

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): **March 11, 2021**

PURE CYCLE CORPORATION

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation)

0-8814

(Commission File Number)

84-0705083

(IRS Employer Identification No.)

34501 East Quincy Avenue, Building 34, Box 10, Watkins, CO 80137

(Address of principal executive offices) (Zip Code)

Registrant's telephone, including area code **(303) 292-3456**

N/A

(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock 1/3 of \$.01 par value	PCYO	The NASDAQ Stock Market
(Title of each class)	(Trading Symbol(s))	(Name of each exchange on which registered)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions(*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

This current report on Form 8-K is filed by Pure Cycle Corporation (“Pure Cycle”), a Colorado corporation, in connection with the matters described herein.

Item 7.01 Regulation FD
Disclosure.

On March 11, 2021, Pure Cycle issued a press release and prepared an informational slide deck which it posted on its website regarding Pure Cycle launching a new business segment in the single-family residential rental market referred to as the Build-to-Rent (“BTR”) segment. The press release and presentation include forward-looking statements and pro forma information. Pure Cycle will present this new segment as a separate reportable segment in addition to its Land Development and Water and Wastewater Resource Development segments once it is material. There are no material changes to the previously reported financial results of the two segments.

The information contained in this Item 7.01 of Form 8-K, including the accompanying Exhibit 99.1 and 99.2 is being furnished, and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. The information contained in the press release 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
<u>99.1</u>	Press Release dated March 11, 2021
<u>99.2</u>	Presentation dated March 11, 2021

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: March 11, 2021

PURE CYCLE CORPORATION

By: /s/ Kevin B. McNeill
Kevin B. McNeill
Chief Financial Officer

Pure Cycle Corporation
To Build Single-Family Homes for Long-Term Rental

DENVER, CO / ACCESSWIRE / March 11, 2021 / Pure Cycle Corporation (NASDAQ:PCYO) announced today it is entering the single-family residential home rental market with the launch of its Build-to-Rent (“BTR”) segment.

“We are excited to announce our entry into the rapidly expanding BTR market with our initial BTR homes to be located at the popular Sky Ranch Master Planned Community,” stated Mark Harding, President and CEO. “We continue to leverage our highly appreciated land and water assets and expand on our development success at Sky Ranch to improve shareholder returns through the growing BTR market” continued Mr. Harding. “With a land basis of approximately \$1,000 per lot, a water basis at approximately \$10,000 per tap, and access to inexpensive capital in the 3.75% range, we are utilizing our assets to significantly strengthen our balance sheet and materially improve recurring revenues. Our water and wastewater resource development segment produces some of the longest-lived recurring revenue customers of any business, generating on average \$1,500 per year per single-family home. Adding houses for rent leverages our land and water assets to produce an average estimated annual rental revenue stream of approximately \$33,000 per home, which produces a revenue stream significantly higher than our current recurring revenue from just our utility segment per home. Perhaps the most attractive part of this expansion is it will not compromise our highly liquid balance sheet as the cost of each home can be funded with inexpensive capital, which will materially enhance our balance sheet and earnings per share” stated Mr. Harding.

Pure Cycle began construction on the initial BTR units through a fixed price construction contract with an experienced home builder. The BTR launch consists of three single-family detached homes at Sky Ranch (see map included in the presentation located on our website as described below). Pure Cycle expects the homes to be complete and available for long-term rentals in the fall of 2021. This new segment offers Pure Cycle the ability to participate in this growing business for years to come, providing stable long-term continuous cash flows, recurring revenue, significant asset appreciation, and income diversification. “The growth in the single-family rental market continues to exceed expectations, and we have received strong interest from our national home builders to fee build homes on our reserved lots at Sky Ranch, which reduces both our risk of delivering homes at a fixed price as well as allowing our builders to do what they do best - building high quality homes” concluded Mr. Harding.

Pure Cycle plans to build, own, and lease more than 100 homes in the first two development phases of Sky Ranch. Three homes are currently under construction and Pure Cycle reserved an additional 100+ lots in next phase of Sky Ranch for BTR units. Pure Cycle started the second phase of development at Sky Ranch in February 2021, which includes nearly 900 lots in total, of which almost 800 lots were sold to home builders. Pure Cycle expects to start delivering lots in this second phase in the winter of 2021.

For a more in-depth analysis of this new BTR segment, please look for the BTR Presentation on our website at www.purecyclewwater.com.

Company Information

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

Additional information, including recent press releases and SEC filings are available at www.purecyclewwater.com, or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, at 303-292-3456 or at info@purecyclewwater.com. Be sure to follow us on Twitter at @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. 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 from the amounts included above. Factors that could cause actual results to differ from projected results include, without limitation: home mortgage interest rates; home rental rates; water and wastewater usage rates; number of units to be sold or leased 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, 2020; and those factors discussed from time to time in our press releases, public statements 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.



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 included in this presentation will be realized. Actual results could differ materially from those presented or implied by these FLS. 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, land and houses; 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; 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; uncertainties in water court rulings; the lease rates we may receive and the costs incurred to operate the rental units; the growth of the rental market; and other factors discussed from time to time in our press releases, public statements and documents filed or furnished with the SEC.

About
Build-to-Rent

SKY RANCH

What is BTR?

Build-to-Rent (BTR) is the construction of single family homes with the intent to retain them for long-term rental purposes. Pure Cycle is working with experienced home builders to construct these houses, which Pure Cycle will own and maintain these properties, taking on a new role as property manager.

"The BTR model is ideal for our highly appreciated land and water assets, allowing us to build an accretive high margin recurring revenue product while maintaining our highly liquid balance sheet using inexpensive capital for the incremental cost of building each home" stated Mark W. Harding, President and CEO

New Opportunities, New Stakeholder Value

Single Family Homes in a Great Location

- Sky Ranch is one of Denver's most affordable and attractive master planned communities along the I-70 corridor
- 100+ homes in the first two phases of Sky Ranch
- New K-12 Charter School approved (estimated open date 8/2022)
- Houses located in proximity to DIA, Amazon Fulfillment Center, and other large job centers

Strong Real Estate Market, Rentals Popular

- Denver market is among the top 5 home markets in the US ¹
- Sky Ranch lots are selling fast, over half of first phase houses are occupied
- Home ownership is not an option for 55% of U.S. Counties ²
- Single family rentals are more stable than apartments or purchase options ³

Numerous Benefits for Pure Cycle

- BTR homes diversifies our balance sheet and adds significant recurring revenue and cash flow
- Flexibility and scalability for quick decisions
- Substantial balance sheet growth using working capital and inexpensive borrowed capital
- Immediate asset appreciation of approximately \$100,000 per house, due to low water and lot costs (using current estimated market values)

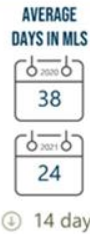
Solid Financial Outlook

- Each BTR home will provide estimated annualized average revenue of \$33K
- This is about 20 times more than the \$1.5K of annualized water and wastewater revenue we receive per home
- Average annual net cash flows of \$15K per home

¹ Denver Business Journal, January 2021

² Wall Street Journal, January 2021

³ John Burns Real Estate Consulting, November 2020



"Housing demand in the Denver area continues to outpace supply, and as a result of increasing costs and the need for large down payments, the single-family rental market is growing exponentially. Our national home builder customers have expressed interest in building these homes, offering renters a brand new home without the hassle of buying."

- Mark Harding, President of
Pure Cycle

Colorado
Real Estate

NEWSPAPER

Denver Real Estate in the News

"Denver expected to be among top 5 hottest US home markets in 2021, according to Zillow"

Denver Business Journal, Jan 20, 2021

"Colorado renters doing better than most at paying the monthly bill"

The Denver Post, Jan 19, 2021

"Staggeringly low housing inventory across Colorado"

Realtor News, Feb 10, 2021

"More renters dumping Denver for the suburbs despite falling prices"

Westword, Nov 12, 2020

"Denver is 3rd-hottest market for millennial homebuyers"

Denver Business Journal, Jan 13, 2021

"Rent prices above national average during pandemic"

Fox31 News, Jan 11, 2021

Sky Ranch: Life Within Reach

Population

- Denver metro population continues to grow
- Many "urbanites" are moving to the suburbs for more space and affordability
- Younger families need space but may not be ready for down payment and long-term mortgages

Location

- Single family homes with room to grow
- Master Planned Community with all the amenities for pets, families, and easy living
- 2 million square feet of commercial and retail to be developed

Amenities

- New charter school approved
- Several parks and open spaces
- Community is pet friendly
- Landscaping services offered for rentals
- Recreation center and pool in the works
- Double the amount of open space over county requirements

Commutes

- Close to DIA, Gaylord Hotel, Amazon Fulfillment Center, Buckley AFB, CU Anschutz Medical Campus
- 30 minutes to Downtown
- 10 minutes to light-rail
- Easy access to I-70 and E-470

Stability

- Colorado rents have not been as affected by the pandemic
- Single family rents are generally more stable than multifamily
- Continued revenue for the Water and Wastewater Resource Development

BTR Successes

BTR rents up
4% in 2019
and 8% in
2020

Less than 10% of
new builds are
BTR

Currently 16M
BTR homes
nationwide.
Estimated
3M+ added
over the last 4
years



On average, the
BTR model
produces
100bps higher
returns than
selling houses

94.4% average
occupancy
rate in 2020

2020 - 10% increase in BTR home values

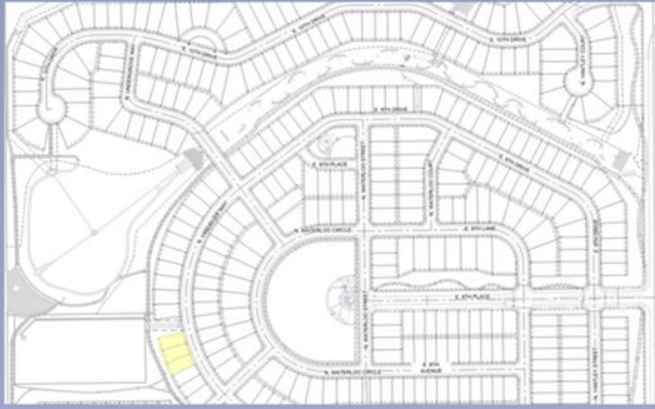


Walker-Dunlap, March 2021



The
business

"We are excited to bring another housing option to the booming Sky Ranch community. We will have these homes built to the exacting standards of the rest of Sky Ranch, we will manage the operations and the maintenance of the properties using our own people, which provides us the ability to provide a turn-key rental experience which allows them to truly enjoy the Sky Ranch community as if they were an owner," stated Mr. Harding



Phase 1 - 3 homes

 BTR Lots



Phase 2 - 100+ homes

Execution & Management



Being **vertically integrated** in all we do, this is the next logical step to complement our water and land development segments

Internally operating this division with our highly capable staff allows us the ability to quickly pivot and adjust in response to market conditions while keeping overhead low

Dedication to **great customer service** including optional offerings such as yard and snow maintenance to aid in offering a turn-key rental

Additional **recurring revenues**, avg. annual water and wastewater revenue of \$1.5K per home, estimated avg. annual rental revenue of \$33K per home - roughly 20 times more

Recurring and steady revenue and cash flows promote **scalability**



"The strong Denver real estate market coupled with single family rental trends make the BTR market a great investment," stated Mr. Harding. "But the financial results and projections are where this really shines. Each home will have immediate appreciation, produce positive net cash inflows, and significantly enhance our recurring revenues and shareholder value."

Projected Summary Financial Information

Projected Summary Financial Information - Per Home

Average Estimated Rental Revenues

Monthly	Annually
\$2.8K	\$33.6K

Average Estimated Operating costs ¹

Monthly	Annually
\$0.6K	\$7.2K

Average Estimated Net Cash Flows

Monthly	Annually
\$1.3K	\$15K

Average Estimated Market Value of Home

\$450,000

¹ Excludes estimated interest expense and depreciation expense, includes only direct operating costs related to the leasing operations of one unit

	Pro Forma Single house Monthly	Pro Forma Single house Annualized
Rental income	\$ 2,800	\$ 33,600
Operations, repairs and maintenance	150	1,800
Property Taxes and insurance	398	4,780
Interest Expense	945	11,337
Cash flow	\$ 1,307	\$ 15,683

Annualized
Average
Estimated
Rental Revenue
per Home of
\$33K

Annualized
Average
estimated cash
flow per Home
of \$15K

Assumptions:

- Rental income is estimated based on average rental rates in surrounding communities with a similar home
- Optional additional services such as yard and snow maintenance included in rent and costs
- Current staffing will provide property management services for the foreseeable future
- Property taxes based on current mills in Sky Ranch
- Interest expense based on current finance offering for a 30-year amortizing loan at 3.75%
- Cost of homes will be amortized using the straight-line depreciation method over thirty years, which is a non-cash charge and not included in the cash projections table above

Per House Estimates

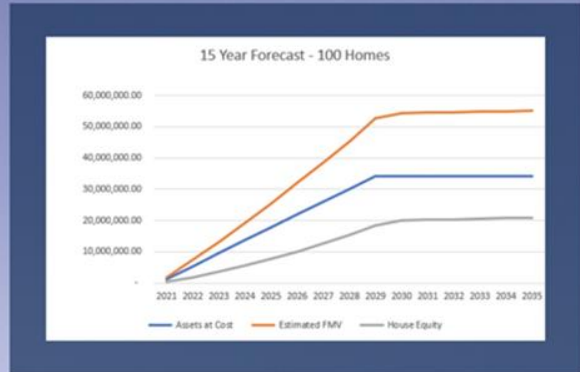
Capitalized costs
\$342K

Financed costs
\$317K

Fair market value
\$450K

Assumptions:

- Flexible debt usage, up to 80% of appraised value
- Low cost capital (3.75%)
- House fair market value estimated at \$450,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- Estimated construction of 12 homes per year





PURE CYCLE CORPORATION

a water, wastewater, and land development company

Projections

Operations

Colorado
Real Estate

Introduction

Single-Family
Residential Rentals

