



PURE CYCLE CORPORATION

Earnings presentation for the three months ended November 30, 2021

**COMPANY
OVERVIEW**

WATER & WASTEWATER

LAND DEVELOPMENT

SINGLE FAMILY RENTALS

**FINANCIAL
RESULTS**

www.purecyclewater.com

Presented by Mark Harding, CEO



SAFE HARBOR STATEMENT

Statements that are not historical facts contained or incorporated by reference in this presentation are “forward-looking statements” (“FLS”) within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 as amended. FLS involve risks and uncertainties that could cause actual results to differ from projected results. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions, as they relate to us, are intended to identify FLS. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We are not able to predict all factors that may affect future results. We cannot assure you that any of our expectations will be realized. Our actual results could differ materially from those discussed in or implied by these forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such FLS include, without limitation: the risk factors discussed in our most recent Annual Report on Form 10-K; the timing of new home construction and other development in the areas where we may sell our water, which in turn may be impacted by credit availability; population growth; employment rates; general economic conditions; the market price of water; changes in customer consumption patterns; changes in applicable statutory and regulatory requirements; changes in governmental policies and procedures; uncertainties in the estimation of water available under decrees; uncertainties in the estimation of costs of delivery of water and treatment of wastewater; uncertainties in the estimation of the service life of our systems; uncertainties in the estimation of costs of construction projects; uncertainties in the amount and timing of reimbursable public improvement payments; uncertainty in the single family home rental market and our ability to rent homes in a timely manner or at the amount we project; the strength and financial resources of our competitors; our ability to find and retain skilled personnel; climatic and weather conditions, including flood, droughts and freezing conditions; labor relations; availability and cost of labor, material and equipment; delays in anticipated permit and construction dates; environmental risks and regulations; our ability to raise capital; our ability to negotiate contracts with new customers; and uncertainties in water court rulings; and other factors discussed from time to time in our press releases, public statements and documents filed or furnished with the SEC.



***Company
Overview***

WE OPERATE MULTIPLE COMPLEMENTARY SEGMENTS

Driving value for stakeholders with land and water investments



Water and Wastewater Resource Development Segment

- Own a large and valuable portfolio of water rights
- Sustainable ground and surface water rights we estimate can serve up to 60,000 SFEs
- Denver metro land development requires developers to have water service as a condition of zoning, offering us a competitive edge
- Provide industrial and oil and gas customers with water



Land Development Segment

- Own property in highly attractive and easily accessible I-70 Corridor of Denver, Colorado
- Developing nearly 930 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,200 residential units and over 2 million square feet of retail, commercial and industrial uses
- Developing residential and commercial land for which we are the sole water and wastewater service provider



Single-Family Home Rentals

- Build single family homes in the Denver metro area in neighborhoods we are developing
- Receive rental income in growing housing market
- Benefit from immediate asset appreciation and positive cash flows
- Provide water and wastewater service to rental properties



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WHOLESALE WATER AND WASTEWATER

Principal business interests are to deliver wholesale water and wastewater service

WELLS/DIVERSION



Large water portfolio in water-short Denver

Company owns or controls 29,000+ acre feet of groundwater & surface water which we estimate can serve 60,000 taps

Own rights to surface reservoir storage assets

TREATMENT



DISTRIBUTION



BUILD

One-Time Connection Fees:
Water tap fees \$28,308
Sewer tap fees \$4,944
Capital capacity \$2.0 Billion*

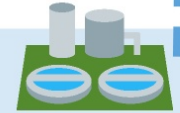
*This equates to 60,000 taps times current tap fees.

IRRIGATION REUSE



WASTEWATER TREATMENT

COLLECTION



USE

Annual Usage Charges:
Avg. Metered Water & Sewer
\$1,500/SFE/yr.

Buildout Annual Revenues \$90mm/yr.



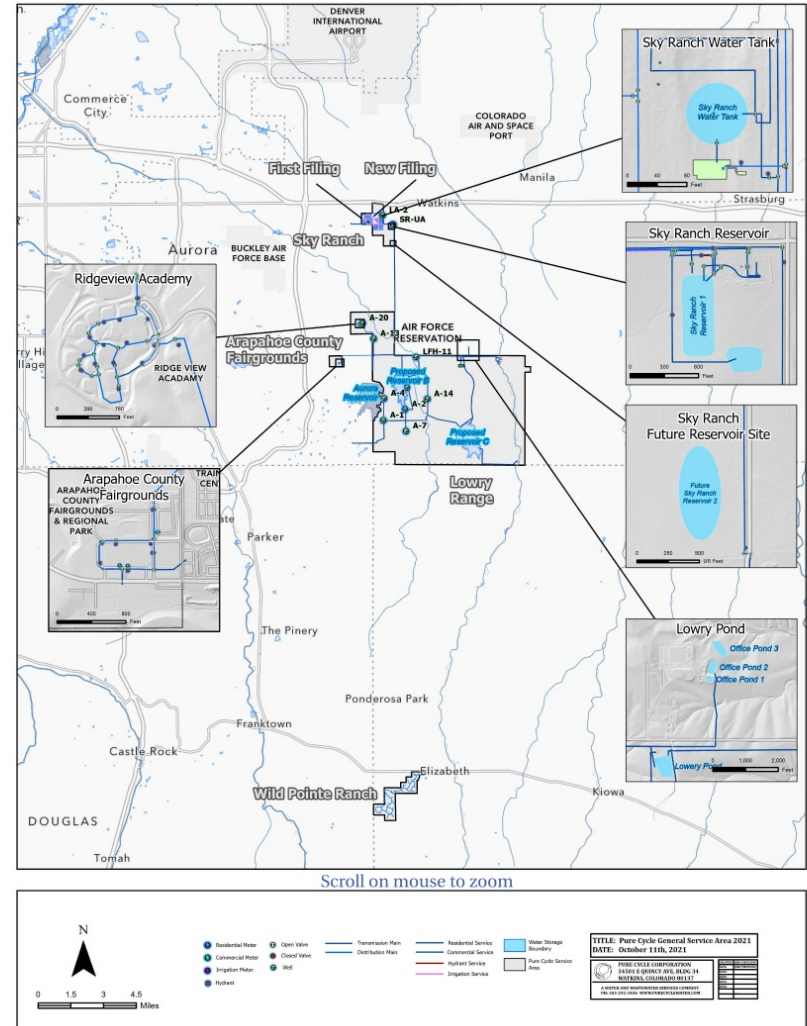
WATER INFRASTRUCTURE



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

Water Assets (Net)

In millions



Water Services

Growth from:

New Residential

New service customers added with every neighborhood
Avg. residential customer generates \$1,500 per year in revenue

New Commercial

Future Sky Ranch
commercial phases

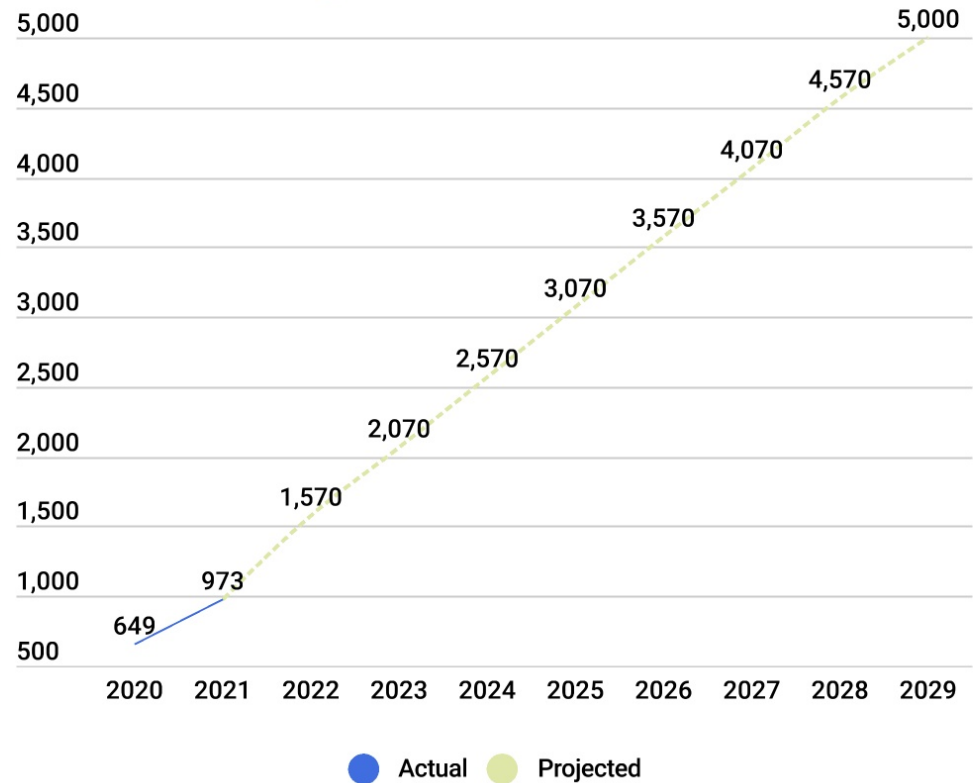
Existing Residential

Elbert and hwy 86
Residents

Existing Commercial

Elbert and Hwy 86
commercial customers

Monthly Water Customers



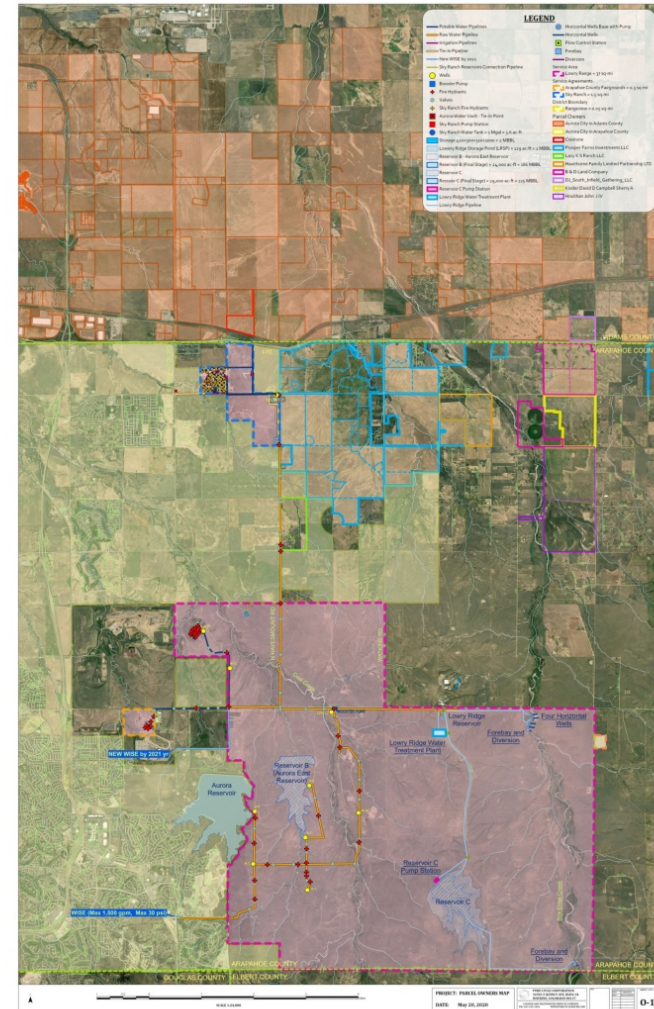
OIL & GAS

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

Southern Wattenberg Niobrara

- Five Possible Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Over 10,000 well capacity
- Average \$250,000 per well

More than 200 square miles in Adams & Arapahoe Counties





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LAND DEVELOPMENT

- Developing the 930 acre Sky Ranch
- Can accommodate up to 3,200 residential lots
- Can Accommodate up to 2 million square feet of commercial development (1,800 SFE's)
- 15 miles east of downtown Denver and 4 miles south of DIA



SKY RANCH - PHASE 1

99% complete

- All lots delivered (509)
- As of 11/30/2021 there are approximately 405 residents
- 479 of 509 Taps Sold
- Estimated that homes will be fully sold out by the end of Q2-2022
- Received \$10.5 million of reimbursables and recorded more than \$20M in receivables including project management fees and related interest income
- Recognized \$36.7 million in lot revenue to date
- Recognized \$14.2 million in tap fees to date



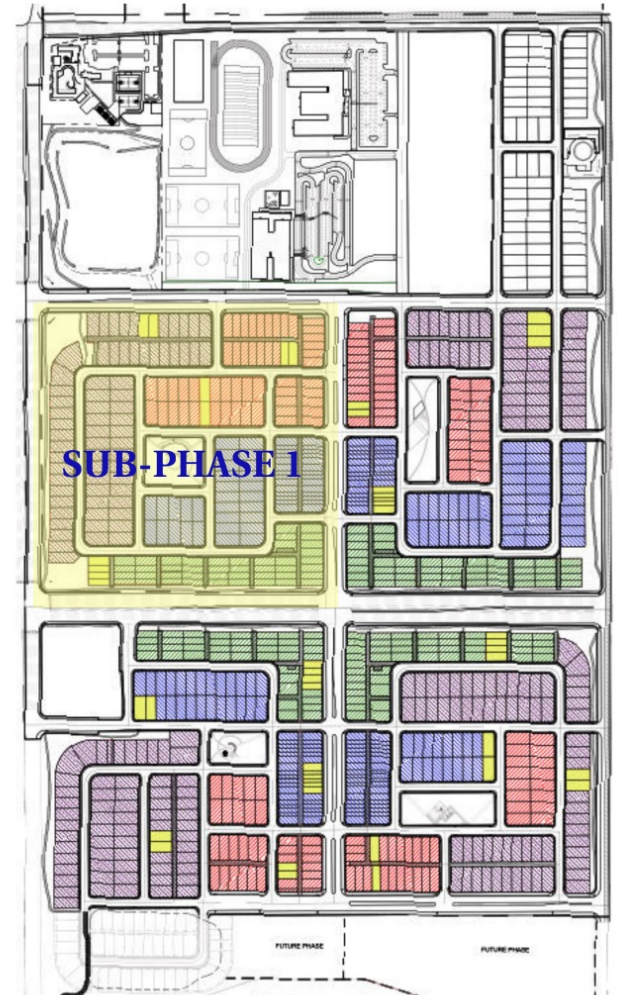
PARTNERING
HOMEBUILDERS



SKY RANCH - PHASE 2 OVERVIEW

- Approximately 850 lots in total
 - 804 lots under contract with home builders
 - 46 lots reserved for rental business with an additional 100 potential plats
- Initial lots expected to be delivered spring 2022
- Will include new Charter School directly north of this phase – which all Sky Ranch residents can attend. Opening August 2023
- Includes potential first commercial development area
- Estimated lot revenues of \$70 million
- Estimated tap fees of \$20.9 million
- Estimated \$61.1 million of reimbursable costs
- Estimated \$73.4 million in total development costs

PARTNERING HOMEBUILDERS



SKY RANCH PHASE 2

Financial And Quantitative Data

Subphase 1 (229 LOTS)

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

Subphase 2 (211 LOTS)

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

Subphase 3 (204 LOTS)

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

Subphase 4 (206 LOTS)

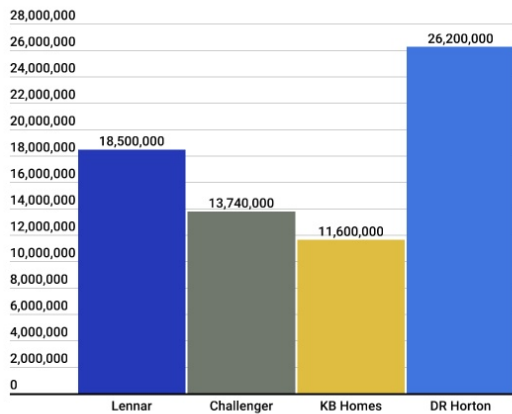
Lot Revenue	\$	17.9m
Tap Revenue		5.1m
Total lot costs		(17.6m)
Reimbursable*		\$ 14.6m
GROSS PROCEEDS	\$	20.0m

Phase 2 (850 LOTS)

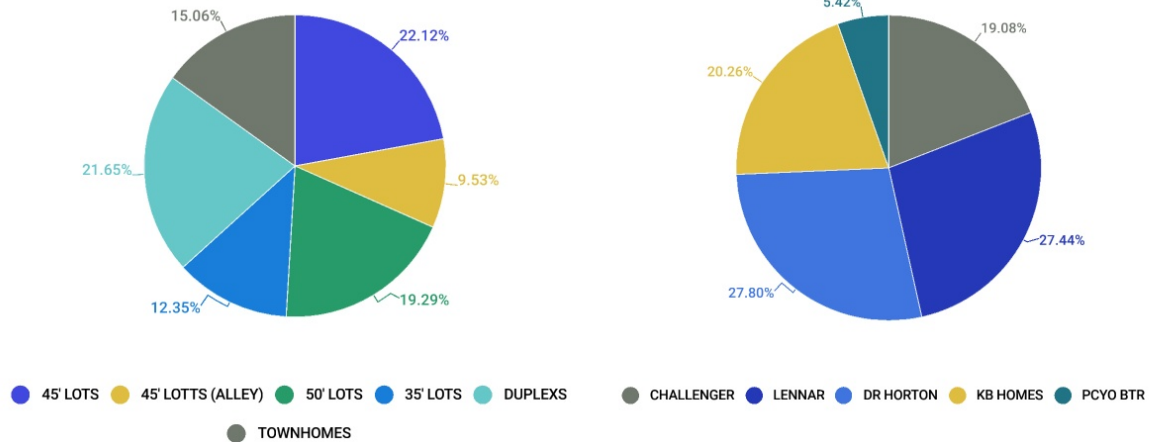
Lot Revenue	\$	70.0m
Tap Revenue		20.9m
Total lot costs		(73.4m)
Reimbursable*		61.0m
GROSS PROCEEDS	\$	78.5m

*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board

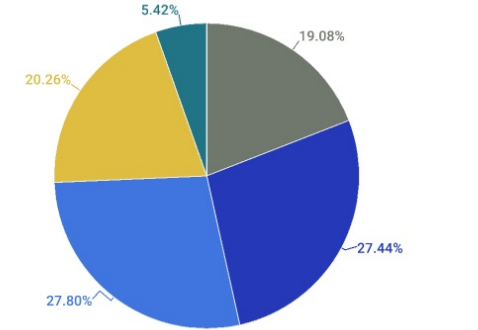
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER

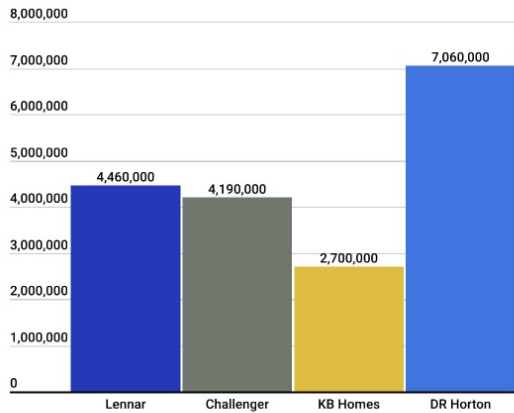


1st SUB-PHASE OF 2nd DEVELOPMENT PHASE

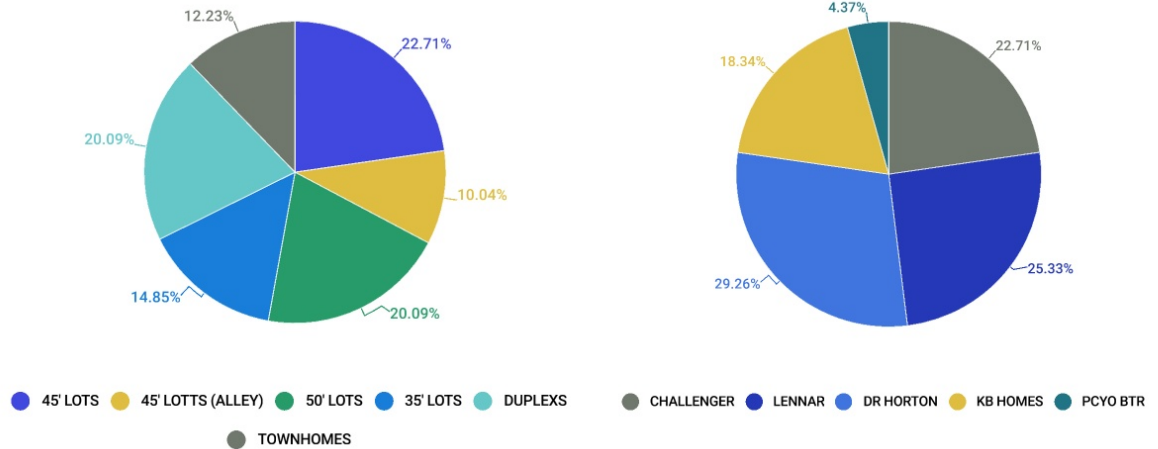
LOT CLOSING DASHBOARD

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

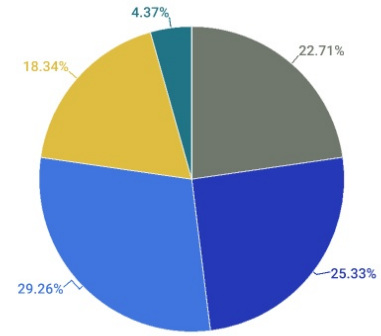
LOT SALES BY BUILDER



LOTS BY TYPE



LOTS BY BUILDER





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Single-Family Rentals

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

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

Our Strategy and Projections

Phase 1 Progress

Market Watch

- Steady increase in lease price while other rental types fell
- Detached and Townhomes, are more affordable per square foot and per bedroom
- Detached homes spend less days on market on average then other types rental units

Phase 1 Single Family Rentals

- Rented first 3 homes above the average market price
- all 3 homes rented within 14 days of listing

Denver Premier Leasing Agents
RENTAL MARKET REPORT
 September 2021



■ Detached
 ■ Townhomes
 ■ Condominiums
 ■ Multi-Family
 ■ Apartments
 ■ All

Denver Metro Counties: Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park, Weld

© 2021 Rental Listing Data Compliments of RE COLORADO®

Pro Forma Income/house

	Pro Forma Single house Monthly	Pro forma Single house Annualized
Rental Income	\$ 2,820	\$ 33,840
Operations, repairs and maintenance	150	1,800
Property taxes and insurance	400	4,800
Interest expense	950	11,400
	\$ 1,320	\$ 15,840

Annualized
Average
Estimated
Rental Revenue
per Home of
\$34K

Annualized
Average
estimated cash
flow per Home
of \$16K

Annualized
Estimated
Capitalization
Rate ¹
5% ¹

Assumptions

- Rental income is the average actual monthly lease rates on the three initial homes
- Current staffing will provide property management services for the foreseeable future
- Property taxes based on current mills in Sky Ranch
- Interest expense based on current finance offering for a 30-year amortizing loan at 3.75%
- Cost of homes will be amortized using the straight-line depreciation method over thirty years, which is a non-cash charge and not included in the cash projections table above

¹ Net operating income/market value. Excludes interest and depreciation.

PHASE 1 - 3 RENTAL HOMES

March 2021



May 2021



June 2021



November 2021



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

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



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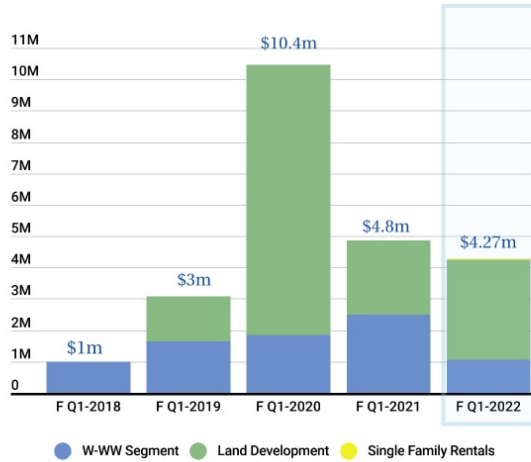
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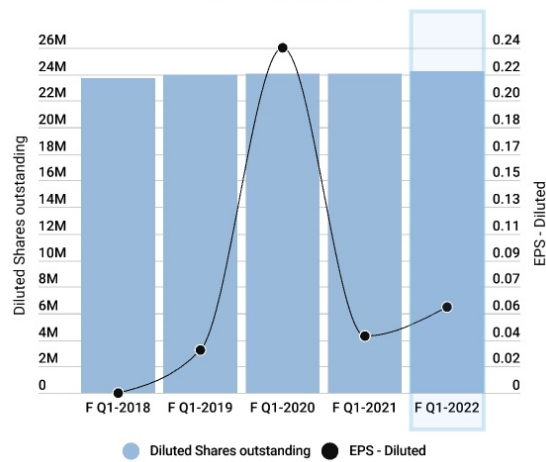
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THREE MONTHS ENDED NOVEMBER 30, 2021

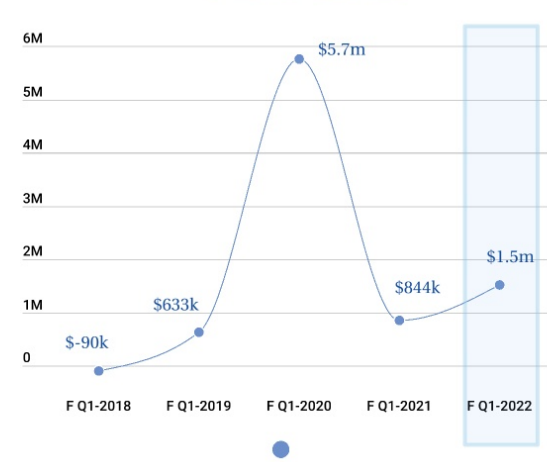
REVENUE



EPS - Diluted



NET INCOME



WATER & WASTEWATER



- \$53.5m in water assets (net)
- 650 total customers
- 46 residential customers added in Q1-2022
- 77.2 thousand gallons delivered in Q1-2022

LAND DEVELOPMENT



- Phase 2 Subphase 1 43.4% complete
- \$29.5m in reimbursable public improvements
- 83% gross margin on lots sales

SINGLE FAMILY RENTALS

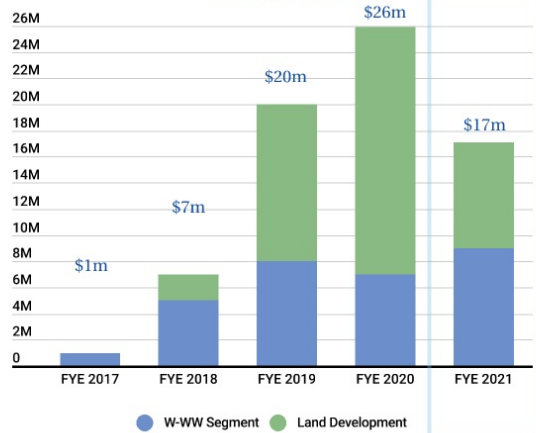


- \$1m in assets with an approximate market value of \$1.6m
- Fully occupied
- 10 new lots under development

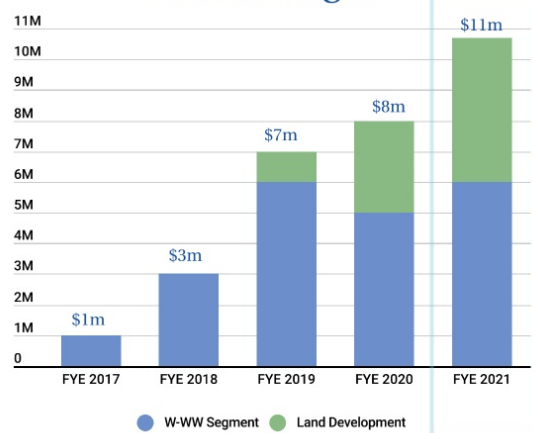
5 YEAR PERFORMANCE

Shareholder Value

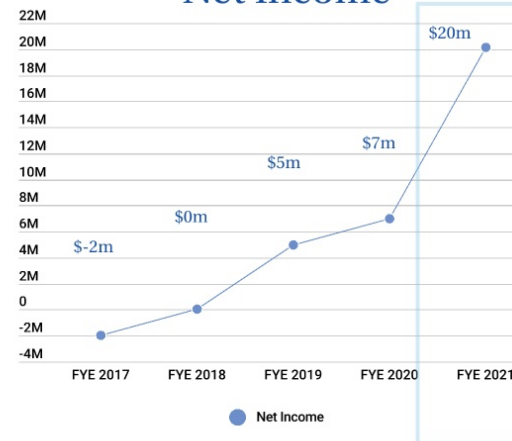
Revenue



Gross Margin



Net Income*



*2021 net income positively impacted by recognition of \$16.4m of reimbursables (net of \$5.3m of tax)

INVESTING IN BUSINESS SEGMENTS



- Land
- Water & Wastewater
- Single Family Rentals

M & A GROWTH



- Land
 - Water
- Sustained pipeline of acquisitions

RETURN OF CAPITAL



- Share repurchase
- Dividend

BALANCE SHEET



(In thousands, except share and per share amounts)

ASSETS:

Current assets:
 Cash and cash equivalents
 Trade accounts receivable, net
 Prepaid expenses and other assets
 Land under development
 Notes receivable - reimbursable public improvements - related party
 Total current assets
 Restricted cash
 Investments in water and water systems, net
 Construction in progress
 Single-family rental units
 Land and mineral rights:
 Held for development
 Held for investment purposes
 Other assets
 Notes receivable – related parties, including accrued interest:
 Reimbursable public improvements
 Other
 Operating leases - right of use assets, less current portion
 Total assets

LIABILITIES:

Current liabilities:
 Accounts payable
 Accrued liabilities
 Accrued liabilities – related parties
 Income taxes payable
 Deferred lot sale revenues
 Deferred oil and gas lease payment and water sales payment
 Debt
 Total current liabilities
 Participating interests in export water supply
 Debt, less current portion
 Deferred tax liability, net
 Lease obligations - operating leases, less current portion
 Total liabilities

Commitments and contingencies

SHAREHOLDERS' EQUITY:

Series B preferred shares par value \$0.001 per share, 25 million authorized; 432,513 issued and outstanding (liquidation preference of \$432,513)
 Common shares par value 1/3 of \$0.01 per share, 40 million authorized; 23,923,100 and 23,916,633 outstanding, respectively
 Additional paid-in capital
 Accumulated deficit
 Total shareholders' equity
 Total liabilities and shareholders' equity

	November 30, 2021 (unaudited)	August 31, 2021
\$	12,914	\$ 20,117
	1,217	1,532
	289	458
	1,030	608
	16,000	16,000
	31,450	38,715
	2,328	2,327
	53,506	53,786
	3,016	3,304
	1,008	—
	7,343	5,924
	451	451
	2,569	2,591
	13,517	8,794
	1,061	1,163
	102	122
\$	116,351	\$ 117,177
\$	2,019	\$ 1,787
	669	1,224
	2,049	2,881
	1,185	4,163
	2,831	1,995
	271	410
	7	—
	9,031	12,460
	325	325
	993	—
	1,621	1,615
	15	37
	11,985	14,437
	—	—
	80	80
	173,625	173,513
	(69,339)	(70,853)
	104,366	102,740
\$	116,351	\$ 117,177

INCOME STATEMENT

(In thousands, except per share amounts)

	Three Months Ended	
	November 30, 2021	November 30, 2020
Revenues:		
Metered water usage from:		
Municipal customers	\$ 321	\$ 167
Oil and gas operations	386	1,199
Wastewater treatment fees	55	42
Water and wastewater tap fees	261	1,083
Lot sales	2,945	2,356
Project management fees	248	—
Single-family rentals	8	—
Special facility projects and other	49	21
Total revenues	<u>4,273</u>	<u>4,868</u>
Expenses:		
Water service operations	(289)	(545)
Wastewater service operations	(129)	(92)
Land development construction costs	(531)	(1,719)
Single-Family rental costs	(3)	—
Depletion and depreciation	(354)	(365)
Other	(77)	(24)
Total cost of revenues	<u>(1,383)</u>	<u>(2,745)</u>
General and administrative expenses	(1,325)	(1,086)
Depreciation	(85)	(84)
Operating income	<u>1,480</u>	<u>953</u>
Other income:		
Interest income - related party	362	15
Oil and gas royalty income, net	97	75
Oil and gas lease income, net	48	52
Interest expense, net	(7)	—
Other	11	10
Income from operations before income taxes	<u>1,991</u>	<u>1,105</u>
Net income	<u>\$ 1,514</u>	<u>\$ 845</u>
Earnings per common share - basic and diluted	<u>\$ 0.06</u>	<u>\$ 0.04</u>
Weighted average common shares outstanding:		
Basic	<u>23,918</u>	<u>23,867</u>
Diluted	<u>24,219</u>	<u>24,036</u>



LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding
President and CEO

Kevin B. McNeill
Vice President and CFO

Patrick J. Beirne
Chairman of the Board

Peter C. Howell
*Director and Chairman of
the Audit Committee*

Jeffrey G. Sheets
*Director and Chairman of the
Nominating and Governance
Committee*

Arthur G. Epker III
*Director and Chairman of
the Compensation
Committee*

Daniel R. Kozlowski
Director

Fredrick A. Fendel III.
Director

CONTACT AND COMPANY INFORMATION

CORPORATE HEADQUARTERS

34501 E. Quincy Ave, BLDG 34, Watkins, CO 80137

CONTACT INFO

info@purecyclewater.com

303-292-3456

www.purecyclewater.com

Follow us on twitter
@PureCycleCorp 

STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million

Questions?





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