

**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): July 11, 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 65, Suite A, 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 Financial Condition.

On July 11, 2022, Pure Cycle Corporation issued a press release announcing its financial results for the three and nine months ended May 31, 2022. 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, except as shall be expressly set forth by specific reference in any such filing.

Item 7.01 Regulation FD Disclosure

On July 12, 2022, Pure Cycle Corporation presented and posted on its website 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.purecyclegwater.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	<u>Press Release dated July 11, 2022 announcing earnings for the three and nine months ended May 31, 2022</u>
99.2	<u>Three and nine months ended May 31, 2022 earnings presentation</u>
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: July 15, 2022

PURE CYCLE CORPORATION

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



Pure Cycle Reports Results for the Three and Nine Months Ended May 31, 2022

Pure Cycle posted \$0.8 million and \$4.0 million of net income for the three and nine months ended May 31, 2022, marking our thirteenth consecutive quarter with positive net income. As our land development segment continues developing our Master Planned Community Sky Ranch – which is thriving in Denver’s robust housing market – our water resource development segment continues to expand our customer reach and provide water to oil and gas operators. Mark Harding, CEO of Pure Cycle, commented that “we couldn’t be happier with the progress made at Sky Ranch, we are 100% complete with our first development phase and nearly 2/3 complete with Phase 2A of the second development.”

Highlights

- Revenues of \$3.2 million and \$12.1 million for the three and nine months ended May 31, 2022
- Pre-tax income of \$1.1 million and \$5.3 million for the three and nine months ended May 31, 2022
- EBITDA of \$1.6 million and \$6.7 million for the three and nine months ended May 31, 2022
- Homebuilders in phase 2A have begun construction on model homes, at least one nearing completion
- All 505 lots in the initial phase of Sky Ranch have purchased water taps and we are now receiving applications for taps in the second phase with 40 taps sold in Phase 2A during the three months ended May 31, 2022. Total tap fees to date at Sky Ranch are equal to \$16.4 million

Denver, Colorado, July 11, 2022 – Pure Cycle Corporation (NASDAQ Capital Market: PCYO) is reporting net income of \$0.8 million and \$4.0 million for the three and nine months ended May 31, 2022. This was generated from revenues of \$3.2 million and \$12.1 million. Pure Cycle continues construction on Phase 2A at its Sky Ranch Master Planned Community, which is nearly 67% complete.

“The summer months are historically the best months for home sales, and it appears that will hold true this summer as well. Despite some slowing in the markets, we continue to see demand for our affordably priced Sky Ranch homes hold steady,” commented Mr. Harding. “We continue to watch interest rates and have delivered the first 229 lots in Phase 2A as projected, and our builders have invested in the over-lot grading for the next 211 lots in Phase 2B with wet utilities set to begin construction this fall for lot deliveries early next summer,” concluded Mr. Harding.

Financial Summary

Revenue

For the three and nine months ended May 31, 2022, we sold 45 and 81 water and wastewater taps for \$1.3 million and \$2.5 million. We have sold all the taps in the first development phase of Sky Ranch and have sold 40 of the 229 total to be sold in Phase 2A. For the same period in 2021, we reported total revenues of \$2.7 million and \$12.3 million with \$2.2 million and \$7.4 million being generated in our water and wastewater resource development segment, and \$0.5 million and \$4.9 million generated by our land development segment. Our single-family rental business rented out the three completed homes starting November 1, 2021, began construction of the fourth unit (all located in the first development phase), and entered a contract for construction of the next ten rental units located in Phase 2A.

Profitability

We continue to be profitable quarter over quarter with net income of \$0.8 million and \$4.0 million for the three and nine months ended May 31, 2022. This equates to \$0.03 and \$0.17 of earnings per fully diluted share.

Working Capital

May 31, 2022 working capital (current assets less current liabilities) was \$18.6 million with \$5.4 million of cash.

“As our economy continues to adjust to inflationary pressures, slowing markets and rising interest rates, we believe our long-standing land, water and rental housing assets will continue to grow; thereby adding substantial shareholder value. We continue to focus on delivering finished lots on time and on budget and anticipate continuing to grow through the remainder of fiscal 2022,” commented Kevin McNeill, CFO of Pure Cycle. “Completing the sale of the school site during fiscal Q2-2022, the charter operator breaking ground during Q3-2022, and the successful launch and expansion of our single-family rentals, has us excited to continue to grow in the coming years,” concluded Mr. McNeill.

Operational Summary

Water and Wastewater Resource Development

Water usage increased for both the three and nine months ended May 31, 2022 compared to 2021, primarily due to new Sky Ranch customers. We delivered 10.3 million gallons and 31.9 million gallons of water to Sky Ranch customers for the three and nine months ended May 31, 2022, and we delivered 41.0 million gallons and 192.0 million gallons of water to oil and gas operators for use in drilling. As we continue to deliver lots in our land development segment, our monthly recurring water sales continue to strengthen as we add customers to our water and wastewater systems year over year. Water and wastewater tap sales declined in Q3-2022, as compared to Q3-2021, due to the timing of closings at Sky Ranch. Tap sales are driven by building permit applications and are not contractually established with the builders. During the three months ended May 31, 2022, we received initial building permit applications on the second development phase resulting in us selling 40 taps in Phase 2A.

Land Development

Lot sales revenue increased for both the three and nine months ended May 31, 2022, as compared to 2021, due to lot deliveries made in Phase 2A at Sky Ranch. 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 non-cancellable one-year lease agreements. The revenues presented in the financial statements are for rental fees on all three homes since November 2021, which are recorded monthly throughout the terms of the leases. During Q1-2022, we contracted for the construction of the fourth rental home, which began construction in March 2022, and we expect it to be completed and ready for rental near the start of our fiscal 2023. During Q3-2022, we contracted with the builder of the first rental units to build the next ten rental homes located in Phase 2A of Sky Ranch. We expect to start construction of these ten homes during the summer of 2022 with delivery dates at various times throughout fiscal 2023.

The following table presents our unaudited results of operations for the three and nine months ended May 31, 2022, and 2021:

(In thousands, except share information)	Three Months Ended		Nine Months Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Revenues:				
Metered water usage from:				
Municipal customers	\$ 94	\$ 63	\$ 498	\$ 171
Commercial customers	549	147	2,462	2,062
Wastewater treatment fees	66	51	185	144
Water and wastewater tap fees	1,273	1,856	2,447	4,522
Lot sales	1,070	445	5,644	3,316
Project management fees	81	23	529	1,571
Single-family rentals	25	—	59	—
Special facility projects and other	29	81	299	487
Total revenues	<u>3,187</u>	<u>2,666</u>	<u>12,123</u>	<u>12,273</u>
Expenses:				
Water service operations	560	316	1,419	1,074
Wastewater service operations	109	102	337	258
Land development construction costs	222	99	1,048	2,087
Project management costs	66	—	112	—
Single-family rental costs	9	—	16	—
Depletion and depreciation	349	358	1,055	1,077
Other	79	65	298	453
Total cost of revenues	<u>1,394</u>	<u>940</u>	<u>4,285</u>	<u>4,949</u>
General and administrative expenses	1,074	1,325	3,950	3,753
Depreciation	95	73	277	233
Operating income	<u>624</u>	<u>328</u>	<u>3,611</u>	<u>3,338</u>
Other income:				
Interest income - related party	308	284	1,196	2,660
Recognition of public improvement reimbursables - related party	—	—	—	17,262
Reimbursement of construction costs - related party	—	—	—	485
Oil and gas royalty income, net	123	97	330	248
Oil and gas lease income, net	47	48	143	148
Other, net	15	25	40	41
Interest expense, net	(34)	—	(52)	—
Income from operations before income taxes	<u>1,083</u>	<u>782</u>	<u>5,268</u>	<u>24,182</u>
Income tax expense	246	158	1,224	5,906
Net income	<u>\$ 837</u>	<u>\$ 624</u>	<u>\$ 4,044</u>	<u>\$ 18,276</u>
Earnings per common share - basic and diluted				
Basic	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.17</u>	<u>\$ 0.77</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.17</u>	<u>\$ 0.76</u>
Weighted average common shares outstanding:				
Basic	<u>23,970,290</u>	<u>23,907,140</u>	<u>23,944,394</u>	<u>23,885,179</u>
Diluted	<u>24,124,586</u>	<u>24,184,395</u>	<u>24,183,500</u>	<u>24,104,408</u>

The following table presents our consolidated financial position as of May 31, 2022, and August 31, 2021:

(In thousands, except shares)

	May 31, 2022 (unaudited)	August 31, 2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,422	\$ 20,117
Trade accounts receivable, net	1,199	1,532
Prepaid expenses and other assets	690	458
Land under development	652	608
Notes receivable - related party, reimbursable public improvements	16,000	16,000
Total current assets	23,963	38,715
Restricted cash	2,328	2,327
Investments in water and water systems, net	53,114	53,786
Construction in progress	3,292	3,304
Single-family rental units	986	—
Land and mineral rights:		
Held for development	8,341	5,924
Held for investment purposes	451	451
Other assets	2,467	2,591
Notes receivable – related parties, including accrued interest:		
Reimbursable public improvements	19,320	8,794
Other	1,062	1,163
Operating leases - right of use assets, less current portion	62	122
Total assets	<u>\$ 115,386</u>	<u>\$ 117,177</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,360	\$ 1,787
Accrued liabilities	925	1,224
Accrued liabilities – related parties	445	2,881
Income taxes payable	314	4,163
Deferred lot sale revenues	889	1,995
Deferred water sales revenues	392	410
Debt, current portion	12	—
Total current liabilities	5,337	12,460
Participating interests in export water supply	324	325
Debt, less current portion	988	—
Deferred tax liability, net	1,428	1,615
Lease obligations - operating leases, less current portion	—	37
Total liabilities	<u>8,077</u>	<u>14,437</u>
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 \$.01 per share, 40.0 million authorized; 23,980,645 and 23,916,633 outstanding, respectively	80	80
Additional paid-in capital	174,038	173,513
Accumulated deficit	(66,809)	(70,853)
Total shareholders' equity	<u>107,309</u>	<u>102,740</u>
Total liabilities and shareholders' equity	<u>\$ 115,386</u>	<u>\$ 117,177</u>

Q3 2022 EARNINGS CALL

Pure Cycle will host a conference call on Tuesday, July 12, 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.

When: 8:30AM Eastern (6:30AM Mountain) on July 12, 2022
Call in number: 888-506-0062 (access code: 614832)
International call-in number: 973-528-0011 (access code: 614832)
Replay number: 877-481-4010 | 919-882-2331 (passcode: 45916)
Replay available until: July 26, 2022 at 8:30AM ET
Event link: <https://www.webcaster4.com/Webcast/Page/2247/45916>

2022 INVESTOR DAY

Pure Cycle will once again be hosting its annual investor day on Wednesday, July 13, 2022. The in-person event will take place from 10:00 a.m. to 2:00 p.m. MST starting at our Pure Cycle office, located at 34501 E. Quincy Ave. Bldg 65. CEO/President Mark Harding and CFO/Vice President Kevin McNeill will present an in-depth review of Pure Cycle's current operations, long-term growth strategies, and progress at Sky Ranch. The senior management team will also answer questions. This year, Pure Cycle will be offering the ability to participate in the Q&A session virtually, which will begin at approximately 12:30 p.m. For those attending in person, Mark and Kevin will host a tour of Sky Ranch which will focus on Phase 2 of the development, the single-family rental units, and a tour of the state-of-the-art water reclamation facility. Lunch will be provided. Advanced registration is required. To register, go to <https://www.purecyclewater.com/contact>. Please complete the inquiry form, select "Register for Investor Day 2022", and type "Attending in Person" or "Attending Virtual" in the provided message space before submitting and we will get you the information you need to attend in person or participate in our virtual Q&A segment.

Company Information

Pure Cycle continues to diversify its operations, grow its balance sheet, and drive recurring revenues. We operate in three distinct lines of business, each of which complement one another. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider. In 2017, we launched our land development business which develops master planned communities on land we own and to which we provide water and wastewater services. In 2021, we launched our newest line of business, the rental of single-family homes located at Sky Ranch, which provides long-term recurring revenues, furthers our land development operations, and adds more customers to our water resource business.

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.

SOURCE: Pure Cycle Corporation

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 AND NINE MONTHS ENDED MAY 31, 2022

NASDAQ: PCYO
www.purecycletwater.com
@PureCycleCorp

COMPANY
OVERVIEW



WATER &
WASTEWATER



LAND
DEVELOPMENT



SINGLE FAMILY
RENTALS



FINANCIAL
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

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
- 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

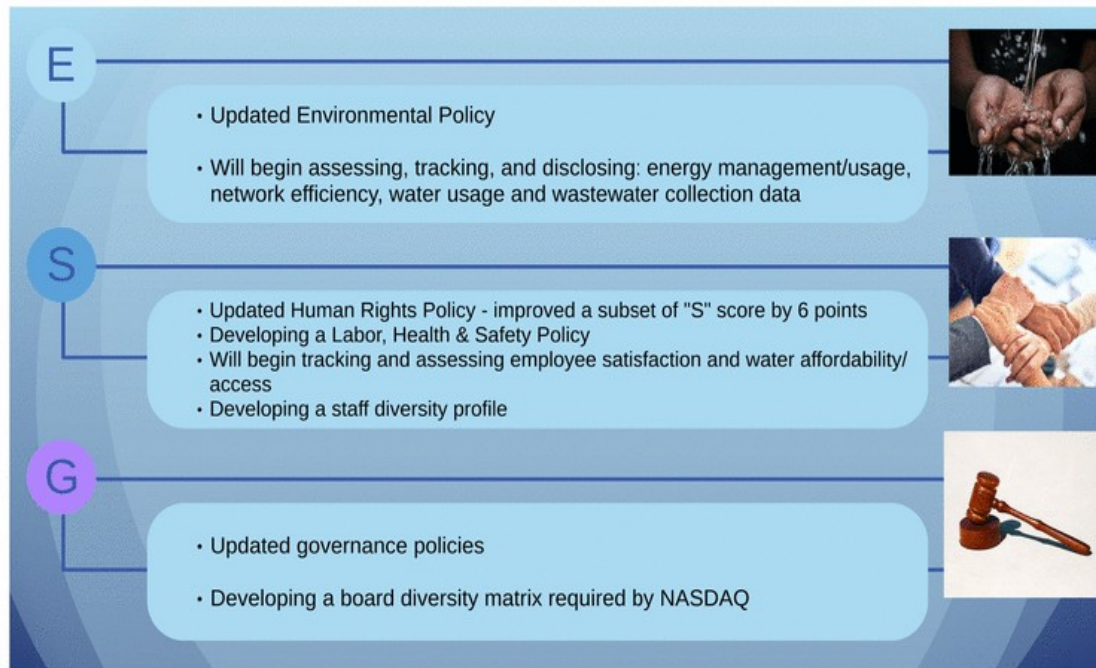


Single-Family Home Rentals

- 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

- Employment of an ESG Initiatives Specialist
- Development of an ESG Policy
- Developing an ESG page on company website
- Implementing an ESG strategy that involves:
 - Adhering to an ESG framework to provide data disclosure guidance
 - Selecting an ESG data management software to assess, track, and report ESG metrics







PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022

NASDAQ: PCYO
www.purecyclewater.com
@PureCycleCorp

COMPANY
OVERVIEW

WATER &
WASTEWATER

LAND
DEVELOPMENT

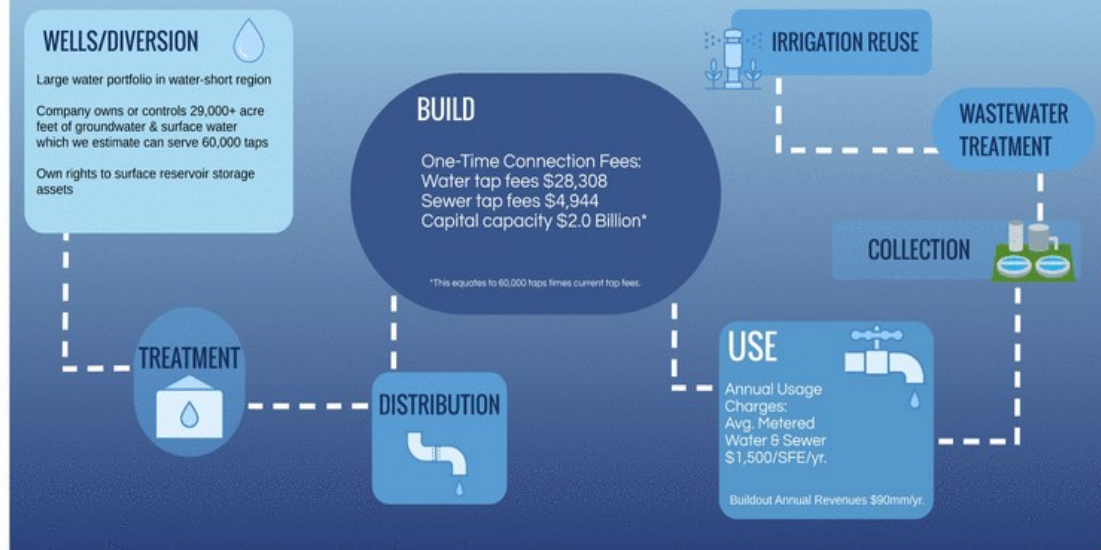
SINGLE FAMILY
RENTALS

FINANCIAL
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

Wholesale Water & Wastewater

Principal business interests are to deliver wholesale water and wastewater service

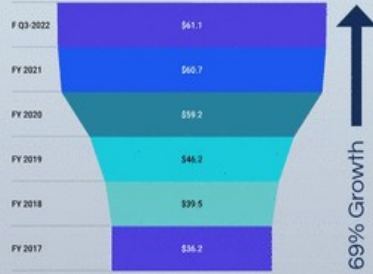


Water Infrastructure

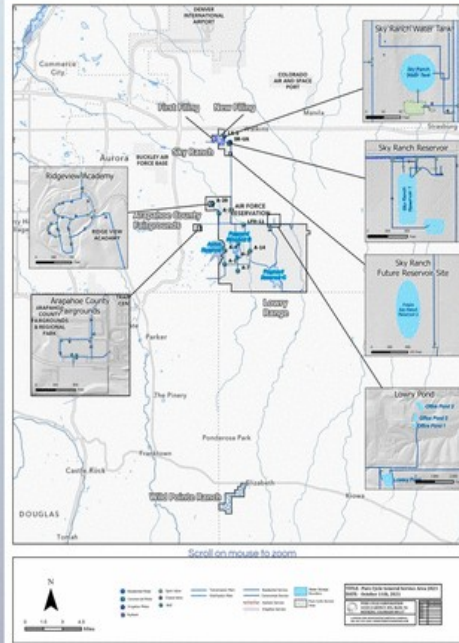
All major infrastructure is in service to support phase 2 of the Sky Ranch Development

Water Assets
(at cost)

*In millions



Own or control over
29,000 acre-feet of water
along the Denver Front
Range



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

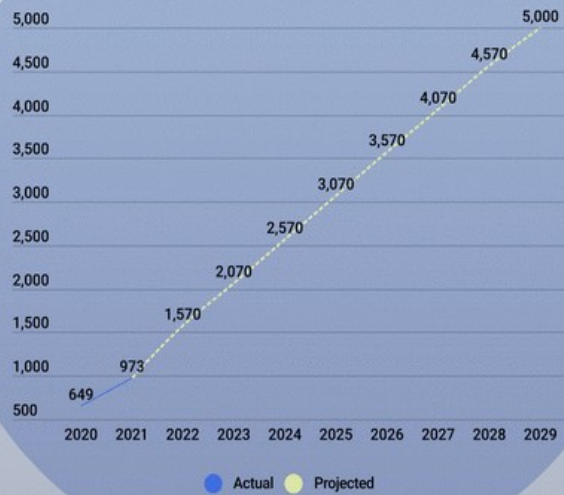
Existing Residential

Elbert and Hwy 86 Residents

Existing Commercial

Elbert and Hwy 86
commercial customers

Monthly Water Customers *



* estimated single family equivalents served

OIL & GAS

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

Southern Wattenberg Niobrara

Five Possible Formations

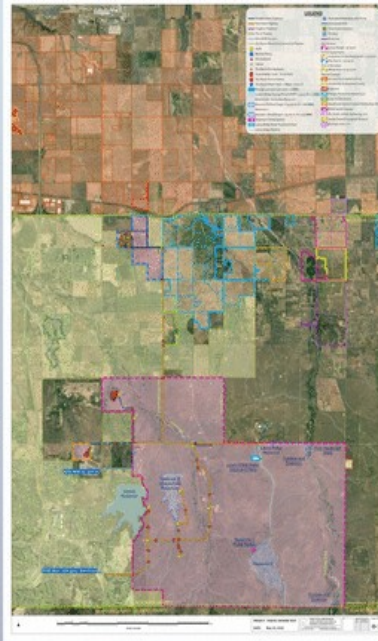
Pad Development: 40 Acre spacing

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 AND NINE MONTHS ENDED MAY 31, 2022

NASDAQ: PCYO
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COMPANY
OVERVIEW

WATER &
WASTEWATER

LAND
DEVELOPMENT

SINGLE FAMILY
RENTALS

FINANCIAL
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

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

100% complete

- All lots delivered (509)
- As of 5/31/2022 there were approximately 450 residents
- All 505 taps sold (4 units remain with PCYO for rental)
- Estimated that homes will be fully sold out by the end of Q4-2022
- Received \$11.0 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

Phase 2A - 67% complete

- 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 delivered during three months ended May 31, 2022
- Will include new Charter School directly north of this phase. Opening August 2023
- Estimated lot revenues of \$70 million
- Estimated tap fees of \$20.9 million
- Estimated \$61.1 million of reimbursable costs with \$11.4 million to date
- 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

Phase 2A (229 LOTS)

Lot Revenue**	\$ 18.4m
Tap Revenue	5.6m
Total Lot Costs	(20.1m)
Reimbursable*	16.7m
GROSS PROCEEDS	\$ 20.6m

Phase 2B (211 LOTS)

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

Phase 2C (204 LOTS)

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

Phase 2D (206 LOTS)

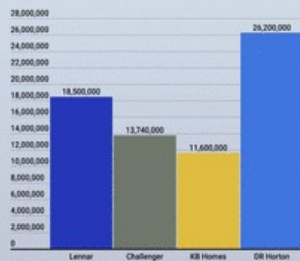
Lot Revenue**	\$ 17.9m
Tap Revenue	5.1m
Total Lot Costs	(17.6m)
Reimbursable*	\$ 14.6m
GROSS PROCEEDS	\$ 20.0m

Phase 2 (850 LOTS)

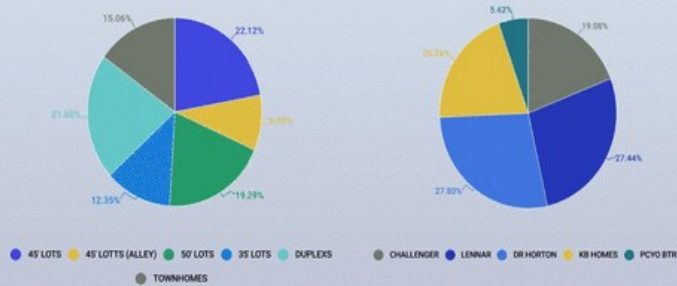
Lot Revenue **	\$ 70.0m
Tap Revenue	20.9m
Total Lot Costs	(73.4m)
Reimbursable*	61.0m
GROSS PROCEEDS	\$ 78.5m

*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board
 ** Lot revenue does not include potential price escalators

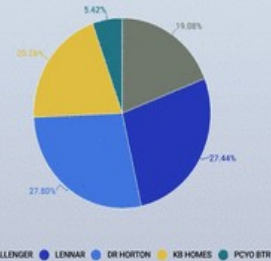
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER

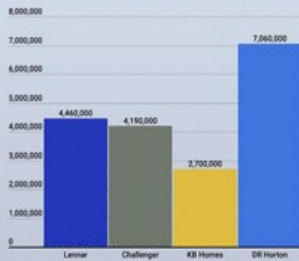


1st SUB-PHASE OF 2nd DEVELOPMENT PHASE

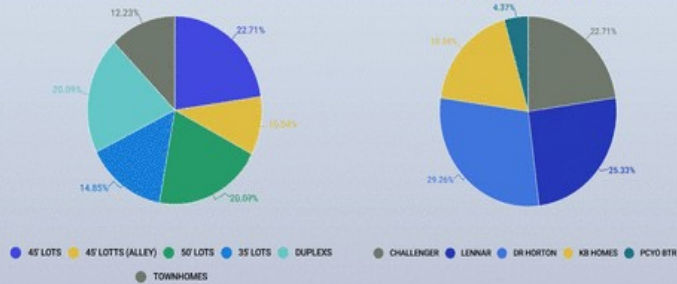
Lot Closing Dashboard

Takedown 1 <i>COMPLETE</i> DATE 8/25/2021 AMOUNT \$ 3,846,000 BUILDERS 3 LDA PHASE Platted Lots	Takedown 2 <i>COMPLETE</i> DATE 11/30/2021 AMOUNT \$ 3,695,000 BUILDERS 3 LDA PHASE Wet Utilities	Takedown 3 <i>PROTECTED</i> DATE 7/31/2022 AMOUNT \$ 10,850,000 BUILDERS 4 LDA PHASE Finished Lots	Total <i>PROTECTED</i> \$ 18,417,000
--	--	---	--

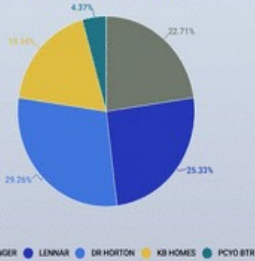
LOT SALES BY BUILDER



LOTS BY TYPE



LOTS BY BUILDER



Sky Ranch Academy

K-12 Charter School



Sky Ranch Academy

- Sold 32 acres to National Heritage Academy for \$1.6 million, and made cash-in-lieu payment to Bennett School District for \$1.6 million
- Located at the center of our Sky Ranch Community
- Groundbreaking on June 24, 2022
- School Opening Dates:

Grades K-8 opening August 2023
for 2023-2024 school year

Grades 9-10 opening August
2025





PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022

NASDAQ: PCYO
www.purecyclewater.com
@PureCycleCorp

COMPANY
OVERVIEW

WATER &
WASTEWATER

LAND
DEVELOPMENT

SINGLE FAMILY
RENTALS

FINANCIAL
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

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 an experience home builder 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**

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 of rental units

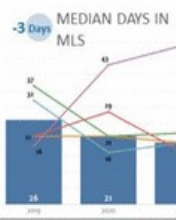
Our Single Family Rentals

- Rented first 3 homes above the average market price
- All 3 homes rented within 14 days of listing
- 4th home in Phase 1 under construction
- 10 homes in Phase 2A contracted for building permits and construction beginning by end of July 2022

Denver Premier Leasing Agents

RENTAL MARKET REPORT

September 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 Compliments of RECOLORADO®

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
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%

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 I - 4 RENTAL HOMES

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

May 2022



4th home under construction

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

- Flexible debt usage up to 70% of appraised value
- Low cost capital (3.75 - 4.25%)
- House appraisal value estimated at \$547,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- 4th rental home started March 2022!



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EARNINGS PRESENTATION FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022

NASDAQ: PCYO
www.purecyclewater.com
@PureCycleCorp

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WASTEWATER

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DEVELOPMENT

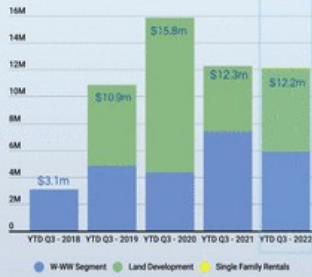
SINGLE FAMILY
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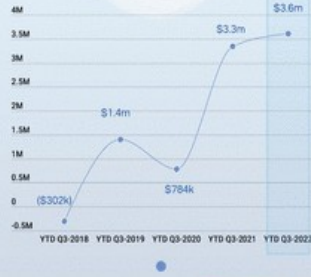
Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

NINE MONTHS ENDED MAY 31, 2022

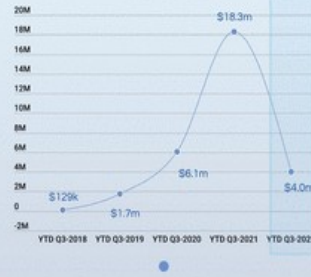
REVENUE



OPERATING INCOME



NET INCOME



WATER & WASTEWATER



- \$61.1m in water assets (cost)
- 739 total customers
- 22 residential customers added in Q3-2022
- 59.8 million gallons delivered in Q3-2022

LAND DEVELOPMENT



- Phase 2A 67% complete
- \$35.3m in reimbursable public improvements
- 83% gross margin on lots sales

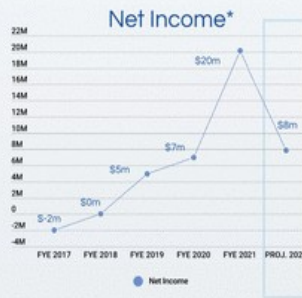
SINGLE FAMILY RENTALS



- \$1m in assets with an approximate market value of \$1.6m
- Fully occupied
- 4th lot under construction
- 10 new lots under development

5 YEAR PERFORMANCE

Shareholder Value



*2021 net income positively impacted by recognition of \$16.4m of reimbursable public improvements (net of \$5.3m of tax).

CAPITAL ALLOCATION PRIORITIES

Investing in Business Segments



- Land
- Water & Wastewater
- Single Family Rentals

M & A Growth



- Land
- Water
- Sustained pipeline of acquisitions

Shareholder Return



- Corporate execution
- Land/water acquisitions
- Share repurchase
- Dividend

BALANCE SHEET



PURE CYCLE CORPORATION CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)

	May 31, 2022	August 31, 2021
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,422	\$ 20,117
Trade accounts receivable, net	1,199	1,532
Prepaid expenses and other assets	490	458
Land under development	652	808
Notes receivable - related party, reimbursable public improvement	16,000	16,000
Total current assets	23,963	38,915
Restricted cash	2,328	2,327
Investments in water and water systems, net	53,114	51,786
Construction in progress	3,292	3,304
Single-family rental units	986	—
Land and mineral rights:		
Held for development	8,341	5,924
Held for investment purposes	451	451
Other assets	2,467	2,591
Notes receivable - related parties, including accrued interest:		
Reimbursable public improvement	19,320	8,794
Other	1,062	1,163
Operating leases - right of use assets, less current portion	62	322
Total assets	\$ 115,386	\$ 117,177
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,360	\$ 1,787
Accrued liabilities	925	1,224
Accrued liabilities - related parties	445	2,681
Income taxes payable	314	4,163
Deferred lot sale revenues	889	1,995
Deferred water sales revenues	392	410
Debt, current portion	12	—
Total current liabilities	5,337	12,460
Participant interests in export water supply	324	325
Debt, less current portion	988	—
Deferred tax liability, net	1,428	1,615
Lease obligations - operating leases, less current portion	—	37
Total liabilities	8,077	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, 40.0 million authorized; 23,980,645 and 23,916,633 outstanding, respectively)	80	80
Additional paid-in capital	174,038	173,513
Accumulated deficit	(65,809)	(70,853)
Total shareholders' equity	107,300	102,740
Total liabilities and shareholders' equity	\$ 115,386	\$ 117,177

INCOME STATEMENT

PURE CYCLE CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In thousands, except share information)

	Three Months Ended		Nine Months Ended	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Revenues:				
Metered water usage from:				
Municipal customers	\$ 94	\$ 63	\$ 498	\$ 171
Commercial customers	549	147	2,462	2,062
Wastewater treatment fees	66	51	185	144
Water and wastewater tap fees	1,273	1,856	2,447	4,522
Lot sales	1,070	445	3,644	3,316
Project management fees	81	23	529	1,571
Single-family rentals	25	—	59	—
Special facility projects and other	29	81	299	487
Total revenues	3,187	2,665	12,123	12,273
Expenses:				
Water service operations	560	316	1,419	1,074
Wastewater service operations	169	102	337	258
Land development construction costs	222	99	1,048	2,087
Project management costs	66	—	112	—
Single-family rental costs	9	—	16	—
Depletion and depreciation	349	358	1,055	1,077
Other	79	65	298	453
Total cost of revenues	1,394	940	4,285	4,949
General and administrative expenses	1,074	1,325	3,950	3,753
Depreciation	95	73	277	233
Operating income	624	328	3,611	3,338
Other income:				
Interest income - related party	308	284	1,196	2,660
Recognition of public improvement reimbursements - related party	—	—	—	17,282
Reimbursement of construction costs - related party	—	—	—	485
Oil and gas royalty income, net	123	97	330	248
Oil and gas lease income, net	47	48	143	148
Other, net	15	25	40	41
Interest expense, net	(14)	—	(52)	—
Income from operations before income taxes	1,083	782	5,368	24,182
Income tax expense	246	158	1,224	5,906
Net income	\$ 837	\$ 624	\$ 4,044	\$ 18,276
Earnings per common share - basic and diluted				
Basic	\$ 0.03	\$ 0.03	\$ 0.17	\$ 0.77
Diluted	\$ 0.03	\$ 0.03	\$ 0.17	\$ 0.76
Weighted average common shares outstanding:				
Basic	23,970,290	23,907,140	23,944,394	23,885,179
Diluted	24,124,586	24,184,395	24,183,500	24,104,408



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

Wanda J. Abel

Director and Chairman of the
Nominating and Governance
Committee

Daniel R. Kozlowski

Director and Chairman of the
Compensation Committee

Fredrick A. Fendel III.

Director

CONTACT AND COMPANY INFORMATION

CORPORATE HEADQUARTERS

34501 E. Quincy Ave, BLDG 65, Suite A, Watkins, CO 80137

CONTACT INFO

info@purecyclewater.com
303-292-3456
www.purecyclewater.com

Follow us on...

Twitter: @PureCycleCorp
LinkedIn: <https://www.linkedin.com/company/pure-cycle-corporation>

Questions?

STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million



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