

**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 14, 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 Registrant 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 Registrant

If an emerging growth Registrant, 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 (“Registrant”), a Colorado corporation, in connection with the matters described herein

**Item 2.02 Results of Operations and Financial Condition.**

On November 14, 2022, Pure Cycle Corporation issued a press release announcing its financial results for the year ended August 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 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release dated November 14, 2022, announcing earnings for the year ended August 31, 2022</a>
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the inline XBRL document)

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**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 16, 2022

**PURE CYCLE CORPORATION**

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

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# PURE CYCLE

## Pure Cycle Announces Financial Results for the Year Ended August 31, 2022

DENVER, CO / ACCESSWIRE / November 14, 2022 – Pure Cycle posted \$9.6 million of net income for the year ended August 31, 2022, which marks our fifth consecutive year and fourteenth consecutive quarter with positive net income. Each of our three cohesive business lines, being land development, water resource development, and single-family rentals, contributed to the positive income. We continue developing our master planned community, Sky Ranch, while expanding our water resource development business in terms of adding customers, acquiring water assets, and growing our rental home business. Mark Harding, CEO of Pure Cycle, commented that “as we wrap up 2022 and move into 2023, while cautious about the housing market, we couldn’t be more pleased with the progress we made at Sky Ranch, with the continued expansion of our water resource business and the successful launch of our home rental business.”

### Fiscal 2022 Highlights

- Revenues of \$23.0 million which drove pre-tax income of \$12.7 million
- EBITDA of \$14.9 million
  - Reconciliation of net income to EBITDA is as follows: net income of \$9.6M plus interest expense of \$0.1M plus tax expense of \$3.1M plus depreciation and depletion of \$2.1M equals EBITDA of \$14.9 million
- Tap fees of \$4.9 million
- All 229 lots delivered, 219 titles transferred to homebuilders in Phase 2A, and 10 lots retained for rentals
- 404.9 million gallons of water delivered; a record year for Pure Cycle’s water resource business
- Receipt of \$24.1 million from the Sky Ranch CAB, including \$23.6 million from the issuance of the CAB’s second municipal bond offering

Pure Cycle Corporation (NASDAQ Capital Market: PCYO), for the year ended August 31, 2022, is reporting net income of \$9.6 million which was generated from revenues of \$23.0 million. Pure Cycle continues construction on Phase 2A at its Sky Ranch Master Planned Community, which is just over 3/4<sup>th</sup> complete.

“While interest rates continue to impact demand for housing across all sectors and price points, we believe the strongest segment in the housing market is the entry level market, and we are seeing builders looking to reposition their portfolios to lots that can deliver entry-level homes, which here in Denver are priced in the \$400,000’s,” commented Mr. Harding, “we believe our home building partners achieved incredibly high margins on Phase 1 of Sky Ranch over the past two years which further highlights the current and future attractiveness of the proven Sky Ranch opportunity for Pure Cycle and our builder partners,” concluded Mr. Harding.

### Financial Summary

#### Revenue

For the years ended August 31, 2022 and 2021, we reported total revenues of \$23.0 million and \$17.1 million with \$10.1 million and \$9.7 million being generated in our water and wastewater resource development segment, \$12.9 million and \$7.5 million generated by our land development segment, and less than \$0.1 million and \$0 reported in our single-family rental business.

For the years ended August 31, 2022 and 2021, we sold 159 and 167 water and wastewater taps for \$4.9 million and \$5.2 million. We have sold all taps in Phase 1 of Sky Ranch and have sold 113 of the 219 to be sold in Phase 2A.

For the years ended August 31, 2022 and 2021, we delivered 67 and 174 finished lots to homebuilders, meaning we transferred title on the lots to the builders. Our land development segment primarily recognizes revenue from selling lots based on the progress of construction activities and management of the construction of public improvements, which generated the \$12.9 million and \$7.5 million of revenue for the years ended noted above.

The single-family rental business has three homes built and rented with eleven additional units under construction.

### *Profitability*

We continue to be profitable with net income of \$9.6 million and \$20.1 million for the years ended August 31, 2022 and 2021. This equates to \$0.40 and \$0.83 of earnings per fully diluted share. The 2021 net income was positively impacted by the recognition of amounts reimbursable from the Sky Ranch CAB, which is more fully described in the Form 10-K we filed with the SEC today.

### *Working Capital*

We reported working capital (current assets less current liabilities) of \$27.0 million as of August 31, 2022 with \$34.9 million of cash and cash equivalents.

“We have spent more than three decades building a long-term sustainable company focused on providing high-quality affordable water and housing in the front range of Colorado, and we firmly believe we are well positioned to continue to grow through difficult market cycles such as this,” commented Kevin McNeill, CFO of Pure Cycle. “Fiscal 2022 marked another great year for Pure Cycle. With record water sales, completing the sale of the school site, selling all Phase 2A finished lots, successful placement of the second Sky Ranch CAB bonds, and the successful launch and expansion of our single-family rentals, we are excited to build on these successes in the coming years,” concluded Mr. McNeill.

## **Operational Summary**

### *Water and Wastewater Resource Development*

For fiscal 2022, we delivered a record 404.9 million gallons to customers, a 57% increase over the 257.8 million gallons we delivered in fiscal 2021. This substantial increase was due primarily to the sale of water to oil and gas operators for use in their drilling, but we also increased water deliveries to our Sky Ranch customers by 17% (from 43.0 million gallons in fiscal 2021 to 50.5 million gallons in fiscal 2022) due to customer growth as Sky Ranch continues its development progress. As we continue to deliver lots in our land development segment, our monthly recurring water sales continue to strengthen. Water and wastewater tap sales declined in fiscal 2022 compared to fiscal 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.

### *Land Development*

Lot sales revenue increased for fiscal 2022 compared to fiscal 2021 due to progress on construction in Phase 2A at Sky Ranch. The price per lot for delivered lots in Phase 2 increased on average 40% over Phase 1, which also added to the increased revenue. Because lot sale revenue is recognized predominately as construction progresses, revenue will fluctuate due to timing of construction activities.

### *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 fiscal 2022, we contracted for the construction of eleven more rental homes, which all began construction in fiscal 2022. We expect the fourth unit to be completed and ready for rental in Q1-2023 with delivery dates at various times throughout fiscal 2023 for the next ten units.

## **Share Repurchase Authorization**

On November 2, 2022, our Board of Directors approved a stock repurchase program. The program is open-ended and authorizes repurchases of up to an aggregate of 200,000 shares of common stock in the open market. As of the date of this release, no shares have been repurchased under the repurchase program.

The following table presents our results of operations for the years ended August 31, 2022 and 2021:

<i>(In thousands, except share information)</i>	Year Ended	
	August 31, 2022	August 31, 2021
<b>Revenues:</b>		
Metered water usage from:		
Municipal customers	\$ 440	\$ 339
Commercial customers	4,107	3,299
Wastewater treatment fees	248	199
Water and wastewater tap fees	4,922	5,163
Lot sales	12,187	5,840
Project management fees	683	1,629
Single-family rentals	82	—
Special facility projects and other	334	656
Total revenues	<u>23,003</u>	<u>17,125</u>
<b>Expenses:</b>		
Water service operations	1,910	1,546
Wastewater service operations	501	370
Land development construction costs	1,990	2,535
Project management costs	176	—
Single-family rental costs	23	—
Depletion and depreciation	1,740	1,457
Other	289	494
Total cost of revenues	<u>6,629</u>	<u>6,402</u>
General and administrative expenses	5,893	5,139
Depreciation	385	315
Operating income	<u>10,096</u>	<u>5,269</u>
<b>Other income:</b>		
Interest income - related party	1,937	2,955
Recognition of public improvement reimbursables - related party	—	17,262
Reimbursement of construction costs - related party	—	485
Oil and gas royalty income, net	498	324
Oil and gas lease income, net	171	196
Other, net	93	99
Interest expense, net	(90)	—
Income from operations before income taxes	<u>12,705</u>	<u>26,590</u>
Income tax expense	3,086	6,480
Net income	<u>\$ 9,619</u>	<u>\$ 20,110</u>
<b>Earnings per common share - basic and diluted</b>		
Basic	<u>\$ 0.40</u>	<u>\$ 0.84</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.83</u>
<b>Weighted average common shares outstanding:</b>		
Basic	<u>23,953,740</u>	<u>23,890,792</u>
Diluted	<u>24,155,990</u>	<u>24,110,918</u>

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

(In thousands, except shares)

**ASSETS:**

Current assets:

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Cash and cash equivalents	\$ 34,894	\$ 20,117
Trade accounts receivable, net	2,425	1,532
Prepaid expenses and other assets	467	458
Land under development	—	608
Notes receivable - related party, reimbursable public improvements	—	<u>16,000</u>
Total current assets	37,786	38,715
Restricted cash	2,328	2,327
Investments in water and water systems, net	58,763	53,786
Construction in progress	1,224	3,304
Single-family rental units	975	—
Land and mineral rights:		
Held for development	6,773	5,924
Held for investment purposes	451	451
Other assets	2,463	2,591
Notes receivable – related parties, including accrued interest:		
Reimbursable public improvements	17,208	8,794
Other	1,120	1,163
Operating leases - right of use assets, less current portion	<u>138</u>	<u>122</u>
Total assets	<u>\$ 129,229</u>	<u>\$ 117,177</u>

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 849	\$ 1,787
Accrued liabilities	2,029	1,224
Accrued liabilities – related parties	560	2,881
Income taxes payable	2,530	4,163
Deferred lot sale revenues	4,275	1,995
Deferred water sales revenues	570	410
Debt, current portion	<u>10</u>	<u>—</u>
Total current liabilities	10,823	12,460
Participating interests in export water supply	323	325
Debt, less current portion	3,950	—
Deferred tax liability, net	1,075	1,615
Lease obligations - operating leases, less current portion	<u>62</u>	<u>37</u>
Total liabilities	<u>16,233</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	174,150	173,513
Accumulated deficit	<u>(61,234)</u>	<u>(70,853)</u>
Total shareholders' equity	112,996	102,740
Total liabilities and shareholders' equity	<u>\$ 129,229</u>	<u>\$ 117,177</u>

## Year End 2022 EARNINGS CALL

Pure Cycle will host a conference call on Tuesday, November 14, 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](http://www.purecyclewater.com).

When:	8:30AM Eastern (6:30AM Mountain) on November 15, 2022
Call in number:	888-506-0062 (access code: 931680)
International call-in number:	973-528-0011 (access code: 931680)
Replay number:	877-481-4010   919-882-2331 (passcode: 46627)
Replay available until:	November 29, 2022 at 8:30AM ET
Event link:	<a href="https://www.webcaster4.com/Webcast/Page/2247/46627">https://www.webcaster4.com/Webcast/Page/2247/46627</a>

### Company Information

Pure Cycle continues to diversify its operations, grow its balance sheet, and drive recurring revenues. We operate in three distinct business segments, each of which complement the other. At our core, we are an innovative and vertically integrated wholesale water and wastewater service provider. In 2017, we launched our land development segment 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 segment.

Additional information, including our recent press releases and SEC filings, is available at [www.purecyclewater.com](http://www.purecyclewater.com), or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or [info@purecyclewater.com](mailto: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: our positioning to continue to grow through this market cycle, the completion and delivery of our rental units, timing of development at Sky Ranch, 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, inflation, 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, 2022; 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.