1,619 | 1,584 | 3,255 | 3,148 |
| Interest | 3,231 | 4,358 | 6,942 | 8,689 |
| Depreciation | 2,612 | 3,307 | 5,355 | 5,484 |
| Amortization | 1,038 | 1,029 | 2,077 | 2,058 |
| Other expenses | 90 | 40 | 172 | 69 |
| *Total costs and expenses* | 8,590 | 10,318 | 17,801 | 19,448 |
| Other income—gain on asset sale, net | 37,413 | — | 37,413 | — |
| Segment income (loss) | $ 37,426 | $ (1,406) | $ 36,788 | $ (2,187) |

The table below reconciles the Commercial segment results to the equity in earnings (loss) from our investment in the Gateway Commercial Venture that is reflected in the condensed consolidated statements of operations for the three and six months ended June 30, 2020 and 2019.

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **(in thousands)** | | | |

| | | | | |
|---|---|---|---|---|
| Segment net income (loss) from operations | $ 37,426 | $ (1,406) | $ 36,788 | $ (2,187) |
| Less net income of management company attributed to the Commercial segment | 97 | 158 | 194 | 127 |
| *Net income (loss) of Gateway Commercial Venture* | 37,329 | (1,564) | 36,594 | (2,314) |
| Equity in earnings (loss) from the Gateway Commercial Venture | $ 27,997 | $ (1,173) | $ 27,446 | $ (1,735) |

View source version on businesswire.com: https://www.businesswire.com/news/home/20200813005774/en/

Investor Relations:

Bob Wetenhall, 949-349-1087

bob.wetenhall@fivepoint.com

or

Media:

Steve Churm, 949-349-1034

steve.churm@fivepoint.com

Source: Five Point Holdings, LLC

Powered by SITECORE