

**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): **January 10, 2022**

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 January 10, 2022, Pure Cycle Corporation issued a press release announcing its financial results for the three months ended November 30, 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 January 11, 2022, Pure Cycle Corporation 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.

Exhibit No.	Description
99.1	Press Release dated January 10, 2022
99.2	Earnings Presentation dated January 11, 2022
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: January 12, 2022

PURE CYCLE CORPORATION

By: /s/ Kevin B. McNeill
Kevin B. McNeill
Vice President and Chief Financial Officer

Pure Cycle Reports First Quarter Results

“We started fiscal 2022 with continued momentum in our land and water segments as well as the official launch of our fully operational single-family home rental business. We are under construction on our next 229 lots at Sky Ranch and continue to add customers to our utility segment each month as well as having completed construction on the first three homes, and we could not be happier with the results. Our strategy and planning resulted in the successful launch of this new line of business which brings confidence to our team as we look forward to the continued growth of this new business,” commented Mark W. Harding CEO of Pure Cycle.

Highlights

- Revenues of \$4.3 million for the three months ended November 30, 2021
- Received the second progress payment for Phase 2 LDA lots of Sky Ranch
- 479 or 94% of lots in the initial phase of Sky Ranch have purchased water and wastewater taps, totaling \$14.2 million in tap fees to date
- Completed construction of the first three single-family rental homes and rented the homes within ten days of completing construction – at rates higher than we budgeted

Denver, Colorado, January 10, 2022 – Pure Cycle Corporation (NASDAQ Capital Market: PCYO) is reporting net income of \$1.5 million for the three months ended November 30, 2021, on revenues of \$4.3 million. Pure Cycle continues construction on the first subphase of the second development phase of the Sky Ranch Master Planned Community, which is just over 43% complete.

“We made great progress on the next phase of Sky Ranch,” commented Mr. Harding. “We saw increases in the cost of raw materials in this next phase which increases our overall budget in the first subphase. Fortunately, these increases are mostly attributable to public improvements that are reimbursable to Pure Cycle. Our margin on the lots stayed roughly the same when compared to the direct non reimbursable costs of land development,” Continued Mr. Harding.

Financial Summary

Revenue – Our utility customer base continues to grow as occupancy in the first phase of Sky Ranch increases resulting in a steady growth in our recurring revenue from residential water and wastewater usage. Total Revenues decreased for Q1 2022 compared to Q1 2021, due to the decrease in tap sales after the near completion of Sky Ranch Phase 1. We anticipate tap fee applications to accelerate in subsequent quarters as the second phase of Sky Ranch delivers.

Profitability – We continue to be profitable quarter over quarter with net income increasing to \$1.5 million in Q1 2022 compared to \$0.8 million in Q1 2021. The growth in net income was positively impacted by increased lot sales due to the continued construction of the second phase, for which our margins increased substantially as we are no longer recognizing reimbursable public improvements as part of the cost of development. Instead, they are now recorded as receivable from the Sky Ranch CAB.

Working Capital – As of November 30, 2021, our working capital was \$22.4 million, which includes cash of \$12.9 million.

“The second development phase continues to progress, driving our lot sales revenue which we anticipate continuing to grow through fiscal 2022,” comment Mr. Kevin McNeill, CFO of Pure Cycle, “adding our single-family rentals to our operations is another great revenue driver and we are excited to grow this business in the coming years,” concluded Mr. McNeill.

Operational Summary

Water and wastewater resource development – Municipal water usage increased in Q1 2022 as compared to 2021, primarily due to new Sky Ranch customers in our water and wastewater resource development segment as well as increased water usage due to landscaping and irrigation usage. We delivered 17.3 million gallons of water to Sky Ranch customers in Q1 2022, compared to 12.2 million gallons in Q1 2021, which the increase is due to new homes being occupied at Sky Ranch and the delivery of water to irrigate parks and outdoor landscaping at Sky Ranch. Water and wastewater tap sales declined in Q1 2022 as compared to Q1 2021, due to timing of closings at Sky Ranch. Tap sales are driven by building permit applications and are not contractually established with the builders, and no building permits have been issued for the second development phase as of November 30, 2021, and two of the three builders are sold out in the first phase

Land development – Lot sales revenue increased in Q1 2022 as compared to Q1 2021, due to the progress made on the second development phase at Sky Ranch, additionally the price per lot for delivered lots in the second development phase increased on average 40% over the first phase. Revenue for three of the four builder contracts in the second development phase are recognized over time with progress measured under the percent of completion method; therefore, revenue will fluctuate due to timing of construction activities throughout the second phase.

Single Family Rentals - In fiscal 2021 we began construction on three homes that were completed and put into service on November 1, 2021. All three homes were rented effective November 1, 2021, under one year lease agreements. The revenues presented in the consolidated financial statements are for the first month of rent on all three homes, which will be recorded monthly throughout the terms of the leases. The costs reflected as cost of sales for the rental units includes a pro-rata share of the annual property taxes and insurance related specifically to the rental units as well as immaterial fees related to the operations and maintenance assessments from the Sky Ranch CAB which are assessed to all homes in Sky Ranch. During Q1 2022 we contracted for the construction of the fourth rental home, which we anticipate being completed and ready for rental near the end of our fiscal 2022.

The following table presents our unaudited results of operations for the three months ended November 30, 2021 and 2020:

	Three Months Ended	
	November 30,	November 30,
	2021	2020
<i>(In thousands, except per share amounts)</i>		
Revenues:		
Metered water usage from:		
Municipal customers	\$ 321	\$ 167
Oil and gas operations	386	1,199
Wastewater treatment fees	55	42
Water and wastewater tap fees	261	1,083
Lot sales	2,945	2,356
Project management fees	248	—
Single-family rentals	8	—
Special facility projects and other	49	21
Total revenues	<u>4,273</u>	<u>4,868</u>
Expenses:		
Water service operations	(289)	(545)
Wastewater service operations	(129)	(92)
Land development construction costs	(531)	(1,719)

Single-Family rental costs	(3)	—
Depletion and depreciation	(354)	(365)
Other	(77)	(24)
Total cost of revenues	<u>(1,383)</u>	<u>(2,745)</u>
General and administrative expenses	(1,325)	(1,086)
Depreciation	(85)	(84)
Operating income	<u>1,480</u>	<u>953</u>
Other income:		
Interest income - related party	362	15
Oil and gas royalty income, net	97	75
Oil and gas lease income, net	48	52
Other	11	10
Interest expense, net	(7)	—
Income from operations before income taxes	<u>1,991</u>	<u>1,105</u>
Income tax expense	(477)	(260)
Net income	<u>\$ 1,514</u>	<u>\$ 845</u>
Earnings per common share - basic and diluted	<u>\$ 0.06</u>	<u>\$ 0.04</u>

The following table presents our consolidated financial position as of November 30, 2021 and August 31, 2021:

(In thousands, except share and per share amounts)

	November 30, 2021	August 31, 2021
	<u>(unaudited)</u>	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,914	\$ 20,117
Trade accounts receivable, net	1,217	1,532
Prepaid expenses and other assets	289	458
Land under development	1,030	608
Notes receivable - reimbursable public improvements - related party	16,000	16,000
Total current assets	<u>31,450</u>	<u>38,715</u>
Restricted cash	2,328	2,327
Investments in water and water systems, net	53,506	53,786
Construction in progress	3,016	3,304
Single-family rental units	1,008	—
Land and mineral rights:		

Held for development	7,343	5,924
Held for investment purposes	451	451
Other assets	2,569	2,591
Notes receivable – related parties, including accrued interest:		
Reimbursable public improvements	13,517	8,794
Other	1,061	1,163
Operating leases - right of use assets, less current portion	102	122
Total assets	<u>\$ 116,351</u>	<u>\$ 117,177</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,019	\$ 1,787
Accrued liabilities	669	1,224
Accrued liabilities – related parties	2,049	2,881
Income taxes payable	1,185	4,163
Deferred lot sale revenues	2,831	1,995
Deferred oil and gas lease payment and water sales payment	271	410
Debt	7	—
Total current liabilities	<u>9,031</u>	<u>12,460</u>
Participating interests in export water supply	325	325
Debt, less current portion	993	—
Deferred tax liability, net	1,621	1,615
Lease obligations - operating leases, less current portion	15	37
Total liabilities	<u>11,985</u>	<u>14,437</u>
SHAREHOLDERS' EQUITY:		
Series B preferred shares	—	—
Common shares	80	80
Additional paid-in capital	173,625	173,513
Accumulated deficit	(69,339)	(70,853)
Total shareholders' equity	<u>104,366</u>	<u>102,740</u>
Total liabilities and shareholders' equity	<u>\$ 116,351</u>	<u>\$ 117,177</u>

Earnings Call Information

Pure Cycle will host a conference call on Tuesday, January 11, 2022, at 8:30AM Eastern (6:30AM Mountain) to discuss the financial results and answer questions. Call details are presented below. We will post a detailed slide presentation, which provides an overview of Pure Cycle and presents summary financial results on our website which can be accessed at www.purecyclewater.com.

Q1 2022 EARNINGS CALL

When: 8:30AM Eastern (6:30AM Mountain) on January 11, 2022
Call in number: 888-506-0062 (access code: 718641)
International call in number: 973-528-0011 (access code: 718641)
Replay number: 877-481-4010 | 919-882-2331 (passcode: 44055)
Replay available until: April 11, 2022 at 8:30AM ET
Event link: <https://www.webcaster4.com/Webcast/Page/2247/44055>

Company Information

Pure Cycle is a diversified land and water resource development company. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider that, in addition to developing wholesale water and wastewater services, develops a master planned community on land we own and to which we provide water and wastewater services.

Additional information including our recent press releases and SEC filings are available at www.purecyclewater.com, or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or at info@purecyclewater.com. Be sure to follow Pure Cycle on Twitter [@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 or may occur in the future, such as statements about the following: timing of development at Sky Ranch; and tap sales and home sales by our home builder customers. The words “anticipate,” “likely,” “may,” “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 three months ended November 30, 2021

COMPANY
OVERVIEW

WATER & WASTEWATER

LAND DEVELOPMENT

SINGLE FAMILY RENTALS

FINANCIAL
RESULTS

www.purecyclegwater.com

Presented by Mark Harding, CEO



SAFE HARBOR STATEMENT

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.



**Company
Overview**

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 930 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,200 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



Single-Family Home Rentals

- Build 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



PURE CYCLE CORPORATION

Earnings presentation for the three months ended November 30, 2021

COMPANY
OVERVIEW



WATER & WASTEWATER

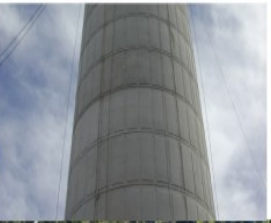


LAND DEVELOPMENT



SINGLE FAMILY RENTALS

FINANCIAL
RESULTS



www.purecyclewater.com

Presented by Mark Harding, CEO

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 \$28,308

Sewer tap fees \$4,944

Capital capacity \$2.0 Billion*

*This equates to 60,000 taps times current tap fees.

IRRIGATION REUSE



WASTEWATER TREATMENT

COLLECTION



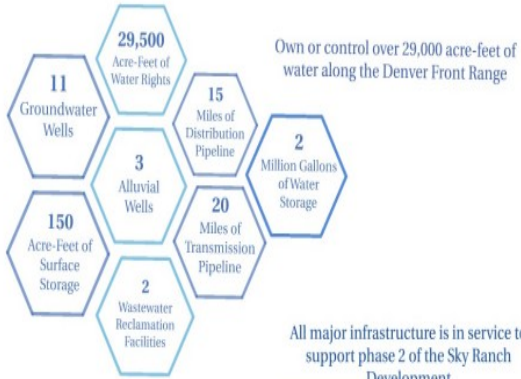
USE

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

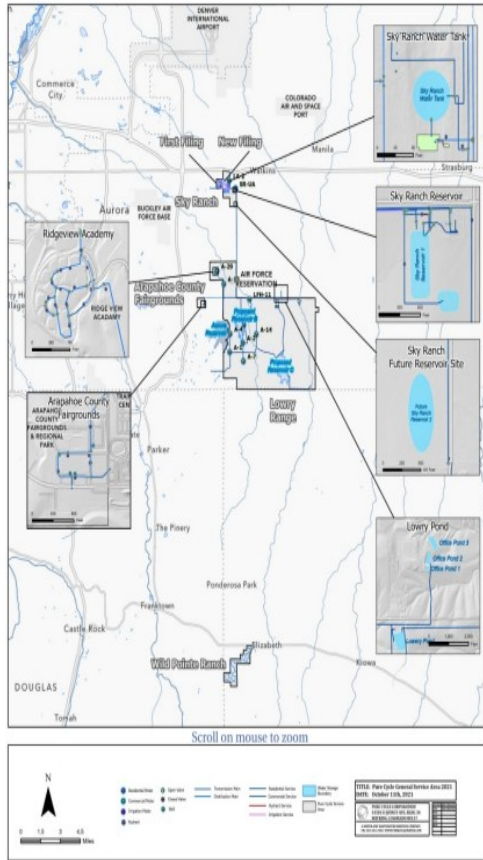
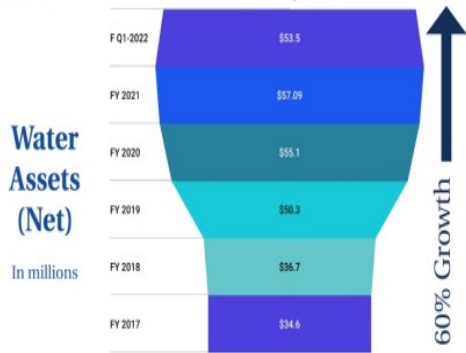
Buildout Annual Revenues \$90mm/yr.



WATER INFRASTRUCTURE



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



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

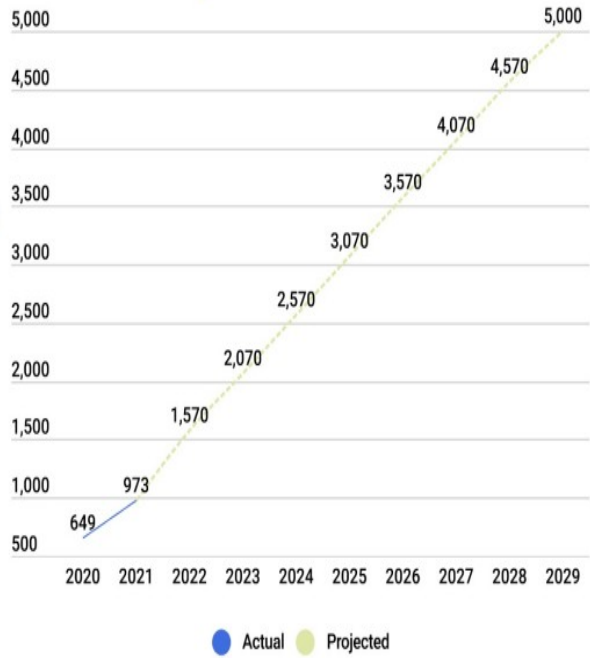
Existing Residential

Elbert and hwy 86
Residents

Existing Commercial

Elbert and Hwy 86
commercial customers

Monthly Water Customers



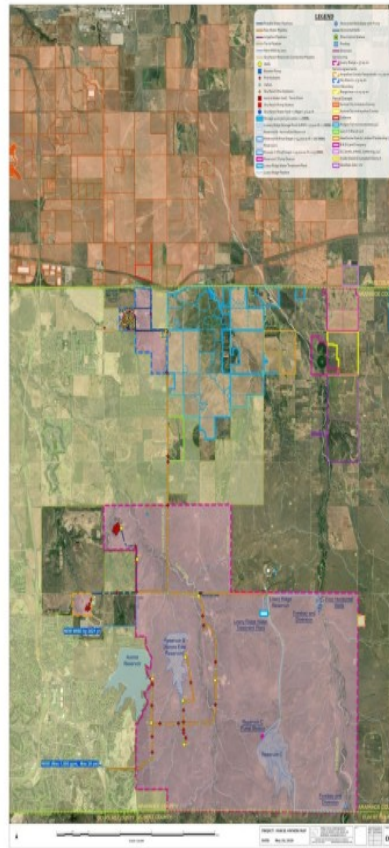
OIL & GAS

We provide raw water to oil and gas operators in for drilling with 120 wells drilled to date

Southern Wattenberg Niobrara

- Five Possible Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Over 10,000 well capacity
- Average \$250,000 per well

More than 200 square miles in Adams & Arapahoe Counties



DEVELOPMENT ENCROACHMENT TO LOWRY RANGE





PURE CYCLE CORPORATION

Earnings presentation for the three months ended November 30, 2021

COMPANY
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WATER & WASTEWATER

LAND DEVELOPMENT

SINGLE FAMILY RENTALS

FINANCIAL
RESULTS

www.purecyclegwater.com

Presented by Mark Harding, CEO



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

SKY RANCH - PHASE 1

99% complete

- All lots delivered (509)
- As of 11/30/2021 there are approximately 405 residents
- 479 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 \$14.2 million in tap fees to date



PARTNERING
HOMEBUILDERS



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 spring 2022
- Will include new Charter School directly north of this phase – which all Sky Ranch residents can attend. Opening August 2023
- Includes potential first commercial development area
- 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 PROCEEDS	\$ 20.6m

Subphase 2 (211 LOTS)

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

Subphase 3 (204 LOTS)

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

Subphase 4 (206 LOTS)

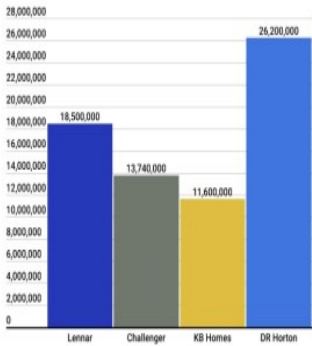
Lot Revenue	\$ 17.9m
Tap Revenue	5.1m
Total lot costs	(17.6m)
Reimbursable*	\$ 14.6m
GROSS PROCEEDS	\$ 20.0m

Phase 2 (850 LOTS)

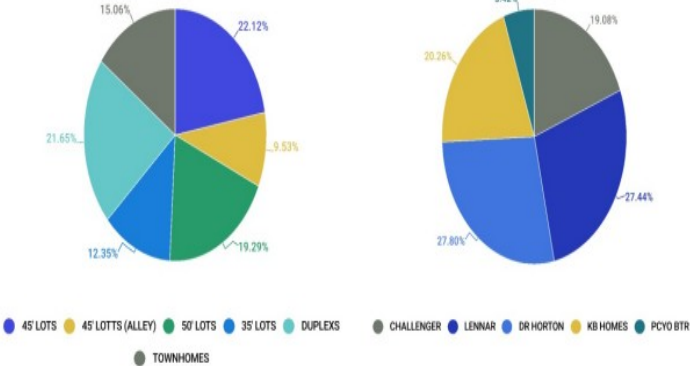
Lot Revenue	\$ 70.0m
Tap Revenue	20.9m
Total lot costs	(73.4m)
Reimbursable*	61.0m
GROSS PROCEEDS	\$ 78.5m

*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 *COMPLETE*

DATE 8/25/2021
 AMOUNT \$ 3,846,000
 BUILDERS 3
 LDA PHASE Platted Lots

Takedown 2 *COMPLETE*

DATE 11/30/2021
 AMOUNT \$ 3,695,000
 BUILDERS 3
 LDA PHASE Wet Utilities

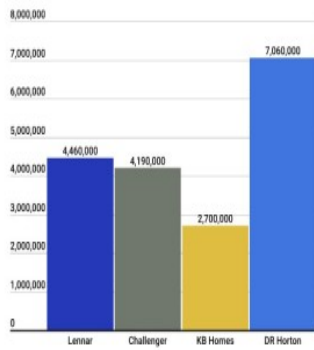
Takedown 3 *PROJECTED*

DATE 7/31/2022
 AMOUNT \$ 10,850,000
 BUILDERS 4
 LDA PHASE Finished lots

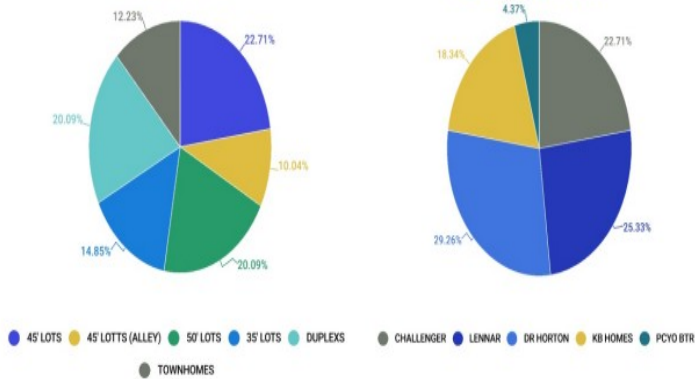
Total *PROJECTED*

\$ 18,417,000

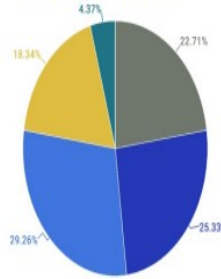
LOT SALES BY BUILDER



LOTS BY TYPE



LOTS BY BUILDER





PURE CYCLE CORPORATION

Earnings presentation for the three months ended November 30, 2021

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Presented by Mark Harding, CEO



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 than other types rental units

Phase 1 Single Family Rentals

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



Pro Forma Income/house

	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
	<u>\$ 1,320</u>	<u>\$ 15,840</u>

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

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

Annualized
Estimated
Capitalization
Rate ¹
5%

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

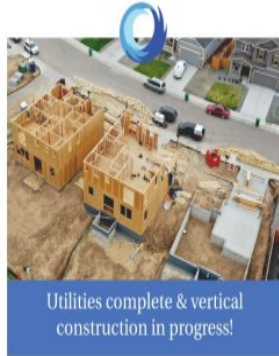
¹ Net operating income/market value. Excludes interest and depreciation.

PHASE 1 - 3 RENTAL HOMES

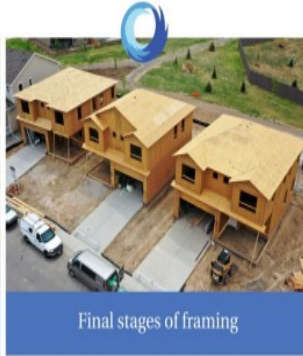
March 2021



May 2021



June 2021



November 2021



Capitalized costs	\$368K
Financed costs	\$333K
Fair market value	\$547K

- 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



PURE CYCLE CORPORATION

Earnings presentation for the three months ended November 30, 2021

COMPANY
OVERVIEW



WATER & WASTEWATER

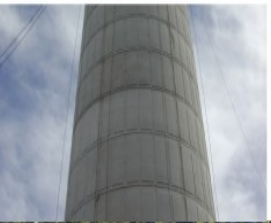


LAND DEVELOPMENT



SINGLE FAMILY RENTALS

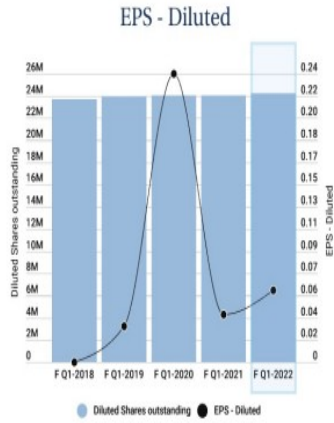
FINANCIAL
RESULTS



www.purecyclewater.com

Presented by Mark Harding, CEO

THREE MONTHS ENDED NOVEMBER 30, 2021



WATER & WASTEWATER



- \$53.5m in water assets (net)
- 650 total customers
- 46 residential customers added in Q1-2022
- 77.2 thousand gallons delivered in Q1-2022

LAND DEVELOPMENT



- Phase 2 Subphase 1 43.4% complete
- \$29.5m in reimbursable public improvements
- 83% gross margin on lots sales

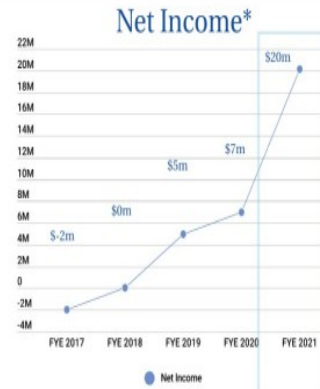
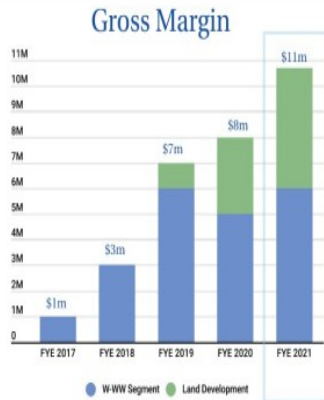
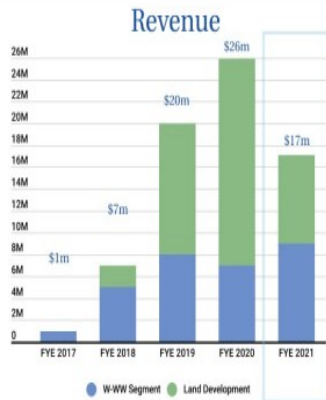
SINGLE FAMILY RENTALS



- \$1m in assets with an approximate market value of \$1.6m
- Fully occupied
- 10 new lots under development

5 YEAR PERFORMANCE

Shareholder Value



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

INVESTING IN BUSINESS SEGMENTS

- Land
- Water & Wastewater
- Single Family Rentals

M & A GROWTH

- Land
- Water

Sustained pipeline of acquisitions

RETURN OF CAPITAL

- Share repurchase
- Dividend

BALANCE SHEET



(In thousands, except share and per share amounts)

ASSETS:

Current assets:

Cash and cash equivalents

Trade accounts receivable, net

Prepaid expenses and other assets

Land under development

Notes receivable - reimbursable public improvements - related party

Total current assets

Restricted cash

Investments in water and water systems, net

Construction in progress

Single-family rental units

Land and mineral rights:

 Held for development

 Held for investment purposes

Other assets

Notes receivable - related parties, including accrued interest:

 Reimbursable public improvements

 Other

Operating leases - right of use assets, less current portion

Total assets

November 30, 2021
(unaudited) August 31, 2021

	November 30, 2021 (unaudited)	August 31, 2021
\$	12,914	\$ 20,117
	1,217	1,532
	289	458
	1,030	608
	16,000	16,000
	31,450	38,715
	2,328	2,327
	53,506	53,786
	3,016	3,304
	1,008	—
	7,343	5,924
	451	451
	2,569	2,591
	13,517	8,794
	1,061	1,163
	102	122
\$	116,351	\$ 117,177

LIABILITIES:

Current liabilities:

Accounts payable

Accrued liabilities

Accrued liabilities - related parties

Income taxes payable

Deferred lot sale revenues

Deferred oil and gas lease payment and water sales payment

Debt:

 Total current liabilities

Participating interests in export water supply

Debt, less current portion

Deferred tax liability, net

Lease obligations - operating leases, less current portion

Total liabilities

\$	2,019	\$ 1,787
	669	1,224
	2,049	2,881
	1,185	4,163
	2,831	1,995
	271	410
	7	—
	9,031	12,460
	325	325
	993	—
	1,621	1,615
	15	37
	11,985	14,437

Commitments and contingencies

SHAREHOLDERS' EQUITY:

Series B preferred shares par value \$0.001 per share, 25 million authorized, 432,513 issued and outstanding (liquidation preference of \$432,513)

Common shares par value 1/3 of \$0.01 per share, 40 million authorized; 23,923,100 and 23,916,633 outstanding, respectively

Additional paid-in capital

Accumulated deficit

Total shareholders' equity

Total liabilities and shareholders' equity

	—	—
	80	80
	173,625	173,513
	(69,339)	(70,853)
	104,366	102,740
\$	116,351	\$ 117,177

INCOME STATEMENT

(In thousands, except per share amounts)

Revenues:

Metered water usage from:

Municipal customers

Oil and gas operations

Wastewater treatment fees

Water and wastewater tap fees

Lot sales

Project management fees

Single-family rentals

Special facility projects and other

Total revenues

Expenses:

Water service operations

Wastewater service operations

Land development construction costs

Single-Family rental costs

Depletion and depreciation

Other

Total cost of revenues

General and administrative expenses

Depreciation

Operating income

Other income:

Interest income - related party

Oil and gas royalty income, net

Oil and gas lease income, net

Interest expense, net

Other

Income from operations before income taxes

Net income

Earnings per common share - basic and diluted

Weighted average common shares outstanding:

Basic

Diluted

Three Months Ended
November 30,
2021 November 30,
2020

	2021	2020
Revenues:		
Metered water usage from:		
Municipal customers	\$ 321	\$ 167
Oil and gas operations	386	1,199
Wastewater treatment fees	55	42
Water and wastewater tap fees	261	1,083
Lot sales	2,945	2,356
Project management fees	248	—
Single-family rentals	8	—
Special facility projects and other	49	21
Total revenues	<u>4,273</u>	<u>4,868</u>
Expenses:		
Water service operations	(289)	(545)
Wastewater service operations	(129)	(92)
Land development construction costs	(531)	(1,719)
Single-Family rental costs	(3)	—
Depletion and depreciation	(354)	(365)
Other	(77)	(24)
Total cost of revenues	<u>(1,383)</u>	<u>(2,745)</u>
General and administrative expenses	(1,325)	(1,086)
Depreciation	(85)	(84)
Operating income	<u>1,480</u>	<u>953</u>
Other income:		
Interest income - related party	362	15
Oil and gas royalty income, net	97	75
Oil and gas lease income, net	48	52
Interest expense, net	(7)	—
Other	11	10
Income from operations before income taxes	<u>1,991</u>	<u>1,105</u>
Net income	<u>\$ 1,514</u>	<u>\$ 845</u>
Earnings per common share - basic and diluted	<u>\$ 0.06</u>	<u>\$ 0.04</u>
Weighted average common shares outstanding:		
Basic	<u>23,918</u>	<u>23,867</u>
Diluted	<u>24,219</u>	<u>24,036</u>



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

Follow us on twitter
@PureCycleCorp 

STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million

Questions?





PURE CYCLE CORPORATION

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