

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 9, 2021**

PURE CYCLE CORPORATION

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation)

0-8814

(Commission File Number)

84-0705083

(IRS Employer Identification No.)

34501 East Quincy Avenue, Building 34, Box 10, Watkins, CO 80137

(Address of principal executive offices) (Zip Code)

Registrant's telephone, including area code

(303) 292-3456

N/A

(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock 1/3 of \$.01 par value

(Title of each class)

PCYO

(Trading Symbol(s))

The NASDAQ Stock Market

(Name of each exchange on which registered)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

This current report on Form 8-K is filed by Pure Cycle Corporation (the “Registrant”), a Colorado corporation, in connection with the matters described herein.

Item 2.02 Results of Operations and Financial Condition.

On November 9, 2021, Pure Cycle Corporation issued a press release announcing its financial results for the three and twelve months ended August 31, 2021. A copy of the press release is furnished as Exhibit 99.1 hereto, and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the press release furnished as Exhibit 99.1 to this current report on Form 8-K shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information or exhibit be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except as shall be expressly set forth by specific reference in any such filing.

Item 7.01 Regulation FD Disclosure.

On November 9, 2021, Pure Cycle announced its financial results for the twelve months ended August 31, 2021. In conjunction with this release, the Company issued a presentation summarizing Pure Cycle’s operations and financial results (the “Earnings Presentation”). The Earnings Presentation is furnished as Exhibit 99.2 to this Form 8-K and is incorporated herein by reference.

The information contained in the Earnings Presentation is summary information and should be read in conjunction with Pure Cycle’s filings with the Securities and Exchange Commission and other public announcements that Pure Cycle may make by press release or otherwise from time to time. The Earnings Presentation will be posted in the Investor Relations section of Pure Cycle’s website, www.purecyclewater.com

The information contained in this Item 7.01 of Form 8-K, including the accompanying Exhibit 99.2 is being furnished, and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. The information contained in the presentation shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated November 9, 2021
99.2	Earnings Presentation dated November 9, 2021
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 12, 2021

PURE CYCLE CORPORATION

By: /s/ Kevin B. McNeill

Kevin B. McNeill

President and Chief Financial Officer

Pure Cycle Posts Strong Fiscal 2021 Financial Results

Denver, Colorado, November 9, 2021 – Pure Cycle Corporation (NASDAQ Capital Market: PCYO) posted net income of \$20.1 million for its year ended August 31, 2021. Fiscal 2021 marked another positive year for Pure Cycle highlighted by the following:

- Substantially completed the first development phase at Sky Ranch – sold a total of 505 lots since 2018
- Commenced development on the first subphase of the second development phase at Sky Ranch – contracted for the sale of 804 lots that will be developed in four subphases
 - constructing 229 lots, of which we had the first closing on 152 lots generating \$3.9 million in cash proceeds, with 67 lots being under finished lot agreements that will close in fiscal 2022
 - remaining 10 lots we will use in our single-family rental business
- Launched single-family rental division with the construction of three homes to be used for rentals
 - all three rental homes are occupied effective November 1, 2021 at rates above what we budgeted
- Recognized \$2.8 million in revenues from oil and gas customers
- Recognized \$21.8 million of combined project management revenue, interest income and other income from the recognition of reimbursable public improvements
- Recognized \$5.2 million in tap fees

“We are pleased to have received our first milestone payments for lots in Phase 2 of Sky Ranch in fiscal 2021” commented Mark Harding, President of Pure Cycle. “Our second phase of Sky Ranch incorporates three development contracts, the first which is the largest, is our standard structure where we deliver lots pursuant to development agreements requiring milestone payments as construction progresses; the second is finished lot agreements where the builder makes a single payment at finished lot delivery; and the third is new where we retain the lots for use in our rental business. While COVID and supply chain disruption issues had some impact on starting our second phase, our contractors made great progress with the dirt and utility work so we can deliver lots for construction of model homes late in 2021 and meet our delivery obligations for our homebuilders next year. Since we started developing Sky Ranch, 464 or 92% of the first phase lots have purchased water and wastewater taps, totaling \$14.0 million in tap fees. In addition, we are excited to bring our three houses to market for rentals, which were built on budget and are rented at prices above what we budgeted” concluded Mr. Harding.

Financial Highlights for 2021

Revenue – Total revenue was \$17.1 million, comprised mainly of the following amounts:

- \$5.8 million of recognized lot sales
- \$5.2 million of tap fees
- \$2.8 million from oil and gas operations, and
- \$1.0 million from water and wastewater usage fees

Profitability – The \$17.1 million of revenue generated \$10.7 million of gross profit, which was then positively impacted by interest and other income resulting in the realization of \$20.1 million of net income.

Working Capital – As of August 31, 2021, our working capital was \$26.3 million, which includes cash of \$20.1 million.

“In 2021 we determined, based on current facts and circumstances, it is probable the Sky Ranch Community Authority Board will be able to repay us for the advances we made to construct the public improvements at Sky Ranch. This not only resulted in the recording of more than \$21.0 million of project management revenue and other income but we believe will better align the reporting of these costs with substance of the agreements with the Sky Ranch Community Authority Board. We continue to focus on developing the Sky Ranch community, and producing recurring revenues from our single-family rental business,” commented Kevin McNeill, Pure Cycle’s CFO. “We look forward to completing the first subphase of the second development phase at Sky Ranch and expanding our rental business over the coming years,” concluded Mr. McNeill.

Operational Summary

Water and wastewater resource development – Our wholesale water and wastewater service segment continues to grow as houses are closed at Sky Ranch and Wild Pointe and as irrigation and landscaping needs require higher water usage and improved industrial water sales. We delivered 258 million gallons of water during fiscal 2021, with approximately 26% of that delivered to Sky Ranch and Wild Pointe. As homes continue selling at Sky Ranch, we continue to collect water and wastewater taps fees and usage revenues, in fact during the twelve months ended August 31, 2021, we sold 163 water and wastewater taps at Sky Ranch for \$5.2 million. We saw an increase in industrial water sales in fiscal 2021 compared to fiscal 2020. Industrial water equated to 60% of the water delivered in 2021. Industrial water is the most variable of our water sales and is dependent on oil and gas production and demand.

Land development – With our initial development phase at Sky Ranch being completed nearly two years ahead of schedule and unavoidable delays in the permitting process for our next phase due to the continued impacts of COVID-19, our land development revenues and expenses decreased in fiscal 2021 compared to fiscal 2020, but overall the per lot sales prices increased substantially. Since we began developing Sky Ranch, through August 31, 2021, we have sold 657 lots between the first two phases, have another 652 lots under contract with homebuilders. We anticipate receiving the second milestone payment on the 152 lots delivered in the first subphase of the second development phase by the end of the first quarter of fiscal 2022, the final milestone payment for these 152 lots, and full payment for the 67 finished lots by the end of our fiscal 2022, generating \$14.6 million in cash proceeds from lot sales. There are more than 360 homes occupied at Sky Ranch, with more than 100 homes actively under construction. Based on current sales levels, all the homes in the first phase are expected to be sold by the end of our second quarter of fiscal 2022.

Single-family rentals – In March 2021, we launched a new line of business, the single-family home rental business. During our first development phase of Sky Ranch, we retained ownership of four residential lots, on which we have completed three single family homes which we own and will maintain and have rented to qualified renters as of November 1, 2021. We contracted the construction of these homes to a reputable home builder. We intend to expand this line of business in our second development phase of Sky Ranch by building and renting homes on the 46 lots we retained out of the 850 lots planned for the second development phase. Grading and wet utilities on the first subphase of the second development phase of Sky Ranch are nearly complete, and once lots are complete, we look to partner with builders to construct our rental units.

Earnings Call Information

Pure Cycle will host a conference call on Tuesday, November 9, 2021, at 4:00PM Eastern (2:00PM Mountain) to discuss the financial results and answer questions. Call details are below. For the earnings call, Pure Cycle will post a detailed slide presentation on its website (www.purecyclewater.com), which provides an overview of Pure Cycle and presents summary financial results for the three and twelve months ended August 31, 2021.

When:	4:00 PM Eastern (2 PM Mountain) on November 9, 2021
Call in number:	888-506-0062 (no pass codes required)
International call in numbers:	973-528-0011 (no pass codes required)
Replay available until:	Tuesday, November 23, 2021, 4:00 PM ET
Replay call in number:	877-481-4010, replay pass code: 43446
Event link:	https://www.webcaster4.com/Webcast/Page/2247/43446

Company Information

Pure Cycle is a diversified water resource and land development company. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider which also develops land we own into master planned communities, to which we will continue to provide water and wastewater services as well as operate long-term rental properties.

Additional information, including our recent press releases and SEC filings are available at www.purecyclewater.com, or you August contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or at info@purecyclewater.com. Also be sure to follow us on Twitter at [@purecyclecorp](https://twitter.com/purecyclecorp).

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are all statements, other than statements of historical facts, included in this press release that address activities, events or developments that we expect or anticipate will occur in the future, such as statements about the following: timing of development at Sky Ranch; rental timing for our single-family rental homes; and tap sales and home sales by our home builder customers. The words “anticipate,” “likely,” “August,” “should,” “could,” “will,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation: home mortgage interest rates and other factors impacting the housing market and home sales; the risk factors discussed in Part I, Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended August 31, 2021; and those factors discussed from time to time in our press releases, public statement and documents filed or furnished with the U.S. Securities and Exchange Commission. Except as required by law, we disclaim any obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PURE CYCLE CORPORATION

Earnings presentation
for the year ended
August 31, 2021

Overview

Water &
Wastewater
Development

Land
Development

Build to Rent

Oil and
Gas

Financial
Results

Presented by Mark Harding, CEO

An aerial photograph of a construction site, showing a large circular graphic overlay. The circle is white with a blue border and contains the text 'SAFE HARBOR STATEMENT'. The background of the slide is a composite of two aerial images: the left side shows a dirt construction area, and the right side shows a residential development with houses.

SAFE HARBOR STATEMENT

Overview

Statements that are not historical facts contained or incorporated by reference in this presentation are “forward-looking statements” (“FLS”) within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 as amended. FLS involve risks and uncertainties that could cause actual results to differ from projected results. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions, as they relate to us, are intended to identify FLS. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We are not able to predict all factors that may affect future results. We cannot assure you that any of our expectations will be realized. Our actual results could differ materially from those discussed in or implied by these forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such FLS include, without limitation: the risk factors discussed in our most recent Annual Report on Form 10-K; the timing of new home construction and other development in the areas where we may sell our water, which in turn may be impacted by credit availability; population growth; employment rates; general economic conditions; the market price of water; changes in customer consumption patterns; changes in applicable statutory and regulatory requirements; changes in governmental policies and procedures; uncertainties in the estimation of water available under decrees; uncertainties in the estimation of costs of delivery of water and treatment of wastewater; uncertainties in the estimation of the service life of our systems; uncertainties in the estimation of costs of construction projects; uncertainties in the amount and timing of reimbursable public improvement payments; uncertainty in the single family home rental market and our ability to rent homes in a timely manner or at the amount we project; the strength and financial resources of our competitors; our ability to find and retain skilled personnel; climatic and weather conditions, including flood, droughts and freezing conditions; labor relations; availability and cost of labor, material and equipment; delays in anticipated permit and construction dates; environmental risks and regulations; our ability to raise capital; our ability to negotiate contracts with new customers; and uncertainties in water court rulings; and other factors discussed from time to time in our press releases, public statements and documents filed or furnished with the SEC.

WE OPERATE MULTIPLE COMPLEMENTARY SEGMENTS

Driving value for stakeholders with land and water investments



Water and Wastewater Resource Development Segment

- Own a large and valuable portfolio of water rights
- Sustainable ground and surface water rights we estimate can serve up to 60,000 SFEs
- Denver metro land development requires developers to have water service as a condition of zoning, offering us a competitive edge
- Provide industrial and oil and gas customers with water



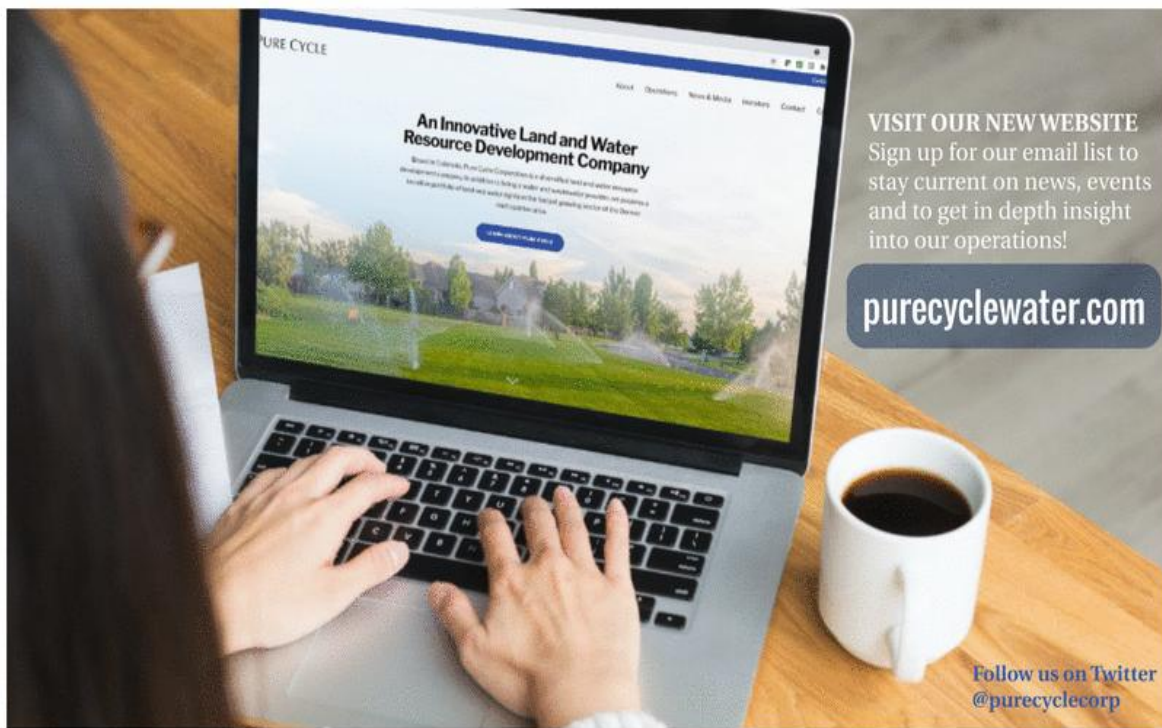
Land Development Segment

- Own property in highly attractive and easily accessible I-70 Corridor of Denver, Colorado
- Developing nearly 1,000 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,400 residential units and over 2 million square feet of retail, commercial and industrial uses
- Developing residential and commercial land for which we are the sole water and wastewater service provider
- Retain ownership of portions of property to receive residual benefit



Single-Family Home Rentals

- Develop single family homes in the Denver metro area in neighborhoods we are developing
- Receive rental income in growing housing market
- Benefit from immediate asset appreciation and positive cash flows
- Provide water and wastewater service to rental properties



WHOLESALE WATER AND WASTEWATER

Principal business interests are to deliver wholesale water and wastewater service

WELLS/DIVERSION

Large water portfolio in water-short Denver

Company owns or controls 29,000+ acre feet of groundwater & surface water which we estimate can serve 60,000 taps

Own rights to surface reservoir storage assets

TREATMENT

DISTRIBUTION

BUILD

One-Time Connection Fees:
Water tap fees \$27,753
Sewer tap fees \$4,847
Capital capacity \$2.0 Billion

IRRIGATION REUSE

WASTEWATER TREATMENT

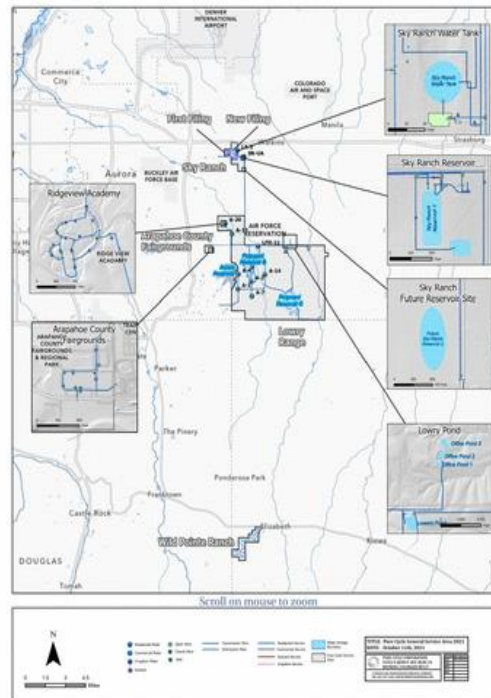
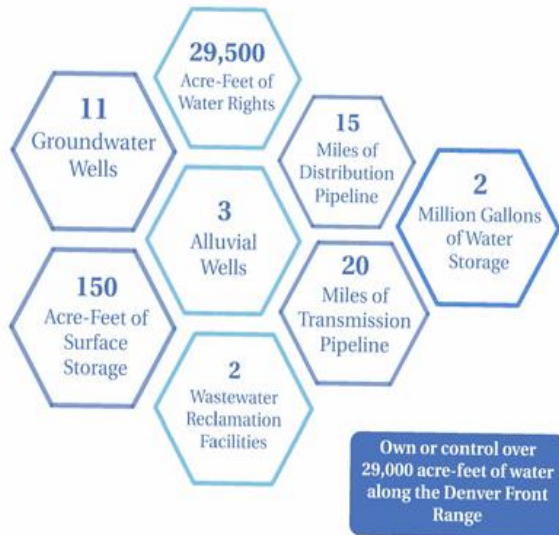
COLLECTION

USE

Annual Usage Charges:
Avg. Metered Water & Sewer \$1,500/SFE/yr.

Buildout Annual Revenues \$90mm/yr.

WATER INFRASTRUCTURE



Water Services

Growth from:

New Residential

New service customers added with every neighborhood
Avg. residential customer generates \$1,500 per year in revenue

New Commercial

Future Sky Ranch commercial phases

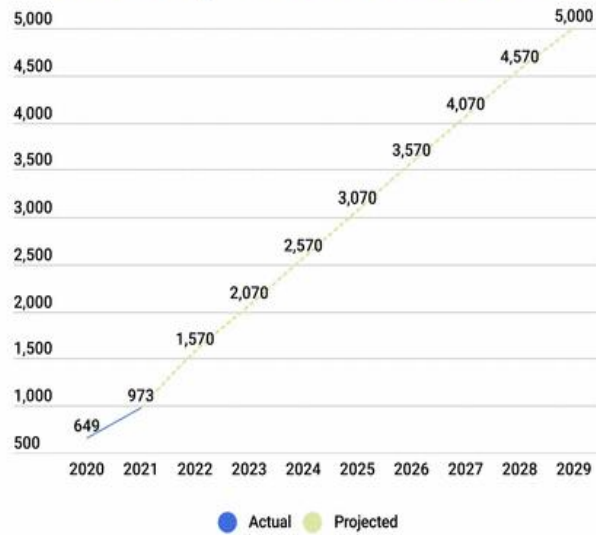
Existing Residential

Elbert and hwy 86 Residents

Existing Commercial

Elbert and Hwy 86 commercial customers

Monthly Water Customers



DEVELOPMENT ENCROACHMENT TO LOWRY RANGE



Investment in Water and Tap Sales

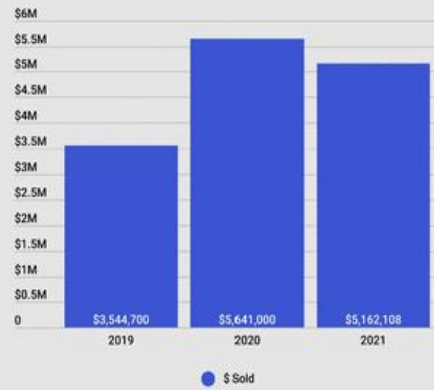
All major infrastructure is in service to support phase 2 of the Sky Ranch Development

Water Assets (Net)

In millions



Water/WW Tap Fees



LAND DEVELOPMENT

- Developing the 930 acre Sky Ranch
- Can accommodate up to 3,200 residential lots
- Can Accommodate up to 2 million square feet of commercial development (1,800 SFE's)
- 15 miles east of downtown Denver and 4 miles south of DIA



Phase Progress

SKY RANCH - PHASE 1

- All lots delivered (509)
- Approximately 375 residents
- 467 of 509 Taps Sold
- Estimated that homes will be fully sold out by the end of Q2-2022
- Received \$10.5 million of reimbursables and recorded more than \$20M in receivables including project management fees and related interest income
- Recognized \$36.7 million in lot revenue to date
- Recognized \$13.9 million in tap fees to date



PARTNERING
HOMEBUILDERS



taylor
morrison
Homes Inspired by You



SKY RANCH - PHASE 2 OVERVIEW

- Approximately 850 lots in total
 - 804 lots under contract with home builders
 - 46 lots reserved for rental business with an additional 100 potential plats
- Initial lots expected to be delivered late calendar 2021
- Estimated lot revenues of \$70 million
- Estimated tap fees of \$20.9 million
- Estimated \$61.1 million of reimbursable costs
- Estimated \$73.4 million in total development costs

PARTNERING HOMEBUILDERS

D·R·HORTON
America's Builder

CHALLENGER
HOMES

LENNAR

kb
HOME



SKY RANCH PHASE 2

Financial And Quantitative Data

Subphase 1 (229 LOTS)

Lot Revenue	\$ 18.4m
Tap Revenue	5.6m
Total lot costs	(20.1m)
Reimbursable*	16.7m
GROSS MARGIN	\$ 20.6m

Subphase 2 (211 LOTS)

Lot Revenue	\$ 17.0m
Tap Revenue	5.2m
Total lot costs	(18.3m)
Reimbursable*	15.2m
GROSS MARGIN	\$ 19.1m

Subphase 3 (204 LOTS)

Lot Revenue	\$ 16.7m
Tap Revenue	5.0m
Total lot costs	(17.4m)
Reimbursable*	14.5m
GROSS MARGIN	\$ 18.8m

Subphase 4 (206 LOTS)

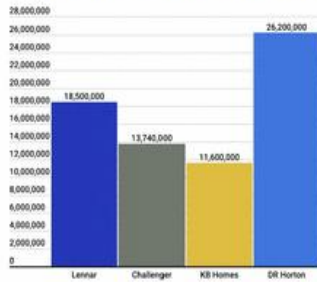
Lot Revenue	\$ 17.9m
Tap Revenue	5.1m
Total lot costs	(17.6m)
Reimbursable*	\$ 14.6m
GROSS MARGIN	\$ 20.0m

Phase 2 (850 LOTS)

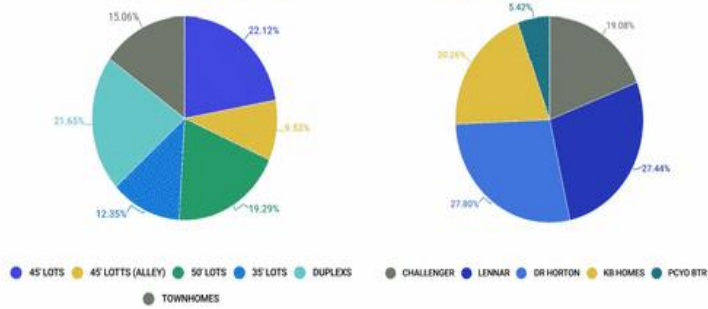
Lot Revenue	\$ 70.0m
Tap Revenue	20.9m
Total lot costs	(73.4m)
Reimbursable*	61.0m
GROSS MARGIN	\$ 78.5m

*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board

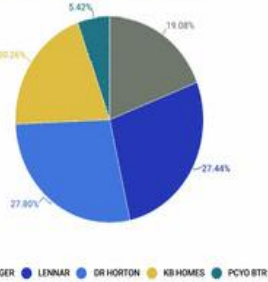
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER

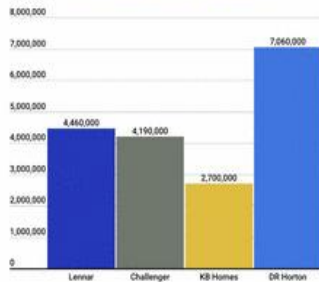


1st SUB-PHASE OF 2nd DEVELOPMENT PHASE

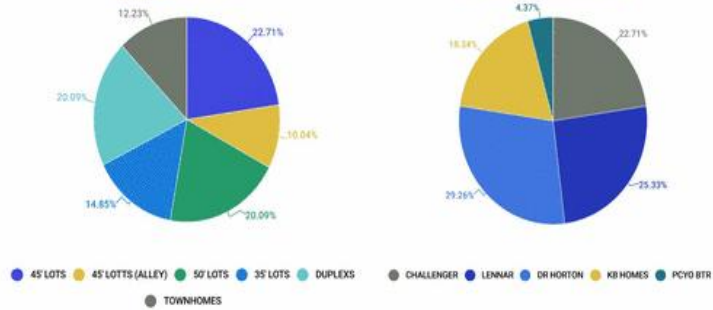
LOT CLOSING DASHBOARD

Takedown 1 DATE 8/25/2021 AMOUNT \$ 3,846,000 BUILDERS 3 LDA PHASE Platted Lots	Takedown 2 DATE 11/30/2021 AMOUNT \$ 3,721,000 BUILDERS 3 LDA PHASE Wet Utilities	Takedown 3 DATE 7/31/2022 AMOUNT \$ 10,850,000 BUILDERS 4 LDA PHASE Finished lots	Total \$ 18,417,000
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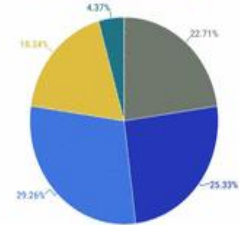
LOT SALES BY BUILDER



LOTS BY TYPE



LOTS BY BUILDER





Single-Family Rentals

We have contracted for the construction of single family homes with the intent to retain them for long-term rental purposes. Pure Cycle is working with experienced home builders to construct these houses, which Pure Cycle will own and maintain, taking on a new role as property manager.

"The single-family rental model is ideal for our highly appreciated land and water assets, allowing us to build an accretive high margin recurring revenue product while maintaining our highly liquid balance sheet using inexpensive capital for the incremental cost of building each home" stated Mark W. Harding, President and CEO

***Our Strategy
and Projections***

***Phase 1
Progress***

Market Watch

- Steady increase in lease price while other rental types fell
- Detached and Townhomes, are more affordable per square foot and per bedroom
- Detached homes spend less days on market on average then other types rental units

Sky Ranch Phase 1 BTR

- Rented first 3 homes above the average market price
- all 3 homes rented within 14 days of listing

Denver Premier Leasing Agents RENTAL MARKET REPORT August 2021



■ Detached ■ Townhomes ■ Condominiums ■ Multi-Family ■ Apartments ■ All

Denver Metro Counties: Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park, Weld

© 2021 Rental Listing Data Complements of RECOLORADO®

	Pro Forma Single house Monthly	Pro forma Single house Annualized
Rental Income	\$ 2,820	\$ 33,840
Operations, repairs and maintenance	150	1,800
Property taxes and insurance	400	4,800
Interest expense	950	11,400
Cash flow	\$ 1,320	\$ 15,840

Annualized
Average
Estimated
Rental Revenue
per Home of
\$34K

Annualized
Average
estimated cash
flow per Home
of \$16K

Annualized
Estimated
Capitalization
Rate ¹
5%

1

Assumptions

- Rental income is the average actual monthly lease rates on the three initial homes
- Current staffing will provide property management services for the foreseeable future
- Property taxes based on current mills in Sky Ranch
- Interest expense based on current finance offering for a 30-year amortizing loan at 3.75%
- Cost of homes will be amortized using the straight-line depreciation method over thirty years, which is a non-cash charge and not included in the cash projections table above

¹ Net operating income/market value. Excludes interest and depreciation.

PER HOUSE ESTIMATES

Capitalized costs
\$342K

Financed costs
\$317K

Fair market value
\$547K

Assumptions

- Flexible debt usage, up to 70% of appraised value
- Low cost capital (3.75%)
- House appraisal value estimated at \$547,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- Estimated construction of 12-20 homes per year

PHASE 1 - 3 RENTAL HOMES

"The project is on track to confirm original forecasts for Phase 1 and the next phase of 46 BTR homes with the potential to expand to 100+"
- Kevin McNeill, CFO

March 2021



Approval to start date



May 2021



Utilities complete & vertical construction in progress!



June 2021



Final stages of framing



November 2021



3 Units fully occupied!



Southern Wattenberg Niobrara

More than 200 square miles in Adams & Arapahoe Counties

Five Possible Formations

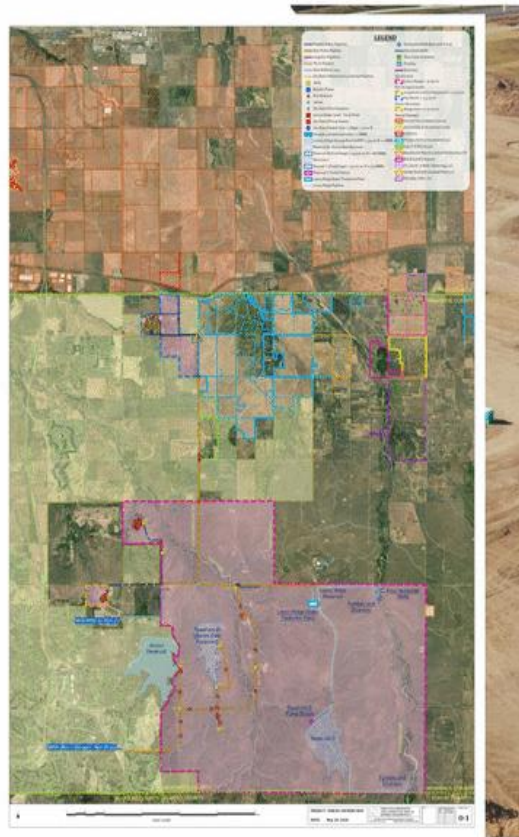
Pad Development: 40 Acre spacing

16 wells/mile formation

Over 10,000 well capacity

Average \$250,000 per well

Wells Drilled to Date:
120



FISCAL YEAR 2021



Completed Sky Ranch Phase 1

Phase 1 of Sky Ranch is substantially and roughly 95% occupied



Above Market Employee Retention

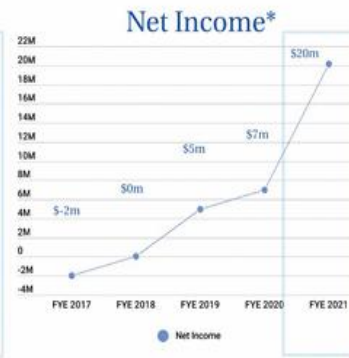
Continued growth despite COVID-19 shutdown from 2020 to date



Launched new rental line of Business

Planned and executed the creation of our new single-family home rental business

FISCAL YEAR ENDED AUGUST 31, 2021



*2021 net income positively impacted by recognition of \$16.4m of reimbursables (net of \$5.3m of tax)

SKY RANCH
RECEIVABLES

\$24.7m

TOTAL UTILITY
CUSTOMERS

650

CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2021	August 31, 2020
	(In thousands, except share and per share amounts)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 20,117	\$ 21,797
Trade accounts receivable, net	1,532	1,124
Prepaid expenses and other assets	458	1,001
Land development inventories	608	481
Notes receivable - public improvement reimbursables - related party	16,000	—
Income taxes receivable	—	1,588
Total current assets	38,715	25,991
Restricted cash	2,327	—
Investments in water and water systems, net	57,090	55,087
Land and mineral interests	5,924	4,915
Other assets	2,591	2,042
Notes receivable - related parties, including accrued interest:		
Public improvement reimbursables	8,794	—
Other	1,163	1,079
Long-term land investment	451	451
Operating leases - right of use assets, less current portion	122	196
Total assets	\$ 117,177	\$ 89,761
LIABILITIES:		
Current liabilities:		
Accounts payable	1,787	1,000
Accrued liabilities	1,224	1,391
Accrued liabilities - related parties	2,881	1,212
Income taxes payable	4,163	—
Deferred lot sale revenues	1,995	1,635
Deferred oil and gas lease payment and water sales payment	410	1,800
Total current liabilities	12,460	6,218
Deferred oil and gas lease payment and water sales payment, less current portion	—	165
Participating interests in export water supply	325	328
Deferred tax liability, net	1,615	886
Lease obligations - operating leases, less current portion	37	120
Total liabilities	14,437	7,717
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock:		
Series B - par value \$0.001 per share, 25 million shares authorized; 432,513 shares issued and outstanding (liquidation preference of \$432,513)	—	—
Common stock:		
Par value 1/3 of \$0.01 per share, 40 million shares authorized; 23,916,633 and 23,856,098 shares outstanding, respectively	80	80
Additional paid-in capital	173,513	172,927
Accumulated deficit	(70,853)	(90,963)
Total shareholders' equity	102,740	82,044
Total liabilities and shareholders' equity	\$ 117,177	\$ 89,761

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended	
	August 31, 2021	August 31, 2020
Revenues:		
Metered water usage from:		
Municipal customers	\$ 846	\$ 524
Oil and gas operations	2,792	513
Wastewater treatment fees	199	96
Water and wastewater tap fees	5,163	5,641
Lot sales	5,840	18,934
Project management fees	1,629	—
Special facility projects and other	656	147
Total revenues	17,125	25,855
Expenses:		
Water service operations	(1,546)	(804)
Wastewater service operations	(370)	(200)
Land development construction costs	(2,535)	(15,870)
Depletion and depreciation	(1,457)	(1,367)
Other	(494)	(70)
Total cost of revenues	(6,402)	(18,311)
Gross profit	10,723	7,544
General and administrative expenses	(5,139)	(4,250)
Non-cash mineral interest impairment charge	—	(1,425)
Depreciation	(315)	(356)
Operating income	5,269	1,513
Other income:		
Recognition of public improvement reimbursables including interest income - related party	20,217	—
Oil and gas royalty income, net	324	669
Oil and gas lease income, net	196	247
Interest income from investments	59	178
Other	40	36
Reimbursement of construction costs - related party	485	6,276
Income from operations before income taxes	26,590	8,919
Income tax expense	(6,480)	(2,169)
Net income	\$ 20,110	\$ 6,750
Unrealized holding losses	—	(4)
Total comprehensive income	\$ 20,110	\$ 6,746
Earnings per common share:		
Basic	\$ 0.84	\$ 0.28
Diluted	\$ 0.83	\$ 0.28
Weighted average common shares outstanding:		
Basic	23,891	23,845
Diluted	24,111	24,062

LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding
President and CEO

Kevin B. McNeill
Vice President and CFO

Patrick J. Beirne
Chairman of the Board

Peter C. Howell
Director and Chairman of
the Audit Committee

Jeffrey G. Sheets
Director and Chairman of the
Nominating and Governance
Committee

Arthur G. Epker III
Director and Chairman of
the Compensation
Committee

Daniel R. Kozlowski
Director

Fredrick A. Fendel III.
Director

CONTACT AND COMPANY INFORMATION

CORPORATE HEADQUARTERS

34501 E. Quincy Ave, BLDG 34, Watkins, CO 80137

CONTACT INFO

info@purecyclewater.com

303-292-3456

www.purecyclewater.com

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STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million

Questions?

