

**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 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 July 12, 2023, the Registrant issued a press release announcing its financial results for the three and nine months May 31, 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 July 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](http://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

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release dated July 12, 2023, announcing earnings for the three and nine months ended May 31, 2023</a>
99.2	<a href="#">Three and nine months ended May 31, 2023 earnings presentation</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: July 14, 2023

**PURE CYCLE CORPORATION**

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

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## Pure Cycle Announces Financial Results For Three and Nine Months Ended May 31, 2023

DENVER, CO / ACCESSWIRE / July 12, 2023 – Pure Cycle Corporation (NASDAQ Capital Market: PCYO) announced its financial results for the three and nine months ended May 31, 2023. Pure Cycle posted its seventeenth consecutive fiscal quarter with positive net income. Pure Cycle continues to develop its Sky Ranch Master Planned Community with nearly 200 new homes started in Phase 2A and the start of construction of the next 211 lots in Phase 2B. In addition to our lots for sale, we continue to build homes for our own portfolio of single-family rentals, with four homes built and rented in Phase 1, and 10 homes under construction in Phase 2A (six of these homes were finished and rented after May 31, 2023). In addition, industrial water sales to oil and gas operations saw tremendous growth which generated the highest revenues we have posted for that customer base. Highlights for the three and nine months ended May 31, 2023, are presented below.

### Highlights

- Ø Revenues for the three and nine months ended May 31, 2023 of \$6.9 million and \$11.2 million, which drove pre-tax income of \$4.4 million and \$5.0 million;
- Ø Net income for the three and nine months ended May 31, 2023 of \$3.3 million and \$3.6 million;
- Ø EBITDA for the three and nine months ended May 31, 2023 of \$5.0 million and \$6.7 million (see table below for reconciliation of net income to EBITDA);
- Ø Cash totaled \$26.0 million at May 31, 2023;
- Ø During the three and nine months ended May 31, 2023, we delivered 183.6 million gallons and 262.6 million gallons of water.

“Despite interest rates pressuring the housing market, our Sky Ranch community continues to grow and attract residents with its affordable prices and great location directly off Interstate 70,” commented Mr. Harding, CEO of Pure Cycle. “As interest rates continue to rise and housing prices stabilize, our homebuilding partners at Sky Ranch continue to offer affordable products, thanks in large part to our affordable lots. Couple that with our ability to build low-cost rental units that we have been able to rent quickly at good rates, and Sky Ranch once again leads our growth expectations,” concluded Mr. Harding.

### Financial Summary

#### *Revenue*

For the three months ended May 31, 2023, we posted \$6.9 million of revenue compared to \$3.2 million for the same period in 2022. The increase was due to a record level of water sales to oil and gas operators and the start of the Phase 2B construction at Sky Ranch (Phase 2A is nearly 90% complete as of May 31, 2023 while Phase 2B is about 21% complete). For the nine months ended May 31, 2023, we posted revenues of \$11.2 million compared to \$12.1 million for the comparable period in 2022. This slight decline was mainly due to lot sales being higher in 2022, which is due to timing of construction activities. The nine months ended May 31, 2023, was impacted by a very high precipitation year and the housing market headwinds which delayed some of our construction activity. We anticipate the summer months generating increased lot sale revenue due to seasonal construction activity.

For the three months ended May 31, 2023 and 2022, we generated \$1.3 million and \$1.3 million in tap fees. For the nine months ended May 31, 2023 and 2022, we generated \$2.4 million and \$2.4 million in tap fees. These taps were sold predominately at our Sky Ranch community where we have sold a total of 840 water and wastewater taps since we began developing Sky Ranch in 2017 (14 of these taps were for our single-family rental business). Posting a consistent level of tap sales despite the headwinds in the housing market is indicative of the level of interest in home sales at Sky Ranch.

As of May 31, 2023, the single-family rental business has four homes built and rented in Phase 1 of Sky Ranch and 10 homes under construction in Phase 2A. After May 31, 2023, we completed and rented six of the units in Phase 2A with the remaining four expected to be completed around the end of August 2023. As noted in the prior quarter, due to the overwhelming demand for rental units at Sky Ranch, we increased the number of lots to be used in our single-family rental business from 55 to 69 in Phase 1 and Phase 2 of Sky Ranch.

### *Profitability*

We continue our profitability as shown in the table below:

<i>(In thousands)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Net Income	\$ 3,295	\$ 837	\$ 3,643	\$ 4,044
Add back:				
Interest expense	52	31	149	52
Taxes	1,124	246	1,344	1,224
Depreciation / amortization	518	444	1,594	1,332
EBITDA	<u>\$ 4,989</u>	<u>\$ 1,558</u>	<u>\$ 6,730</u>	<u>\$ 6,652</u>
Fully diluted earnings per share	<u>\$ 0.14</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>

“The resurgence of oil and gas operations in our service area added a tremendous boost to our income for the periods presented,” commented Kevin McNeill, CFO of Pure Cycle. “Despite the rainiest spring on record, which impacts our construction activities and timing of our lot deliveries, with oil and gas water sales, strong demand at Sky Ranch due to well-priced lots, and continued interest in our rental business, we believe we are going to finish the fiscal year strong,” concluded Mr. McNeill.

### *Working Capital*

We reported working capital (current assets less current liabilities) of \$23.8 million as of May 31, 2023, with \$26.0 million of cash.

### **Operational Summary**

#### *Water and Wastewater Resource Development*

For the three and nine months ended May 31, 2023, residential water usage revenue increased over 2022 mainly due to new home sales in Sky Ranch which adds customers to our water and wastewater operations. For the three months ended May 31, 2023 compared to 2022, commercial water usage revenue increased due to increased water sales to oil and gas operators for use in drilling operations, which we believe will continue at a high level through the remainder of our fiscal 2023. For the nine months ended May 31, 2023, commercial water sales were consistent with 2022.

For the three and nine months ended May 31, 2023, water and wastewater tap sales remained relatively consistent with 2022 due to timing of closings at Sky Ranch. Tap sales are driven by builders obtaining building permits in anticipation of home construction. We believe this is a good indicator of the continued steady sales and interest in Sky Ranch.

Early in fiscal 2023, we continued our acquisition of water rights with the acquisition of three deep water wells in the Lost Creek Basin for \$0.3 million, which will be added to our other Lost Creek Water and eventually transferred to the Denver market for use in our Denver service area.

#### *Land Development*

Despite the challenges with the weather and housing market, for the three months ended May 31, 2023, lot sales revenue increased as compared to 2022. This was mainly due to 2023 having two phases under construction (Phase 2A and Phase 2B). Revenue for lot sales is recognized over time with progress measured using the percent of completion method.

For the nine months ended May 31, 2023, lot sales revenue decreased as compared to 2022. This was mainly due to the timing of development activities at Sky Ranch which was impacted by the weather and pressures on the overall housing market. The price per lot for delivered lots in Phase 2 increased an average of 40% over Phase 1. Revenue for lot sales is recognized over time with progress measured under the percent of completion method; therefore, revenue will fluctuate due to the timing of construction activities. Additionally, lot sale revenue declined as we delayed the start of Phase 2B by a few months due to the increased pressures on the housing market in late 2022. We believe lot sale revenues will pick up pace throughout the remainder of our fiscal 2023 as we are in the summer months, which are the best months for construction activities.

#### *Single Family Rentals*

In 2021, we built three homes that were rented to separate families effective November 1, 2021. In the first quarter of fiscal 2022, we contracted for the construction of a fourth rental home, which was completed and rented in December 2022. In the third quarter of fiscal 2022, we contracted for the construction of 10 rental units in Phase 2A, six of which were completed and rented after May 31, 2023, and the remaining four we believe will be ready for rental around the end of our fiscal 2023. Additionally, we broke ground on Phase 2B this quarter, which has 211 lots in total, of which we retained 17 for use in our single-family rental business.

#### **Earnings Call Information**

Pure Cycle will host a conference call on Thursday July 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](http://www.purecyclewater.com).

When: 8:30AM Eastern (6:30AM Mountain) on July 13, 2023  
Call in number: 888-506-0062 (access code: 943198)  
International call-in number: 973-528-0011 (access code: 943198)  
Replay numbers: 877-481-4010 | 919-882-2331 (passcode: 48662)  
Replay available until: July 23, 2023 at 8:30AM ET  
Event link: <https://www.webcaster4.com/Webcast/Page/2247/48662>

#### **Other Important Information**

Pure Cycle will be hosting its annual investor day on July 19, 2023. Please see the *Investor* section of our website for more information and how to RSVP for the tour and/or the Q&A session via Teams.

Our CEO Mark Harding will be presenting at the IDEAS conference on August 24, 2023, so stay tuned for additional information on that conference.

The table below presents our unaudited results of operations for the periods noted:

(In thousands, except share information)

	Three Months Ended		Nine Months Ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
<b>Revenues:</b>				
Metered water usage from:				
Municipal customers	\$ 145	\$ 94	\$ 349	\$ 274
Commercial customers	2,145	549	2,596	2,686
Wastewater treatment fees	75	66	216	185
Water and wastewater tap fees	1,256	1,273	2,400	2,447
Lot sales	3,160	1,070	5,064	5,644
Project management fees	42	81	173	529
Single-family rentals	34	25	90	59
Special facility projects and other	22	29	321	299
Total revenues	<u>6,879</u>	<u>3,187</u>	<u>11,209</u>	<u>12,123</u>
<b>Expenses:</b>				
Water service operations	576	560	1,457	1,419
Wastewater service operations	96	109	350	337
Land development construction costs	951	222	1,282	1,048
Project management costs	81	66	227	112
Single-family rental costs	24	9	53	16
Depletion and depreciation	407	349	1,246	1,055
Other	71	79	318	298
Total cost of revenues	<u>2,206</u>	<u>1,394</u>	<u>4,933</u>	<u>4,285</u>
General and administrative expenses	805	1,074	3,900	3,950
Depreciation	111	95	348	277
Operating (loss) income	<u>3,757</u>	<u>624</u>	<u>2,028</u>	<u>3,611</u>
<b>Other income (expense):</b>				
Interest income - related party	331	305	841	1,196
Interest income - Investments	281	5	727	8
Oil and gas royalty income, net	44	123	227	330
Oil and gas lease income, net	18	47	56	143
Other, net	40	10	1,257	32
Interest expense, net	(52)	(31)	(149)	(52)
Income from operations before income taxes	<u>4,419</u>	<u>1,083</u>	<u>4,987</u>	<u>5,268</u>
Income tax expense	<u>1,124</u>	<u>246</u>	<u>1,344</u>	<u>1,224</u>
Net income	<u>\$ 3,295</u>	<u>\$ 837</u>	<u>\$ 3,643</u>	<u>\$ 4,044</u>
<b>Earnings per common share - basic and diluted</b>				
Basic	<u>\$ 0.14</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.14</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ 0.17</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>24,054,843</u>	<u>23,970,290</u>	<u>24,021,582</u>	<u>23,944,394</u>
Diluted	<u>24,166,344</u>	<u>24,124,586</u>	<u>24,131,621</u>	<u>24,183,500</u>

The following table presents our consolidated financial position as of the dates shown:

(In thousands, except shares)

	<b>May 31, 2023</b>	<b>August 31, 2022</b>
	<b>(unaudited)</b>	
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 26,000	\$ 34,894
Trade accounts receivable, net	2,671	2,425
Land under development	721	—
Income taxes receivable	190	—
Prepaid expenses and other assets	392	467
Total current assets	29,974	37,786
Restricted cash	2,332	2,328
Investments in water and water systems, net	58,146	58,763
Construction in progress	4,929	1,224
Single-family rental units	1,395	975
Land and mineral rights:		
Held for development	4,996	6,773
Held for investment purposes	451	451
Other assets	1,343	2,463
Notes receivable – related parties, including accrued interest		
Reimbursable public improvements and project management fees	23,118	17,208
Other	1,397	1,120
Operating leases - right of use assets	84	138
Total assets	<u>\$ 128,165</u>	<u>\$ 129,229</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 905	\$ 849
Accrued liabilities	1,174	2,029
Accrued liabilities – related parties	569	560
Income taxes payable	—	2,530
Deferred lot sale revenues	3,475	4,275
Deferred water sales revenues	13	570
Debt, current portion	10	10
Total current liabilities	6,146	10,823
Participating interests in export water supply	—	323
Debt, less current portion	3,942	3,950
Deferred tax liability, net	873	1,075
Lease obligations - operating leases, less current portion	6	62
Total liabilities	10,967	16,233
Commitments and contingencies		
<b>SHAREHOLDERS' EQUITY:</b>		
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	174,709	174,150
Accumulated deficit	(57,591)	(61,234)
Total shareholders' equity	117,198	112,996
Total liabilities and shareholders' equity	<u>\$ 128,165</u>	<u>\$ 129,229</u>

#### 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](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.



**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; higher interest rates and stabilizing home prices; the completion and delivery of our rental units; timing of development at Sky Ranch; future tap sales; future home sales by our home builder customers; the affordability and low-cost of our products; the strength of the Sky Ranch market; forecasts about our fiscal 2023 sales of water to oil and gas operators; our sales of lots; and our expected financial results. 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.

SOURCE: Pure Cycle Corporation

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# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND NINE MONTHS  
ENDED MAY 31, 2023

FINANCIAL  
RESULTS

WATER &  
WASTEWATER  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

LAND DEVELOPMENT

COMPANY  
OVERVIEW

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



COMPANY  
OVERVIEW

# 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 NINE MONTHS  
ENDED MAY 31, 2023

FINANCIAL  
RESULTS

WATER &  
WASTEWATER  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

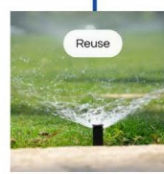
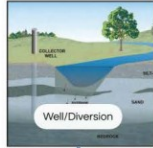
LAND DEVELOPMENT

COMPANY  
OVERVIEW

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



# Wholesale Water & Wastewater



## 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 = \$2.3 billion
- One-Time Connection Fees:
  - Water tap = \$30,977
  - Sewer tap = \$7,250

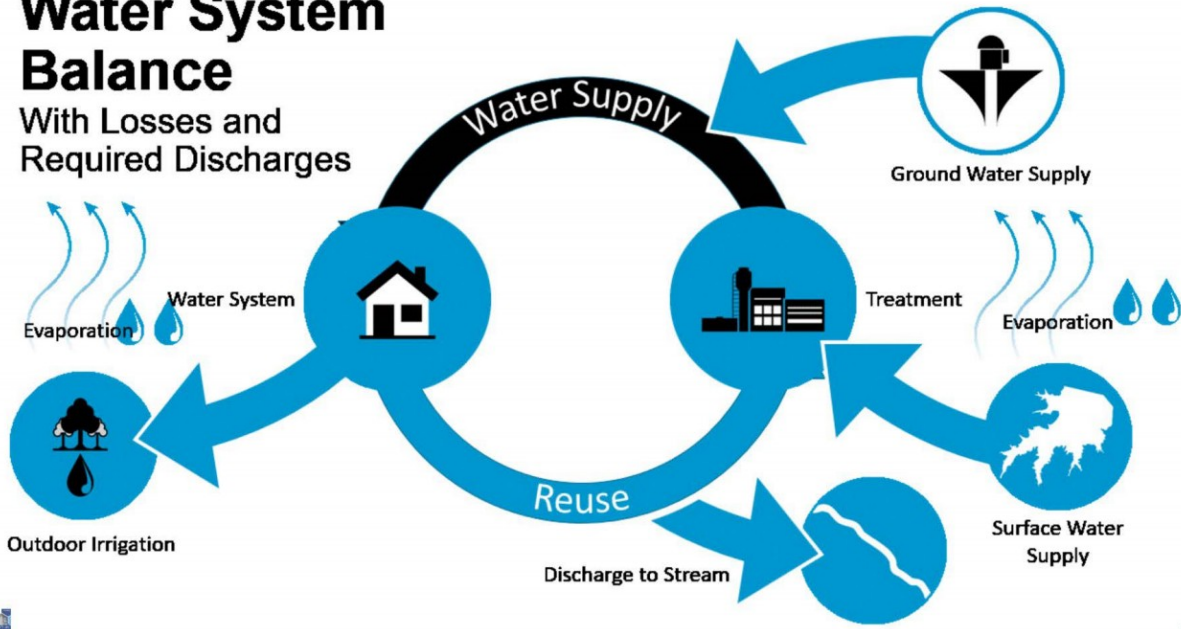
## Typical Usage

- 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/Infrastructure Inventory

- 2 Wastewater reclamation facilities (one is a zero-discharge state of the art facility)
- 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 - 1,326

### 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

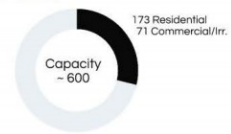
- Sky Ranch Phase 1**
  - all taps sold for 509 homes (4 are our SFRs)
- Sky Ranch Phase 2A**
  - 192 taps sold as of QTR End (10 are our SFRs)
- Elbert and Hwy 86**
  - more than 200 residents

### 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



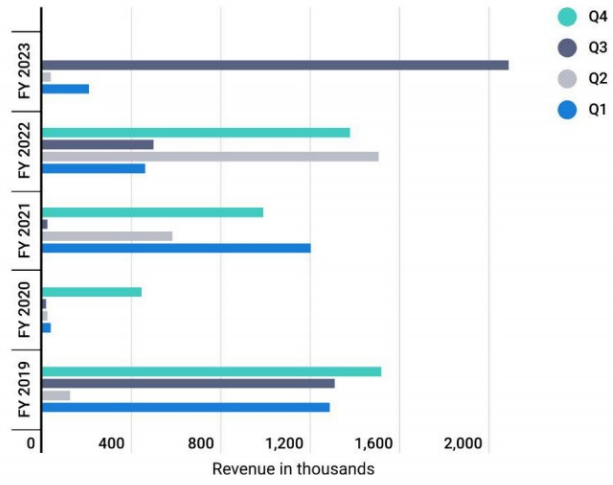
# OIL & GAS

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

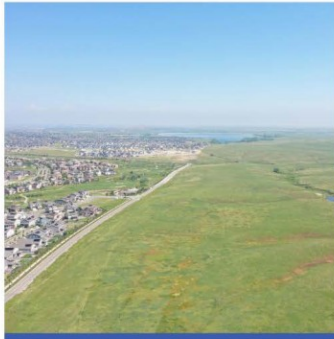
## Southern Wattenberg Niobrara

- 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

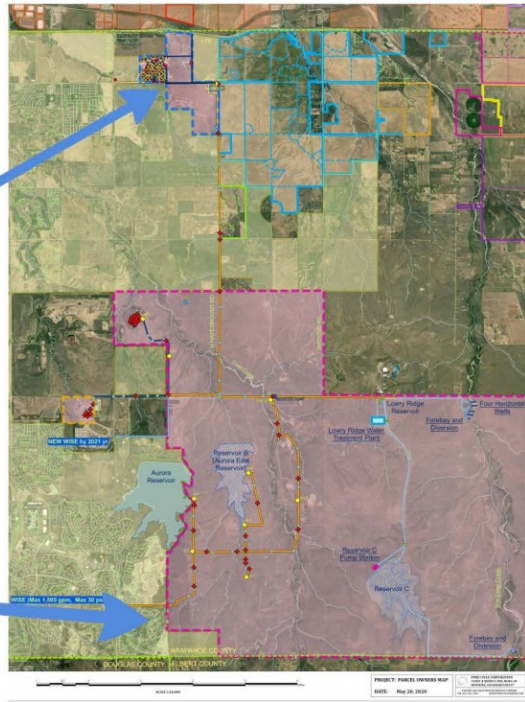


# DEVELOPMENT ENCROACHMENT TO LOWRY RANGE



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

Sky Ranch



# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND NINE MONTHS  
ENDED MAY 31, 2023

FINANCIAL  
RESULTS

WATER &  
WASTEWATER  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

COMPANY  
OVERVIEW

LAND DEVELOPMENT

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 and Phase 2B)
- 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 - Total Lots 1,359

## 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  
90% complete - est. completion 2023

Phase 2B - 211 lots  
21% complete - est. completion 2024

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

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

Rental lots - 65 lots



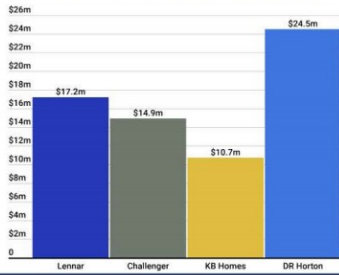
### PARTNERING HOMEBUILDERS



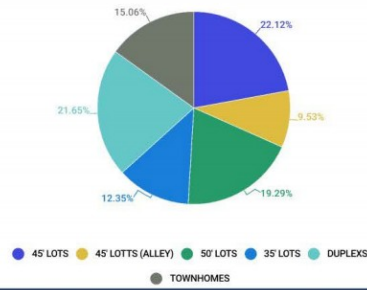
# SKY RANCH PHASE 2

## Financial and Quantitative Data

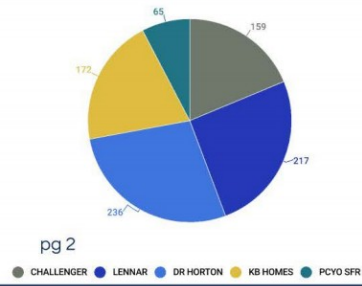
### TOTAL LOT SALES BY BUILDER



### TOTAL LOTS BY TYPE



### TOTAL LOTS BY BUILDER



pg 2

### Phase 2A (229 LOTS)

Lot Revenue**	\$ 18.4m
Tap Fees	5.6m
Total Lot Costs	(21.0m)
Reimbursable*	18.4m
<b>NET PROCEEDS</b>	<b>\$ 21.4m</b>

### Phase 2B (211 LOTS)

Lot Revenue**	\$ 17.2m
Tap Fees	5.2m
Total Lot Costs	(18.8m)
Reimbursable*	14.1m
<b>NET PROCEEDS</b>	<b>\$ 17.6m</b>

### Phase 2C (204 LOTS)

Lot Revenue**	\$ 15.5m
Tap Fees	5.0m
Total Lot Costs	(17.1m)
Reimbursable*	12.8m
<b>NET PROCEEDS</b>	<b>\$ 16.2m</b>

### Phase 2D (206 LOTS)

Lot Revenue**	\$ 15.5m
Tap Fees	5.1m
Total Lot Costs	(17.3m)
Reimbursable*	\$ 12.9m
<b>NET PROCEEDS</b>	<b>\$ 16.3m</b>

Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board  
 \*Lot Revenue for Phase 2B 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

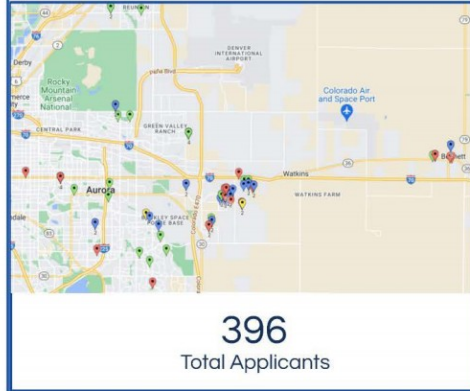
**-**  
**The BAD**

## 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







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# 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 in Phase 1

Flexible debt usage up to 70% of appraised value

Low cost capital (First 3 units at 3.75 - 4.25%, working on next 11)

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 \$2,800 - \$3,000/month

Expanding our product mix to include:


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

Watch our website for additional information



69 Homes in Phase 1 & 2

10 Under Construction

 6 rented (6 more rented after 5/31/2023 but before this presentation)

# 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
Direct Operating Costs	30	36	12	168	996	2,400
Interest and depreciation expense	31	37	12	174	996	2,480
Net	\$ 21	\$ 25	\$ 8	\$ 118	\$ 664	1,680
Add back non-cash items	23	28	9	129	747	1,840
Cash flows before G&A & tax	\$ 44	\$ 53	\$ 18	\$ 246	1,494	\$ 3,520

\*ten months ended 8/31/2022





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# Financial Results

YTD Q3 Summary



## WATER & WASTEWATER

- \$68.0 m in water assets (cost)
- 1,326 total taps served
- 262.6M gallons delivered nine months ended 5/31/2023
- Continued acquisitions to ensure sustainability



## LAND DEVELOPMENT

- Phase 2A - 90% complete
- Phase 2B - 21% complete, received 1st milestone payment from 3 builders in March/April 2023
- \$23.1M recorded reimbursable public improvement receivables
- 80%+ gross margin for Phase 2



## SINGLE FAMILY RENTALS

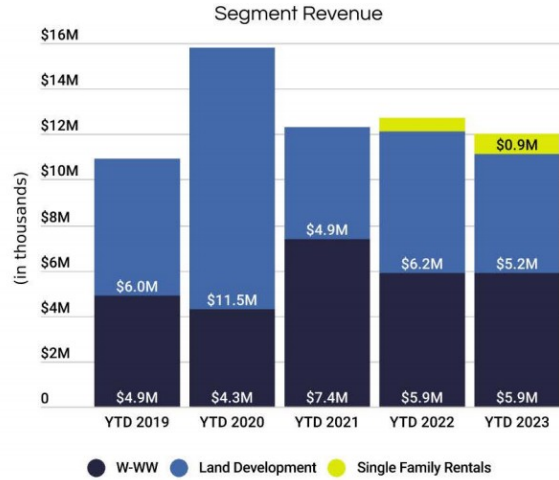
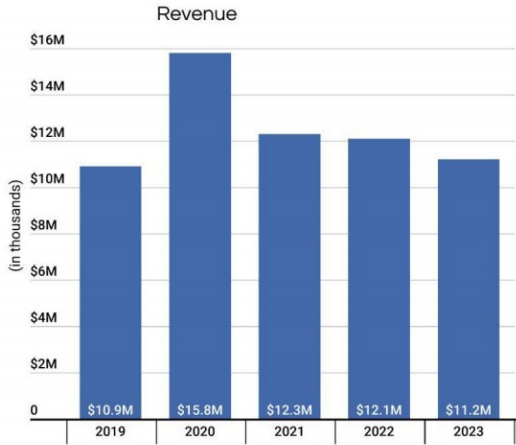
- \$1.5m in completed assets with an approximate market value >\$2.0m
- 10 homes under construction at 5/31/2023 with deliveries in FY 2023
- Average monthly rental rates in excess of \$2,800 per unit
- Amended Future Phase 2 filings with builders to add 19 additional rentals



pg 22

# Financial Results

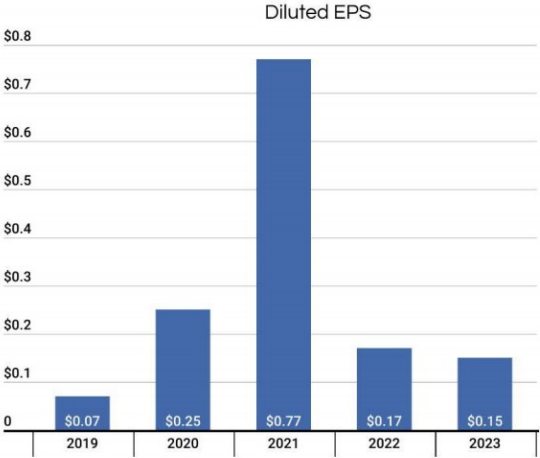
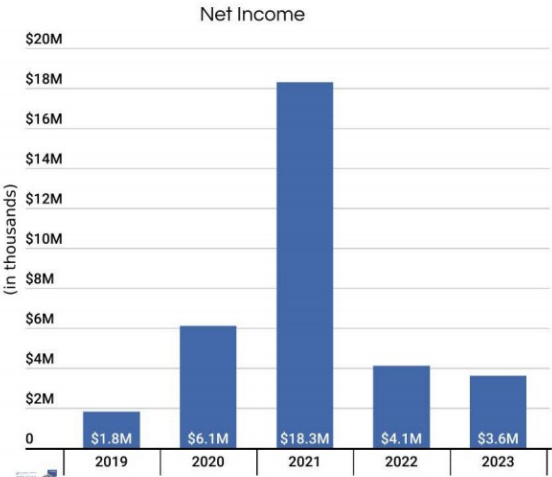
Fiscal YTD Q3-2023





# Financial Results

Fiscal YTD Q3-2023



# BALANCE SHEET



(In thousands, except shares)

## ASSETS:

### Current assets:

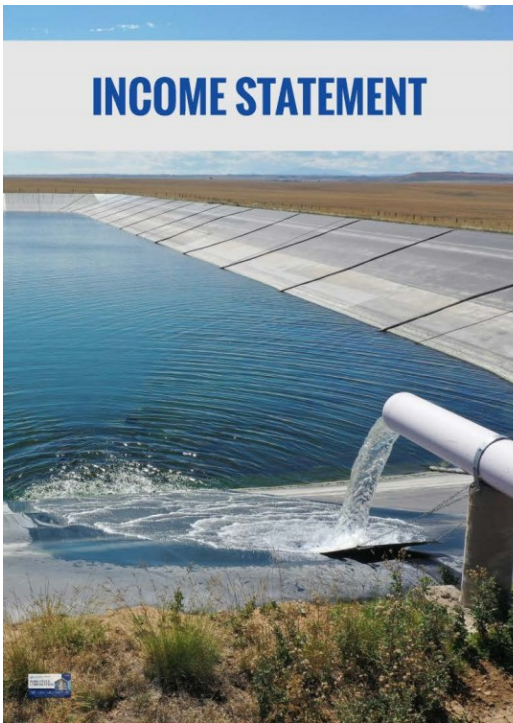
Cash and cash equivalents	\$ 26,000	\$ 34,894
Trade accounts receivable, net	2,671	2,425
Land under development	721	—
Income taxes receivable	190	—
Prepaid expenses and other assets	392	467
Total current assets	29,974	37,786
Restricted cash	2,332	2,328
Investments in water and water systems, net	58,146	58,763
Construction in progress	4,929	1,224
Single-family rental units	1,395	975
Land and mineral rights:		
Held for development	4,996	6,773
Held for investment purposes	451	451
Other assets	1,343	2,463
Notes receivable – related parties, including accrued interest	—	—
Reimbursable public improvements and project management fees	23,118	17,208
Other	1,397	1,120
Operating leases - right of use assets	84	138
Total assets	\$ 128,165	\$ 129,229

## LIABILITIES:

### Current liabilities:

Accounts payable	\$ 905	\$ 849
Accrued liabilities	1,174	2,029
Accrued liabilities – related parties	569	560
Income taxes payable	—	2,530
Deferred lot sale revenues	3,475	4,275
Deferred water sales revenues	13	570
Debt, current portion	10	10
Total current liabilities	6,146	10,823
Participating interests in export water supply	—	323
Debt, less current portion	3,942	3,950
Deferred tax liability, net	873	1,075
Lease obligations - operating leases, less current portion	6	62
Total liabilities	10,967	16,233
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 \$ 0.1 per share, 40.0 million authorized, 24,054,843 and 23,980,645 outstanding, respectively	80	80
Additional paid-in capital	174,709	174,150
Accumulated deficit	(57,591)	(61,234)
Total shareholders' equity	117,198	112,996
Total liabilities and shareholders' equity	\$ 128,165	\$ 129,229

# INCOME STATEMENT



(In thousands, except share information)

	Three Months Ended		Nine Months Ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
<b>Revenues:</b>				
Metered water usage from:				
Municipal customers	\$ 145	\$ 94	\$ 349	\$ 274
Commercial customers	2,145	549	2,596	2,686
Wastewater treatment fees	75	66	216	185
Water and wastewater tap fees	1,256	1,273	2,400	2,447
Lot sales	3,160	1,070	5,064	5,644
Project management fees	42	81	173	529
Single-family rentals	34	25	90	59
Special facility projects and other	22	29	321	299
<b>Total revenues</b>	<b>6,879</b>	<b>3,187</b>	<b>11,209</b>	<b>12,123</b>
<b>Expenses:</b>				
Water service operations	576	560	1,457	1,419
Wastewater service operations	96	109	350	337
Land development construction costs	951	222	1,282	1,048
Project management costs	81	66	227	112
Single-family rental costs	24	9	53	16
Depletion and depreciation	407	349	1,246	1,055
Other	71	79	318	298
<b>Total cost of revenues</b>	<b>2,206</b>	<b>1,394</b>	<b>4,933</b>	<b>4,285</b>
General and administrative expenses	805	1,074	3,900	3,950
Depreciation	111	95	348	277
<b>Operating (loss) income</b>	<b>3,757</b>	<b>624</b>	<b>2,028</b>	<b>3,611</b>
<b>Other income (expense):</b>				
Interest income - related party	331	305	841	1,196
Interest income - Investments	281	5	727	8
Oil and gas royalty income, net	44	123	227	330
Oil and gas lease income, net	18	47	56	143
Other, net	40	10	1,257	40
Interest expense, net	(52)	(31)	(149)	(52)
<b>Income from operations before income taxes</b>	<b>4,419</b>	<b>1,083</b>	<b>4,987</b>	<b>5,276</b>
Income tax expense	1,124	246	1,344	1,224
<b>Net income</b>	<b>\$ 3,295</b>	<b>\$ 837</b>	<b>\$ 3,643</b>	<b>\$ 4,052</b>
<b>Earnings per common share - basic and diluted</b>				
Basic	\$ 0.14	\$ 0.03	\$ 0.15	\$ 0.17
Diluted	\$ 0.14	\$ 0.03	\$ 0.15	\$ 0.17
<b>Weighted average common shares outstanding:</b>				
Basic	24,054,843	23,970,290	24,021,582	23,944,394
Diluted	24,166,344	24,124,586	24,131,621	24,183,500



## OTHER INFORMATION / 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: **July 14, 2023**
- Investor day: **July 19, 2023**
- IDEAS Conference in Chicago: **August 24, 2023**





## 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



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