

**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): April 12, 2023

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 April 12, 2023, the Registrant issued a press release announcing its financial results for the three and six months ended February 28, 2023. 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 April 13, 2023, the Registrant presented and posted on its website a presentation summarizing Pure Cycle’s operations and financial results (**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 (**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 April 12, 2023, announcing earnings for the three and six months ended February 28, 2023
99.2	Three and six months ended February 28, 2023 earnings presentation
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: April 14, 2023

PURE CYCLE CORPORATION

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



Pure Cycle Announces Financial Results for the Six Months Ended February 28, 2023

DENVER, CO / ACCESSWIRE / April 12, 2023 – Pure Cycle Corporation (NASDAQ Capital Market: **PCYO**) announced it produced its sixteenth consecutive fiscal quarter with positive net income. Pure Cycle continues to see positive results from its Sky Ranch Master Planned Community with over 100 new home starts in Phase 2A and the initiation of construction in our next 211 lots in Phase 2B with all four of our homebuilder partners excited to continue building homes at Sky Ranch. While the national and local housing markets are experiencing some headwinds, our Sky Ranch community continues to see robust new home starts due to its much-needed entry level priced homes in the hottest front range market. In addition to our lots for sale, we continue to build homes for our own portfolio of single-family rentals, with 10 homes under construction and nearing completion. In addition, industrial water sales to oil and gas operations, although slow throughout the winter months, continued to generate positive results for that line of business and are forecasted to produce record water deliveries and oil and gas operations water sale revenues through the remainder of our fiscal year. Highlights for the first half of fiscal 2023 are presented below.

Highlights

- Revenues for the three and six months ended February 29, 2023, were \$3.0 million and \$4.3 million which drove pre-tax income of \$0.3 million and \$0.6 million
- EBITDA for the three and six months ended February 28, 2023 of \$0.9 million and \$1.7 million (EBITDA defined below)
- Cash and investments totaled \$22.5 million as of February 28, 2023

“Rising interest rates have generated headwinds in the housing markets with many buyers deferring the purchase of a new home. Even with the broader market headwinds, our real-time delivery of lots to our homebuilder customers and our just in time payment for lot deliveries optimizing cash flows for both Pure Cycle and our homebuilder partners has demonstrated their value with all our homebuilders aggressively building new homes in Phase 2A and purchasing lots in our next Phase 2B. While the timing of lot deliveries has varied from the previous year due to market pressures, Sky Ranch continues to be among the Denver metropolitan area’s most affordable and successful Master Planned Communities” commented Mr. Harding, CEO of Pure Cycle. “The winter months are always a seasonally slow time for home sales and construction, yet despite this, our homebuilding partners continue to construct homes at Sky Ranch and our Phase 2A is nearly 90% complete, with 156 of the 219 taps being sold and our homebuilder partners all wanted to make sure they have additional lots for continued building in Phase 2B. In addition to robust demand for our “For Sale” homes at Sky Ranch, working with our homebuilder partners we nearly doubled our Single-Family Rental lots in Phase 2B moving from 10 units to 17 units. We continue to see strong demand for rental units at Sky Ranch with multiple highly qualified applicants for each unit we bring online. Our entry level priced homes for sale and for rent will remain attractive in this market and we believe the future growth at Sky Ranch will remain strong,” concluded Mr. Harding.

Financial Summary

Revenue

For the three months ended February 28, 2023 and 2022, we reported total revenues of \$3.0 million and \$4.7 million. This was generated by our water and wastewater resource development segment (\$1.5 million and \$2.8 million), our land development segment (\$1.5 million and \$1.8 million), and our single-family rental business (less than \$0.1 million in both periods). For the six months ended February 28, 2023 and 2022, we reported total revenues of \$4.3 million and \$8.9 million. This was generated by our water and wastewater resource development segment (\$2.2 million and \$3.9 million), our land development segment (\$2.0 million and \$5.0 million), and our single-family rental business (less than \$0.1 million in both periods). The decline in revenue for both periods presented was predominately due to a reduction in commercial water sales to oil and gas operators, and the slowing of the housing industry, which resulted in our construction activities being slowed over the winter to align the timing of our lot deliveries with the projected home absorptions from our homebuilding partners.

For the three months ended February 28, 2023 and 2022, we sold 35 and 27 taps for \$1.0 million and \$0.9 million. For the six months ended February 28, 2023 and 2022, we sold 39 and 36 taps for \$1.1 million and \$1.1 million. These taps were sold predominately at our Sky Ranch community where we have sold a total of 798 water and wastewater taps since we began developing Sky Ranch in 2017.

As of February 28, 2023, the single-family rental business has four homes built and rented with ten additional units under construction with expected delivery dates beginning in April 2023. Additionally, after February 28, we amended two builder contracts for Phases 2B-D to change lot prices and retain an additional 19 lots which we will use in our rental division.

Profitability

We continue to be profitable with net income, positive earnings per share, and positive EBITDA as detailed in the table below:

<i>(In thousands, except share information)</i>	Three Months Ended		Six Months Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Net income	\$ 189	\$ 1,693	\$ 348	\$ 3,207
Add back:				
Interest expense	47	13	97	21
Taxes	90	501	220	978
Depreciation / depletion / amortization	583	449	1,076	888
EBITDA	<u>\$ 909</u>	<u>\$ 2,656</u>	<u>\$ 1,741</u>	<u>\$ 5,094</u>
Fully diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ 0.13</u>

Working Capital

We reported working capital (current assets less current liabilities) of \$20.3 million as of February 28, 2023, with \$22.5 million of cash, cash equivalents and short-term investments.

“Although the housing market softened near the end of our fiscal 2022, which continued into 2023, our strong balance sheet remains our differentiator. We have positioned ourselves with three very strong and long-term producing assets that have in the past proven to weather the inevitable up and down-market cycles. We continue to invest in our core asset, water, which we believe is the most valuable long-term, appreciable asset we can own,” commented Kevin McNeill, CFO of Pure Cycle. “With the continue participation from each of our homebuilders and increase demand for industrial water sales from oil and gas operations, we continue to forecast a strong fiscal 2023, as we continue to focus on providing a reasonably priced lot in a market that is desperate for reasonably priced homes” concluded Mr. McNeill.

Operational Summary

Water and Wastewater Resource Development

For the three months ended February 28, 2023 and 2022, we delivered 10.6 million gallons and 137.9 million gallons of water to customers, a 92% decrease. For the six months ended February 28, 2023 and 2022, we delivered 78.0 million gallons and 215.2 million gallons to customers, a 64% decrease. This decrease in water sales was primarily due to declines in water used in oil and gas operations as oil and gas operators focus on other locations along the Colorado front range due to prioritizing lease obligations. Additionally, we saw a reduction in construction water needs at Sky Ranch from slowed construction activities because of the downturn in the housing market overall and declines in water sales as less new landscaping was installed in 2023. Water and wastewater tap sales remained consistent for the periods presented. Tap sales are driven by building permit applications and are not contractually established with the builders. As evidenced by the \$1.2 million of surface use payments (reported in other income) we received in Q1-2023, we believe we will see stronger water sales to oil and gas operators for the remainder of fiscal 2023.

We also continued acquiring water rights with the acquisition of additional water wells in the Lost Creek Basin for \$0.3 million, which will be added to our other Lost Creek Water and our overall water portfolio for use within our Service Areas.

Land Development

Lot sales revenue decreased for the three and six months ended February 28, 2023 compared to 2022 due to the reduction of construction activities to align our deliverables with the timing of home sale absorptions by the homebuilders. Because lot sale revenue is recognized as construction progresses, revenue will fluctuate due to timing of construction activities and lot deliveries. Subsequent to February 28, 2023, we began construction activities on our next 211 Phase 2B lots and received all three first milestone payments from the home builders on the milestone payment plan, which totaled \$4.1 million in payments, so revenue will begin being recognized on Phase 2B in our Q3-2023.

Single Family Rentals

We are currently renting four single-family homes at Sky Ranch under separate one-year non-cancellable leases. As of February 28, 2023, we also have ten more units under construction which we expect to be delivered at various dates throughout fiscal 2023 beginning in early May.

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. No shares have been repurchased under the repurchase program.

The following table presents our unaudited results of operations for the three and six months ended February 28, 2023 and 2022:

<i>(In thousands, except share information)</i>	Three Months Ended		Six Months Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenues:				
Metered water usage from:				
Municipal customers	\$ 83	\$ 69	\$ 204	\$ 180
Commercial customers	59	1,541	451	2,137
Wastewater treatment fees	78	64	141	119
Water and wastewater tap fees	994	913	1,144	1,174
Lot sales	1,391	1,629	1,904	4,574
Project management fees	123	200	131	448
Single-family rentals	31	26	56	34
Special facility projects and other	231	222	299	270
Total revenues	2,990	4,664	4,330	8,936
Expenses:				
Water service operations	402	570	881	859
Wastewater service operations	116	99	254	228
Land development construction costs	188	295	331	826
Project management costs	74	46	146	46
Single-family rental costs	19	4	29	7
Depletion and depreciation	461	352	839	706
Other	141	141	247	219
Total cost of revenues	1,401	1,507	2,727	2,891
General and administrative expenses	1,707	1,552	3,095	2,876
Depreciation	122	97	237	182
Operating (loss) income	(240)	1,508	(1,729)	2,987
Other income (expense):				
Interest income - related party	263	525	510	885
Interest income - Investments	218	2	446	3
Oil and gas royalty income, net	67	110	183	207
Oil and gas lease income, net	19	48	38	96
Other, net	(1)	14	1,217	28
Interest expense, net	(47)	(13)	(97)	(21)
Income from operations before income taxes	279	2,194	568	4,185
Income tax expense	90	501	220	978
Net income	\$ 189	\$ 1,693	\$ 348	\$ 3,207
Earnings per common share - basic and diluted				
Basic	\$ 0.01	\$ 0.07	\$ 0.01	\$ 0.13
Diluted	\$ 0.01	\$ 0.07	\$ 0.01	\$ 0.13
Weighted average common shares outstanding:				
Basic	24,023,775	23,944,141	24,004,677	23,931,307
Diluted	24,142,300	24,184,161	24,114,089	24,194,579

The following table presents our consolidated financial position as of February 28, 2023 (unaudited) and August 31, 2022 (audited):

(In thousands, except shares)

	<u>February 28, 2023</u>	<u>August 31, 2022</u>
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,224	\$ 34,894
Investments in U.S. Treasury Bills	15,245	—
Trade accounts receivable, net	2,121	2,425
Income taxes receivable	1,610	—
Prepaid expenses and other assets	603	467
Total current assets	<u>26,803</u>	<u>37,786</u>
Restricted cash	2,331	2,328
Investments in water and water systems, net	58,368	58,763
Construction in progress	3,383	1,224
Single-family rental units	1,500	975
Land and mineral rights:		
Held for development	8,082	6,773
Held for investment purposes	451	451
Other assets	2,485	2,463
Notes receivable – related parties, including accrued interest		
Reimbursable public improvements	20,609	17,208
Other	1,299	1,120
Operating leases - right of use assets	103	138
Total assets	<u>\$ 125,414</u>	<u>\$ 129,229</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 656	\$ 849
Accrued liabilities	1,644	2,029
Accrued liabilities – related parties	154	560
Income taxes payable	—	2,530
Deferred lot sale revenues	3,473	4,275
Deferred water sales revenues	533	570
Debt, current portion	10	10
Total current liabilities	<u>6,469</u>	<u>10,823</u>
Participating interests in export water supply	—	323
Debt, less current portion	3,945	3,950
Deferred tax liability, net	1,241	1,075
Lease obligations - operating leases, less current portion	25	62
Total liabilities	<u>11,609</u>	<u>16,233</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; 24,054,843 and 23,980,645 outstanding, respectively	80	80
Additional paid-in capital	174,611	174,150
Accumulated deficit	(60,886)	(61,234)
Total shareholders' equity	<u>113,805</u>	<u>112,996</u>
Total liabilities and shareholders' equity	<u>\$ 125,414</u>	<u>\$ 129,229</u>

Q2-2023 EARNINGS CALL

Pure Cycle will host a conference call on Thursday, April 13, 2023 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 April 13, 2023
Call in number: 888-506-0062 (access code: 906418)
International call-in number: 973-528-0011 (access code: 906418)
Replay number: 877-481-4010 | 919-882-2331 (passcode: 48106)
Replay available until: April 27, 2023 at 8:30AM ET
Event link: <https://www.webcaster4.com/Webcast/Page/2247/48106>

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 complements 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, or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or 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 because of new information, future events or otherwise.



Pure Cycle Corporation

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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.



WE OPERATE MULTIPLE COMPLEMENTARY SEGMENTS...

...driving value for stakeholders with water, land, and rentals



Water and Wastewater Resource Development Segment

- Own nearly 30K acre-feet of water rights (surface and ground water)
- Sustainable 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
- Own and reuse our reclaimed water



Land Development Segment

- Own highly-appreciated property in 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 can have around 3,200 residential units and over 2 million square feet of retail, commercial and industrial uses (Equivalent of 1,800 residential units)
- 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

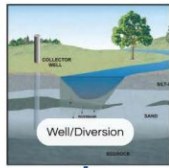
EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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



Wholesale Water & Wastewater



Well/Diversion



Distribution



Usage



Wastewater Treatment



Treatment



Build



Collection



Reuse

Well/Diversion

- Vertically integrated, meaning we own, treat and sell water then collect, treat, and reuse wastewater
- Own and control nearly 30K acre feet of water
- Own rights to surface reservoir storage assets

Build

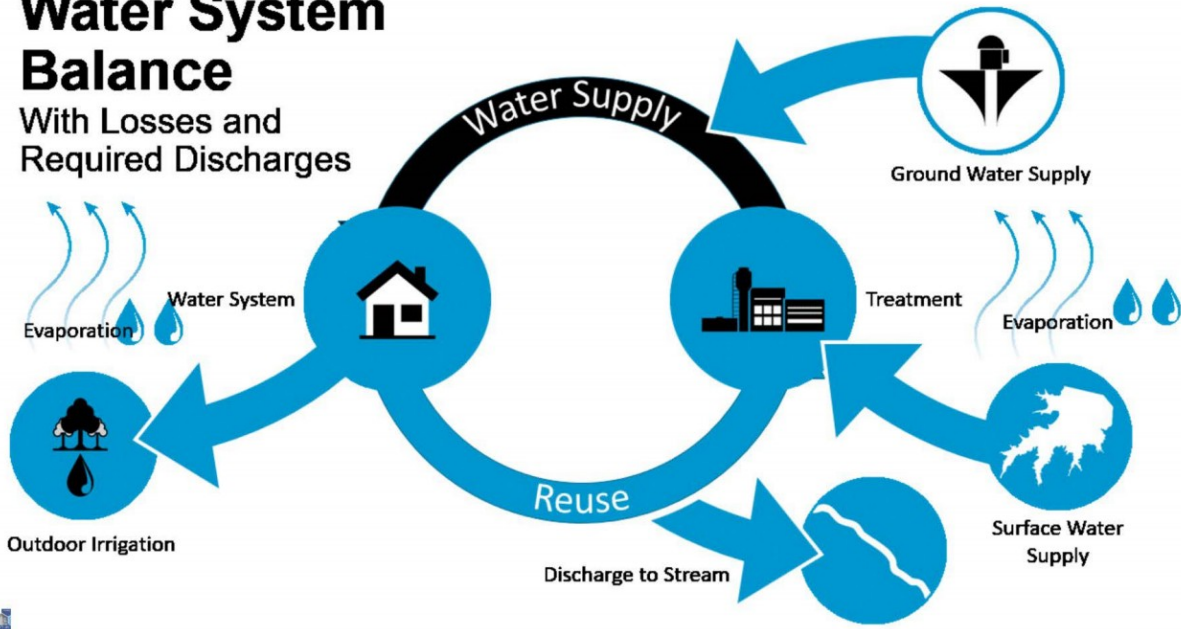
- Capacity to serve 60,000 taps
- Capital Capacity = \$2.0 billion
- One-Time Connection Fees:
 - Water tap = \$28,308
 - Sewer tap = \$4,944

Usage

- Base fee = \$32.74
- Consumption fee = Tiered
 - 0-15k gal - \$4.63 per 1,000 gal
 - 15k-30k gal - \$8.10 per 1,000 gal
 - >30k gal - \$9.95 per 1,000 gal
 (Approx \$1,500/yr/unit)

Water System Balance

With Losses and Required Discharges



WATER INFRASTRUCTURE

All major infrastructure is in service to support all of Phase 2 of the Sky Ranch development

Water Assets
(at cost)



Water Assets/Infrastructure Inventory

- 2 Wastewater reclamation facilities
- 20+ miles of transmission pipeline
- 4 Alluvial wells
- 150 Acre-feet surface storage
- 2 million gallons of water storage
- 29,900+ Acre-feet of water rights
- 11 Groundwater wells
- 30+ miles of distribution pipeline



WATER AND WASTEWATER

Customers - 1,283

New Residential

Residential water and wastewater customers added with every new phase at Sky Ranch

- Avg. residential customer generates \$1,500 per year in revenue

New Commercial

- Future Sky Ranch commercial phases to include the equivalent of 1,800 taps
- More parks, irrigated space, and amenities will be added to the Sky Ranch Community

Existing Residential

- Sky Ranch Phase 1**
 - all taps sold for 509 homes (4 are our SFRs)
- Sky Ranch Phase 2A**
 - 156 taps sold as of QTR End (10 are our SFRs)
- Elbert and Hwy 86**
 - more than 200 residents

Existing Commercial

- Elbert and Hwy 86 commercial customers include a Walmart, carwash, and fitness center
- 3 parks and additional irrigated space for Sky Ranch, paid by the Sky Ranch CAB
- more irrigated space to come in Phase 2A in 2023
- Largest commercial customers are oil and gas operators - record sales to these customers in 2022; Strong demand for FY '23.

System Capacity

Wild Pointe



Sky Ranch



Lowry



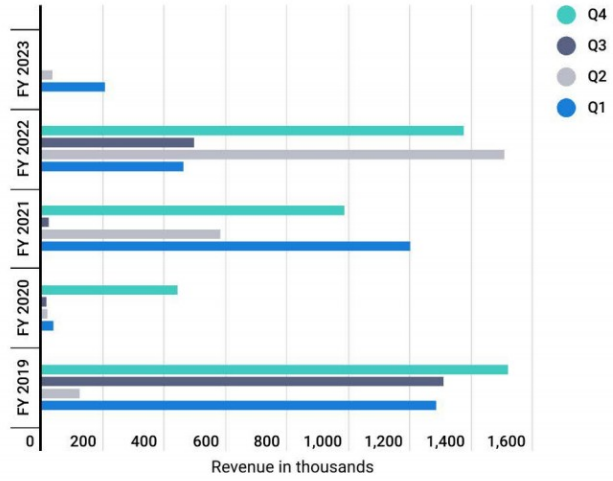
OIL & GAS

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

Southern Wattenberg Niobrara

- Multiple Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Oil rig can drill 20 wells per year
- Average \$250,000 of water sales per well

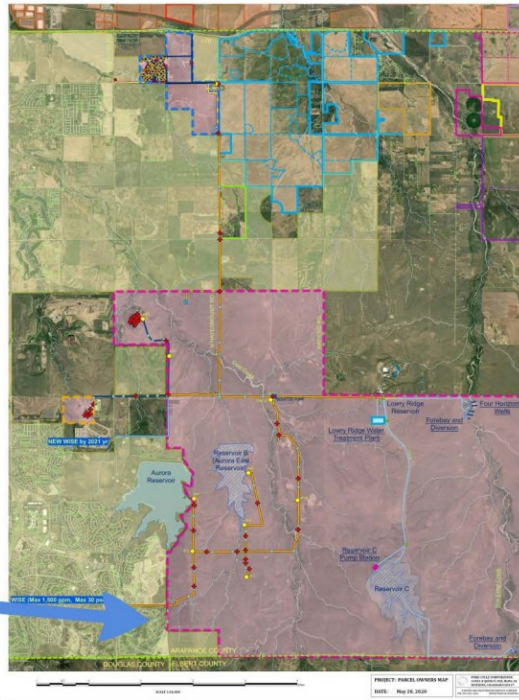
More than 200 square miles in Adams & Arapahoe Counties



DEVELOPMENT ENCROACHMENT TO LOWRY RANGE



View looking north of
development encroachment
on Lowry Range exclusive
Service Area





Pure Cycle Corporation

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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



LAND DEVELOPMENT

- Developing the **930 acre** Sky Ranch (Currently developing Phase 2A - Phase 2B begins in April 2023)
- Can accommodate up to **3,200** residential lots
- Can accommodate up to **2M sq. ft.** of commercial development (**1,800 SFE's**)
- **15 miles** east of downtown Denver and **4 miles** south of DIA



LAND DEVELOPMENT PHASE 1 & 2

Phase 1

Phase 1 - 509 lots

100% Complete - Completed 2022

Rental lots - 4 lots

Sky Ranch Academy

K-7 opening in 8/2023

High School opening in 2025

Phase 2

Phase 2A - 229 lots
87% complete - est. completion 2023

Phase 2B - 211 lots
0% complete - est. completion 2024
(Started April 2023)

Phase 2C - 204 lots
0% complete - est. completion 2025

Phase 2D - 206 lots
0% complete - est. completion 2026

Rental lots - 65 lots *

Total Lots - 1,359



PARTNERING HOMEBUILDERS

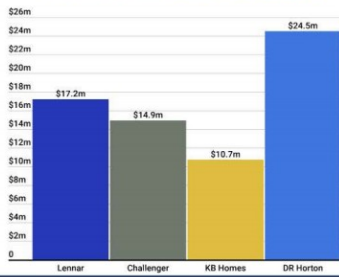


After February 28, 2023, we amended two homebuilder contracts to increase lot prices and increase the number of lots we retained for rental purposes by 19.

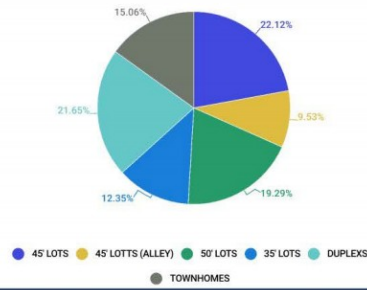
SKY RANCH PHASE 2

Financial and Quantitative Data

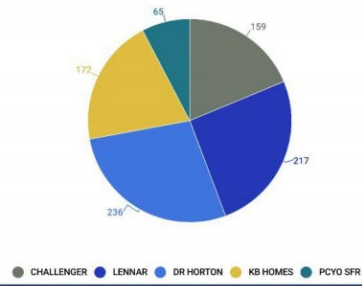
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER



Phase 2A (229 LOTS)

Lot Revenue**	\$ 18.4m
Tap Fees	5.6m
Total Lot Costs	(21.0m)
Reimbursable*	18.4m
GROSS PROCEEDS	\$ 21.4m

Phase 2B (211 LOTS)

Lot Revenue**	\$ 17.2m
Tap Fees	5.2m
Total Lot Costs	(18.8m)
Reimbursable*	14.1m
GROSS PROCEEDS	\$ 17.6m

Phase 2C (204 LOTS)

Lot Revenue**	\$ 15.5m
Tap Fees	5.0m
Total Lot Costs	(17.1m)
Reimbursable*	12.8m
GROSS PROCEEDS	\$ 16.2m

Phase 2D (206 LOTS)

Lot Revenue**	\$ 15.5m
Tap Fees	5.1m
Total Lot Costs	(17.3m)
Reimbursable*	\$ 12.9m
GROSS PROCEEDS	\$ 16.3m

*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board
 ** Lot revenue for Phase 2C and 2D does not include potential price escalators

Market Conditions

Continued demand for new home sales
2005/2006 - 1.4M
2021/2022 - 600K

Mortgage rates stabilizing - still at historical averages

Lot deliveries still trailing home starts

All homebuilders in Sky Ranch are top 15 nationally

Low unemployment

House price appreciation

Lower average days on market (June/Jan.)
Typical - 60/90
Current - 30/60

Existing home sales declining (mortgage locked)

+
The GOOD

Interest Rates
Abrupt uptick in 2022 - 3% to 7%
(70s - 9%, 80s - 13%, 90s - 8%, 2000s - 6%, 2010s - 4%)

Mortgage applications down

Cancellations up

Traffic down

Home sales down

-
The BAD

Sky Ranch Strengths

- Entry level price segmentation
- Diverse product offerings (Low to mid 400's)
- Available homes to buy - spec home construction
- New school opening August 2023







Pure Cycle Corporation

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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



Single-Family Rentals



Pure Cycle contracts to build single family homes in it's Sky Ranch Master Planned Community to hold for rentals.

- Retaining lots within the community it's building and adding value
- Lot development costs fully recovered (horizontal costs and tap fees)
- Contracting with experienced builder to deliver homes cost efficiently
- Financing home costs with mortgage based cost of capital
- Finished home valuations average \$200,000 in appraised equity
- Assets appreciating 4% per year
- Each unit covers financing costs and provides positive cash flows

Segment provides excellent asset appreciation positive cash flows.



Single Family Rentals

Phase 1 & 2

Four units completed and rented

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

Price ranges in rental units from \$2,400 - \$3,000/month

Expanding our product mix to include:

- Front load detached homes
- Paired homes
- Alley load homes

Watch our website for additional information



14 Homes in Phase 1 & 2A

10 Under Construction

Remaining phases 2B-D increased SFR inventory by 19 from 36 to 55, and working to get even more



Our Single Family Rentals - Operations and Cash Flows

Item	Actual Results 3 units*	Annualized	Avg per home/yr	Projected to 14 homes/yr	Projected to 83 homes/yr	Projected to 200 homes/yr
Rental Income	\$ 82	\$ 98	\$ 33	\$ 459	\$ 2,739	\$ 6,560
Operating Costs	30	36	12	168	996	2,400
G&A, Interest and Depreciation Expense	31	37	12	174	996	2,480
Net operating income	\$ 21	\$ 25	\$ 8	\$ 118	\$ 664	1,680
Add back non-cash items	23	28	9	129	747	1,840
Cash flows from operations	\$ 44	\$ 53	\$ 18	\$ 246	1,494	\$ 3,520

*ten months ended 8/31/2022





Pure Cycle Corporation

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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



Financial Results

YTD Q2 Summary



WATER & WASTEWATER

- \$67.8 m in water assets (cost)
- 1,283 total taps served
- 79.0M gallons delivered six months ended 2/28/2023
- Continued acquisitions to ensure sustainability



LAND DEVELOPMENT

- Phase 2A 87% complete
- Phase 2B 0% complete, received 1st milestone payment from 3 builders in March/April 2023
- \$20.6M in reimbursable public improvement receivable
- 80%+ gross margin for Phase 2



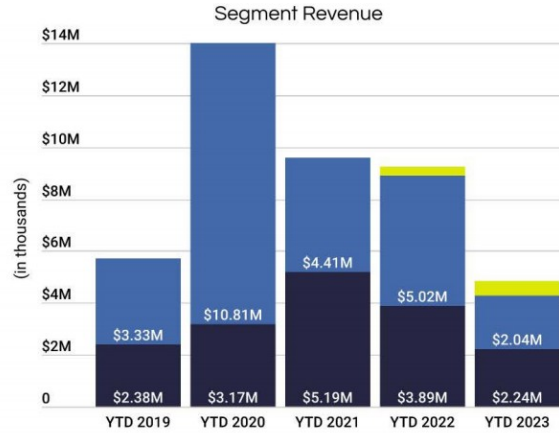
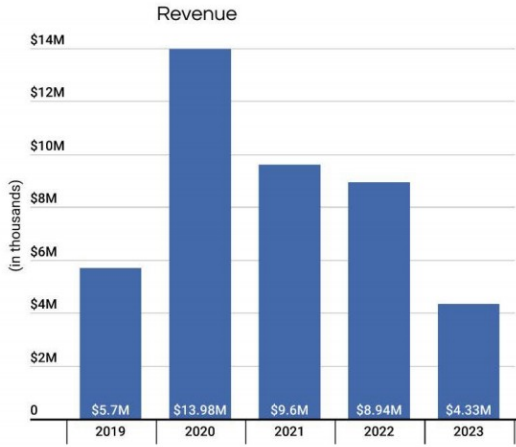
SINGLE FAMILY RENTALS

- \$1.5m in completed assets with an approximate market value >\$2.0m
- 10 homes under construction at 2/28/2023 with deliveries in FY 2023
- Average monthly rental rates in excess of \$2,800 per unit
- Amended Future Phase 2 filings with builders to add 19 additional rentals



Financial Results

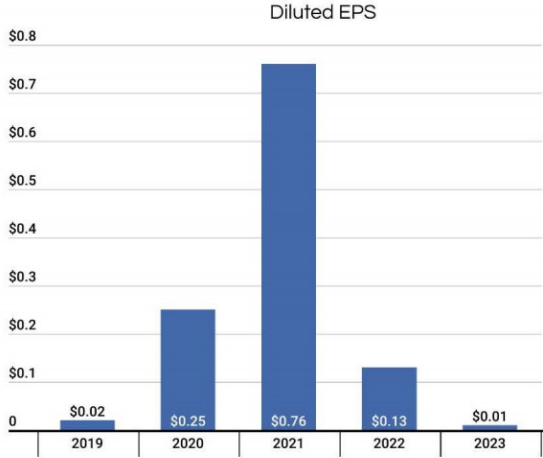
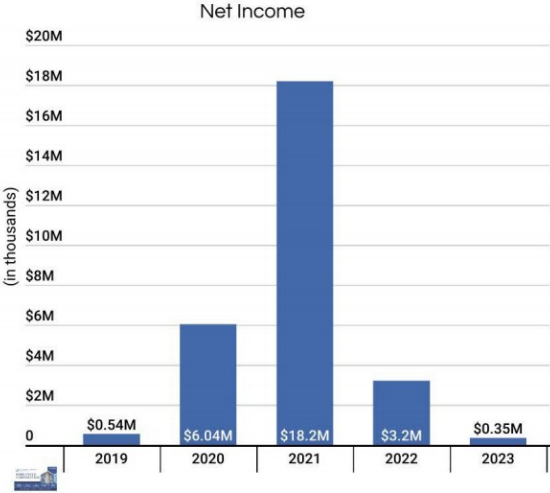
Fiscal YTD Q2-2023



● W-WW ● Land Development ● Single Family Rentals

Financial Results

Fiscal YTD Q2-2023



BALANCE SHEET

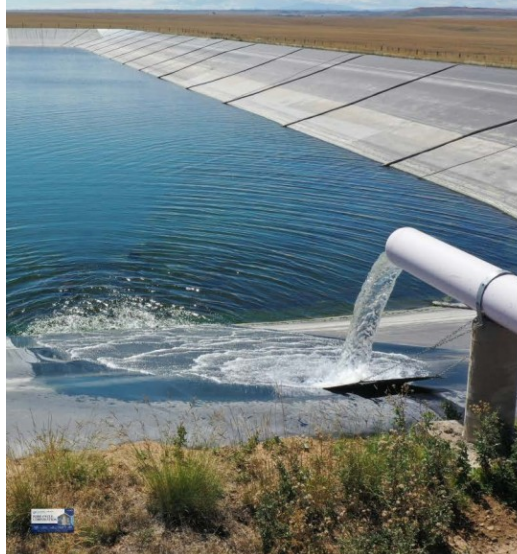


(In thousands, except shares)

	February 28, 2023	August 31, 2022
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,224	\$ 34,894
Investments in U.S. Treasury Bills	15,245	—
Trade accounts receivable, net	2,121	2,425
Income taxes receivable	1,610	—
Prepaid expenses and other assets	603	467
Total current assets	26,803	37,786
Restricted cash	2,331	2,328
Investments in water and water systems, net	58,368	58,763
Construction in progress	3,383	1,224
Single-family rental units	1,500	975
Land and mineral rights:		
Held for development	8,082	6,773
Held for investment purposes	451	451
Other assets	2,485	2,463
Notes receivable – related parties, including accrued interest	—	—
Reimbursable public improvements and project management fees	20,609	17,208
Other	1,299	1,120
Operating leases - right of use assets	103	138
Total assets	\$ 125,414	\$ 129,229
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 656	\$ 849
Accrued liabilities	1,201	2,029
Accrued liabilities – related parties	596	560
Income taxes payable	—	2,530
Deferred lot sale revenues	3,473	4,275
Deferred water sales revenues	533	570
Debt, current portion	10	10
Total current liabilities	6,469	10,823
Participating interests in export water supply	—	323
Debt, less current portion	3,945	3,950
Deferred tax liability, net	1,170	1,075
Lease obligations - operating leases, less current portion	25	62
Total liabilities	11,609	16,233
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Series D 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; 24,054,843 and 23,980,645 outstanding, respectively		
	80	80
Additional paid-in capital	174,611	174,150
Accumulated deficit	(60,886)	(61,234)
Total shareholders' equity	113,805	112,996
Total liabilities and shareholders' equity	\$ 125,414	\$ 129,229

See accompanying Notes to the Consolidated Financial Statements.

INCOME STATEMENT



(In thousands, except share information)	Three Months Ended		Six Months Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
Revenues:				
Metered water usage from:				
Municipal customers	\$ 83	\$ 69	\$ 204	\$ 180
Commercial customers	59	1,541	451	2,137
Wastewater treatment fees	78	64	141	119
Water and wastewater tap fees	994	913	1,144	1,174
Lot sales	1,391	1,629	1,904	4,574
Project management fees	123	200	131	448
Single-family rentals	31	26	56	34
Special facility projects and other	231	222	299	270
Total revenues	2,990	4,664	4,330	8,936
Expenses:				
Water service operations	402	570	881	859
Wastewater service operations	116	99	254	228
Land development construction costs	188	295	331	826
Project management costs	74	46	146	46
Single-family rental costs	19	4	29	7
Depletion and depreciation	461	352	839	706
Other	141	141	247	219
Total cost of revenues	1,401	1,507	2,727	2,891
General and administrative expenses	1,707	1,552	3,095	2,876
Depreciation	122	97	237	182
Operating (loss) income	(240)	1,508	(1,729)	2,987
Other income (expense):				
Interest income - related party	263	525	510	885
Interest income - Investments	218	2	446	3
Oil and gas royalty income, net	67	110	183	207
Oil and gas lease income, net	19	48	38	96
Other, net	(1)	14	1,217	28
Interest expense, net	(47)	(13)	(97)	(21)
Income from operations before income taxes	279	2,194	568	4,185
Income tax expense	90	501	220	978
Net income	\$ 189	\$ 1,693	\$ 348	\$ 3,207
Earnings per common share - basic and diluted				
Basic	\$ 0.01	\$ 0.07	\$ 0.01	\$ 0.13
Diluted	\$ 0.01	\$ 0.07	\$ 0.01	\$ 0.13
Weighted average common shares outstanding:				
Basic	24,023,775	23,944,141	24,004,677	23,931,307
Diluted	24,142,300	24,184,161	24,114,689	24,194,579



SHARE REPURCHASE AUTHORIZATION / UPCOMING DATES

Stock Repurchase Program - as announced in the press release on November 14, 2022, our board approved an open-ended stock repurchase program which authorizes our CEO and CFO to repurchase up to 200,000 shares in the open market. No shares repurchased as of this date.

Important Upcoming Dates

- 10-Q Filing: **by April 14, 2023**
- Investor day: **July 19, 2023 - details to be announced**





LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding

President and CEO

Kevin B. McNeill

Vice President and CFO

Patrick J. Beirne

Chair of the Board

Peter C. Howell

Director and Chair of the
Audit Committee

Jeffrey G. Sheets

Director

Wanda J. Abel

Director and Chair of the
Nominating and Governance
Committee

Daniel R. Kozlowski

Director and Chair 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: 24.1 million





Pure Cycle Corporation

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2023



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

