

PURE CYCLE CORPORATION

Earnings presentation for the
three and nine months
ended May 31, 2021

Overview

Water &
Wastewater
Development

Land
Development

BTR

Oil and
Gas

Financial
Results

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; 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.

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 1,000 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,400 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
- Retain ownership of portions of property to receive residual benefit



Build-to-Rent Segment

- Develop 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



VISIT OUR NEW WEBSITE
Stay up to date on news,
events and get in depth
insight into our operations!

purecyclewater.com

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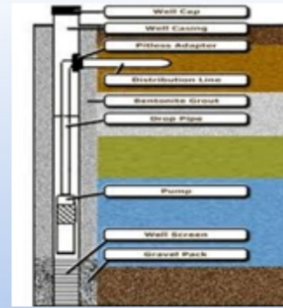
WHOLESALE WATER AND WASTEWATER



Irrigation reuse



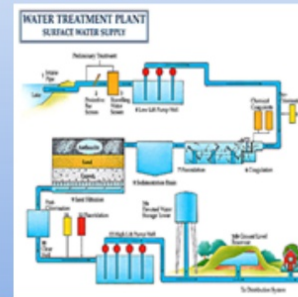
Wells/Diversion



Distribution



Treatment



AT A GLANCE

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

Principal business interests are to deliver wholesale water and wastewater service

One-Time Connection Fees:

Water tap fees \$27,753

Sewer tap fees \$4,847

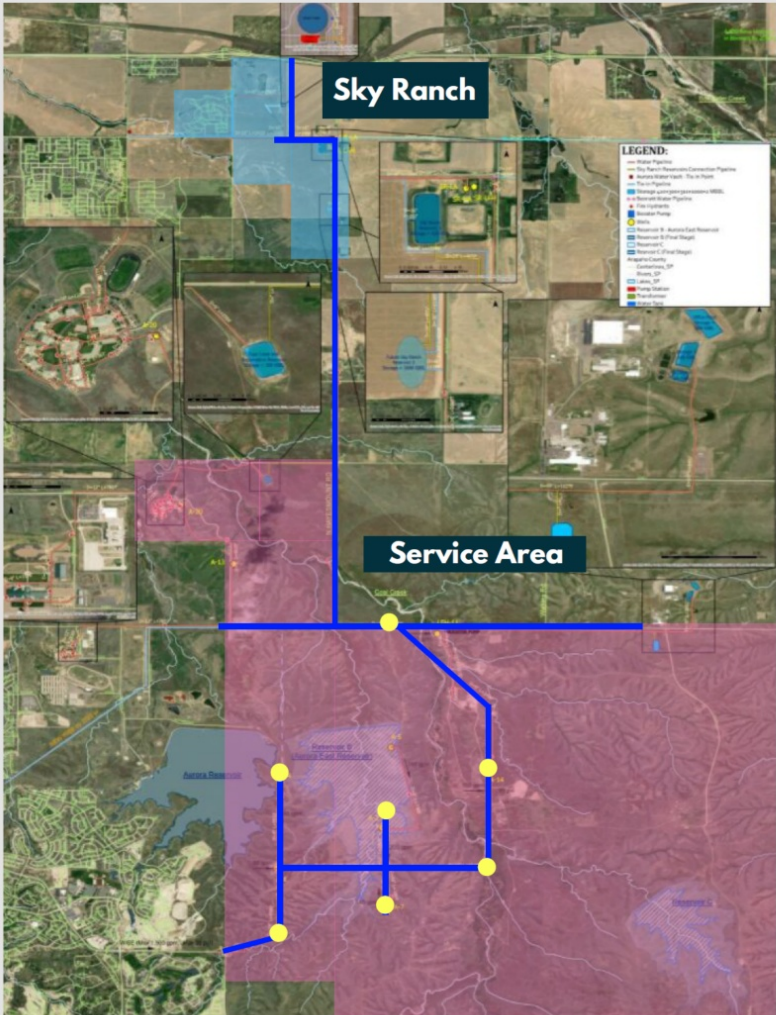
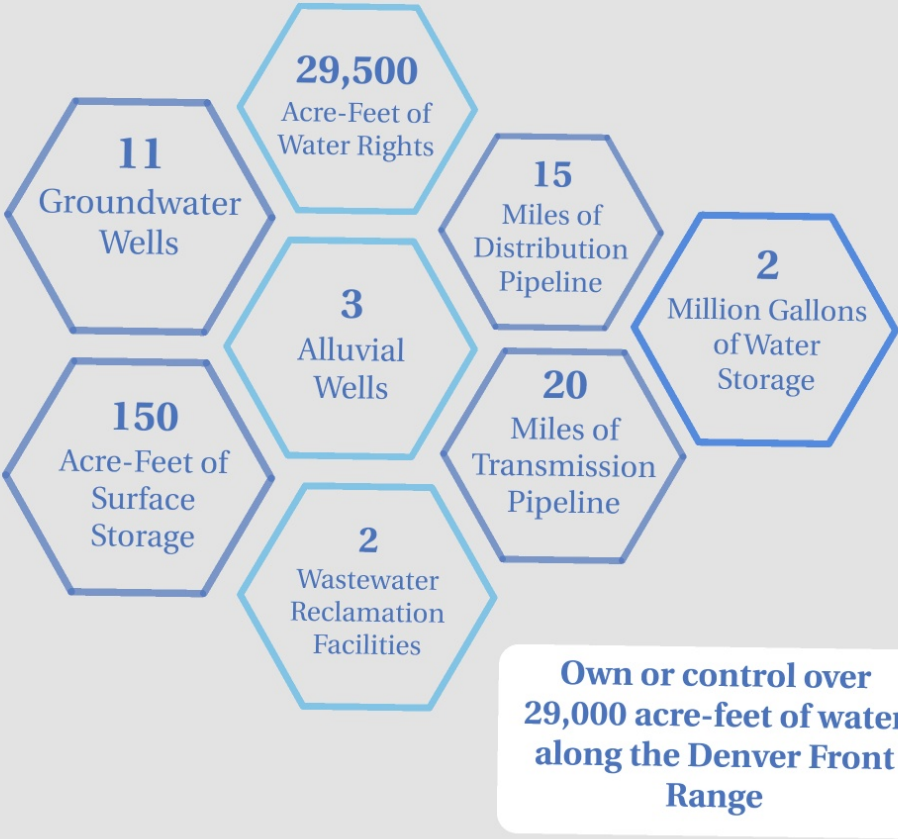
Capital capacity \$2.0 Billion

Annual Usage Charges:

Avg. Metered Water & Sewer \$1,500/SFE/yr.

Buildout Annual Revenues \$90mm/yr.

WATER INFRASTRUCTURE



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

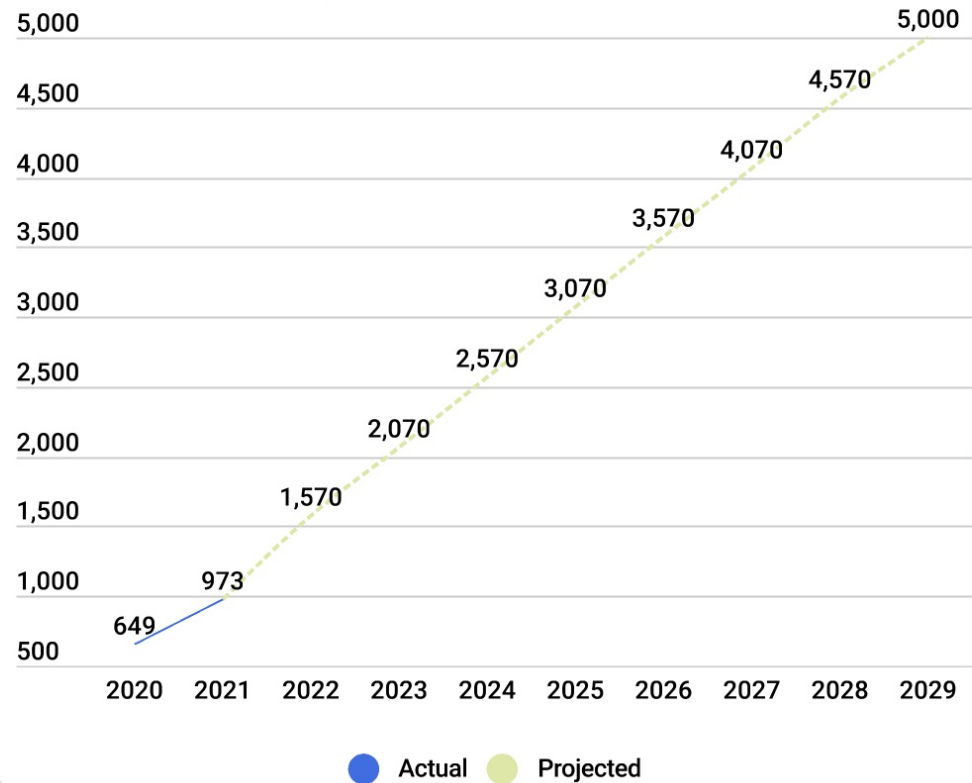
Existing Residential

Elbert and hwy 86 Residents

Existing Commercial

Elbert and Hwy 86 commercial customers

Monthly Water Customers



Investment in Water and Tap Sales

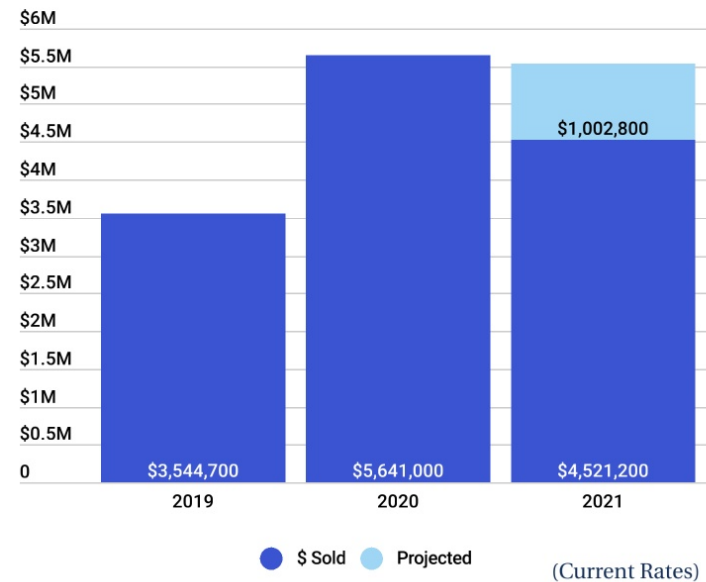
All major infrastructure is in service to support phase 2 of the Sky Ranch Development

Water Assets (Net)

In millions



Water/WW Tap Fees



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LAND DEVELOPMENT

- Developing the 930 acre Sky Ranch
- Can accommodate up to 3,400 residential lots
- Can Accommodate up to 2 million square feet of commercial development (1,600 SFE's)
- 15 miles east of downtown Denver and 4 miles south of DIA



Phase Progress

Sky Ranch - PHASE 1

- All lots delivered (509)
- Approximately 330 residents
- 446 of 506 Taps Sold
- Estimated that homes will be fully sold out by December 2021
- Received \$10.5 million of reimbursables and recorded more than \$20M in receivable reimbursements and related interest income
- Recognized \$36.7 million in lot revenue to date
- Recognized \$13.3 million in tap fees to date



Credits: Imagery by Pure Cycle GIS on May 26th 2021

PARTNERING
HOMEBUILDERS



Sky Ranch - PHASE 2

- Approximately 900 lots in total
 - 800 lots under contract with home builders
 - 100+ lots reserved for BTR purposes
- Broke ground February 2021
 - Dirt work almost done, utilities underway for sub-phase 1
- Initial lots expected to be delivered late calendar 2021
- Estimated lot revenues of \$72.6 million
- Estimated tap fees of \$21.5 million
- Estimated \$48 million of reimbursable costs

PARTNERING HOMEBUILDERS

D·R·HORTON®
America's Builder

CHALLENGER
HOMES

LENNAR®

kb
HOME

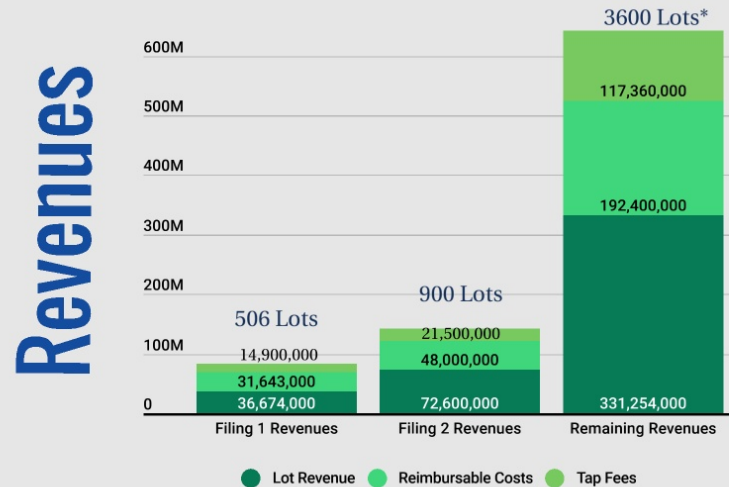


SKY RANCH

Phase 1 & 2

Key Comparisons

- 50' Lots sold for 40% more
- 45' lots sold for 30% more
- Higher density and diversified product mix
- Lot construction costs to remaining relatively the same
- Majority of water and wastewater infrastructure already built in filing 1 and can be used for filing 2 with far less expenditures



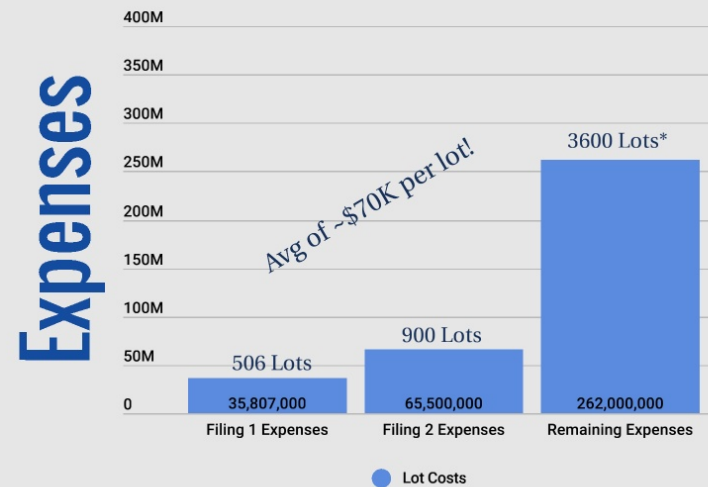
Filing 1 - 506 Lots

Lot Sales	\$ 36.7 million
Current Reimbursables	\$ 10.5 million
Future Reimbursements	\$ 21.1 million *
Tap Fees	\$ 14.9 million**
Costs	\$ 35.8 million
Net	\$47.4 million

*Recognized in income in Q2-2021
**\$11.5 million to date with \$3.4M expected before end of 2021

Filing 2 - 900 Lots

Lot Sales	\$ 72.6 million
Reimbursables	\$ 48.1 million
Tap Fees	\$ 21.5 million
Costs	\$ 65.5 million
Net	\$76.7 million



* 3600 remaining lots includes 1600 commercial equivalent lots with results estimated using phase 2 actuals

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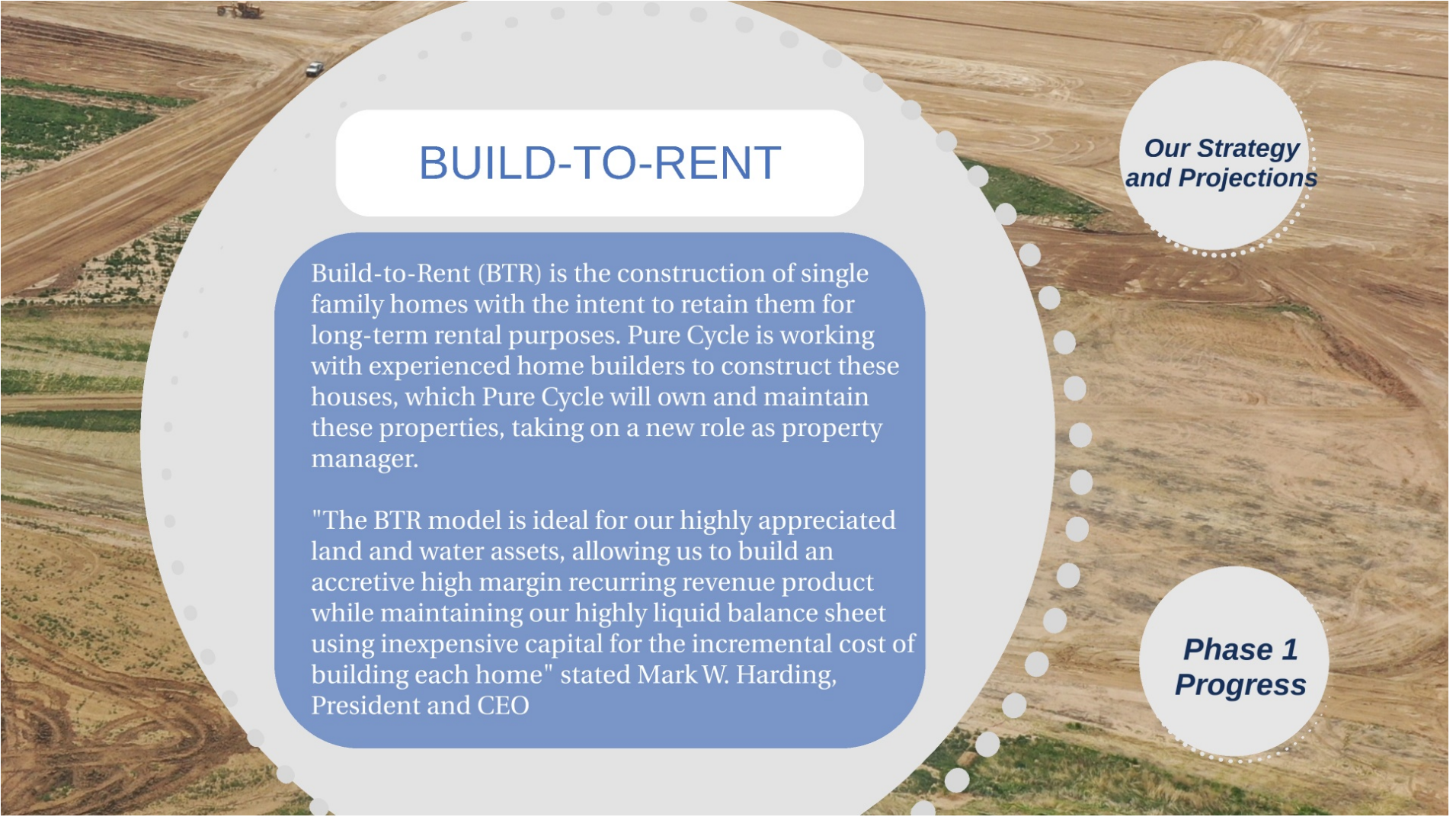
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BUILD-TO-RENT

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

***Our Strategy
and Projections***

***Phase 1
Progress***

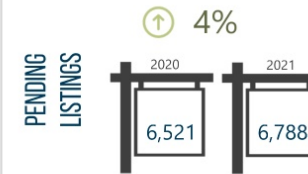
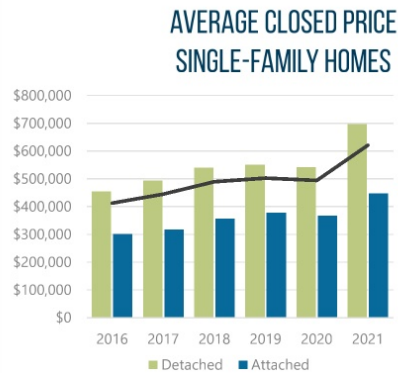
Market Watch

"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



DENVER METRO AREA MARKET WATCH May 2021



↓ 13 days

WEEKS OF INVENTORY

↓
7 weeks



HOME SEARCH POWERED BY REALTORS® | RECOLORADO.COM

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

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

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

	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

Annualized
Estimated
Capitalization
Rate ¹
6%

1

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 cost
- 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.

PER HOUSE ESTIMATES

Capitalized costs
\$342K

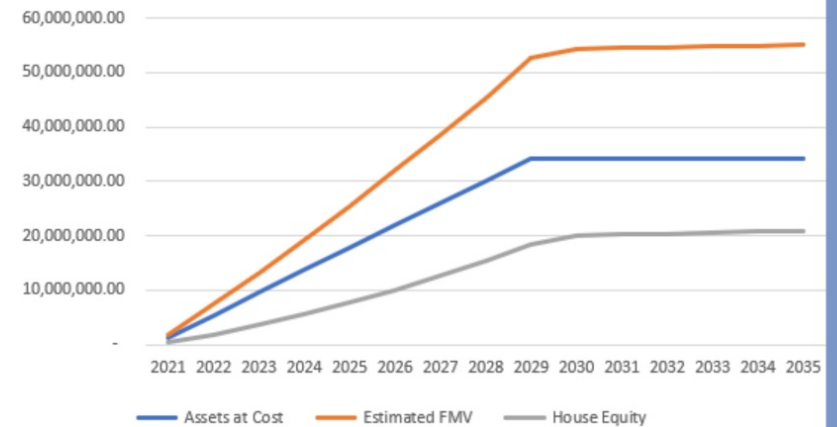
Financed costs
\$317K

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

15 Year Forecast - 100 Homes



BUILD TO RENT PHASE 1 3 LOTS

March 2021



Approval to start date



May 2021



Utilities complete & vertical construction in progress!



June 2021



Final stages of framing



August 2021



Projected ready to rent

Asset Valuation..... \$1.4m
Project Budget..... \$1.0m

The project is on track to confirm original forecasts for Phase 1 and the next phase of 40 BTR homes with the potential to expand to 100+

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Southern Wattenberg Niobrara

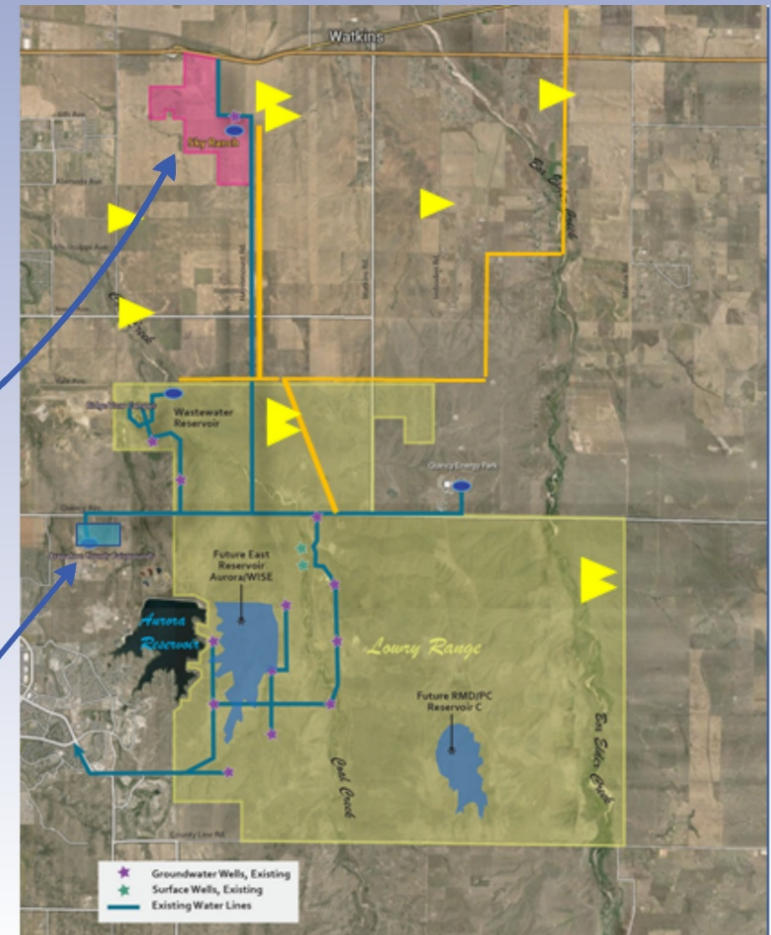
More than 200 square miles in Adams & Arapahoe Counties

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



Sky Ranch

Arapahoe County Fairgrounds



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Gas

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Nine Months Ended May 31, 2021

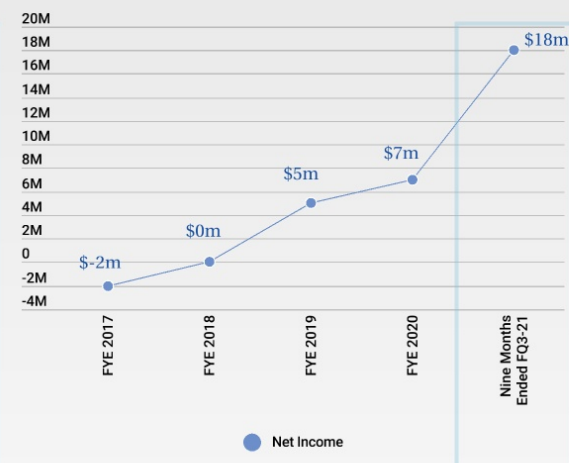
Revenue*



Gross Margin*



Net Income*



*Amounts are approximate and rounded to the nearest million \$

Since the inception of Sky Ranch we have recognized:

Approximately \$36.7 million in Lot Revenues

Approximately \$13.3 million in tap fees

Approximately \$29M in Other income from Reimbursables*

Approximately \$1.5 Million in Project Management Fees

In 2021, the Company revised its estimates to conclude that the reimbursable public improvements, project management revenue and interest income related to the first development phase at Sky Ranch are probable of collection.

We discovered an error in the three months ended February 28, 2021, financial results which we are working to correct. The error was a result of weaknesses in controls around spreadsheets. We are finalizing the updates to the financial statements and we will file our Form 10-Q within a few days.

PURE CYCLE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	May 31, 2021 (unaudited)	August 31, 2020 (In thousands, except share and per share amounts)
ASSETS:		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 19,796	\$ 21,797
Trade accounts receivable, net	1,933	1,124
Prepaid expenses and other assets	528	1,001
Land development inventories:		
Land development - Phase 1	—	481
Land development - Phase 2	172	—
Public improvement reimbursables - Phase 2	444	—
Income taxes receivable	—	1,588
Total current assets	22,873	25,991
Investments in water and water systems, net	55,140	55,087
Land and mineral interests	5,625	4,915
Other assets	2,390	2,042
Notes receivable – related parties, including accrued interest:		
Public improvement reimbursables - Phase 1	21,316	—
Other	1,174	1,079
Long-term land investment	451	451
Operating leases - right of use assets, less current portion	141	196
Total assets	\$ 109,110	\$ 89,761
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 208	\$ 180
Accrued liabilities	1,070	1,391
Accrued liabilities - related parties	634	1,212
Income taxes payable	3,695	—
Deferred lot sale revenues	550	1,635
Deferred oil and gas lease payment and water sales payment	253	1,800
Total current liabilities	6,410	6,218
Deferred oil and gas lease payment and water sales payment, less current portion	22	165
Participating interests in export water supply	325	328
Deferred tax liability	1,509	886
Lease obligations - operating leases, less current portion	58	120
Total liabilities	8,324	7,717
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock:		
Series B – par value \$0.001 per share, 25 million shares authorized; 432,513 shares issued and outstanding (liquidation preference of \$432,513)	—	—
Common stock:		
Par value 1/3 of \$.01 per share, 40 million shares authorized; 23,910,133 and 23,856,098 shares outstanding, respectively	80	80
Additional paid-in capital	173,393	172,927
Accumulated other comprehensive income	—	—
Accumulated deficit	(72,687)	(90,963)
Total shareholders' equity	100,786	82,044
Total liabilities and shareholders' equity	\$ 109,110	\$ 89,761

PURE CYCLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
	(In thousands, except per share amounts)			
Revenues:				
Metered water usage from:				
Municipal customers	\$ 188	\$ 98	\$ 429	\$ 238
Oil and gas operations	22	15	1,804	72
Wastewater treatment fees	51	22	144	62
Water and wastewater tap fees	1,856	1,005	4,522	3,850
Lot sales	445	696	3,316	11,503
Project management fees - recognized	23	—	1,571	—
Special facility projects and other	81	14	487	104
Total revenues	<u>2,666</u>	<u>1,850</u>	<u>12,273</u>	<u>15,829</u>
Expenses:				
Water service operations	(316)	(95)	(1,074)	(556)
Wastewater service operations	(102)	(62)	(258)	(126)
Land development construction costs	(99)	(556)	(2,087)	(10,436)
Depletion and depreciation	(358)	(386)	(1,077)	(988)
Other	(65)	(7)	(453)	(34)
Total cost of revenues	<u>(940)</u>	<u>(1,106)</u>	<u>(4,949)</u>	<u>(12,140)</u>
Gross profit	<u>1,726</u>	<u>744</u>	<u>7,324</u>	<u>3,689</u>
General and administrative expenses	(1,325)	(801)	(3,753)	(2,639)
Depreciation	(73)	(86)	(233)	(266)
Operating income (loss)	<u>328</u>	<u>(143)</u>	<u>3,338</u>	<u>784</u>
Other income:				
Recognition of public improvement reimbursables including interest income - related party	284	—	19,888	—
Oil and gas royalty income, net	97	74	248	613
Oil and gas lease income, net	48	62	148	185
Interest income from investments	15	24	45	162
Other	10	19	30	19
Reimbursement of construction costs - related party	—	—	485	6,276
Income from operations before income taxes	<u>782</u>	<u>36</u>	<u>24,182</u>	<u>8,039</u>
Income tax expense	(158)	(9)	(5,906)	(1,975)
Net income	<u>\$ 624</u>	<u>\$ 27</u>	<u>\$ 18,276</u>	<u>\$ 6,064</u>
Unrealized holding losses	—	—	—	(4)
Total comprehensive income	<u>\$ 624</u>	<u>\$ 27</u>	<u>\$ 18,276</u>	<u>\$ 6,060</u>
Earnings per common share:				
Basic	<u>\$ 0.03</u>	<u>\$ —</u>	<u>\$ 0.77</u>	<u>\$ 0.25</u>
Diluted	<u>\$ 0.03</u>	<u>\$ —</u>	<u>\$ 0.76</u>	<u>\$ 0.25</u>
Weighted average common shares outstanding:				
Basic	<u>23,907</u>	<u>23,853</u>	<u>23,885</u>	<u>23,842</u>
Diluted	<u>24,184</u>	<u>24,053</u>	<u>24,104</u>	<u>24,071</u>

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

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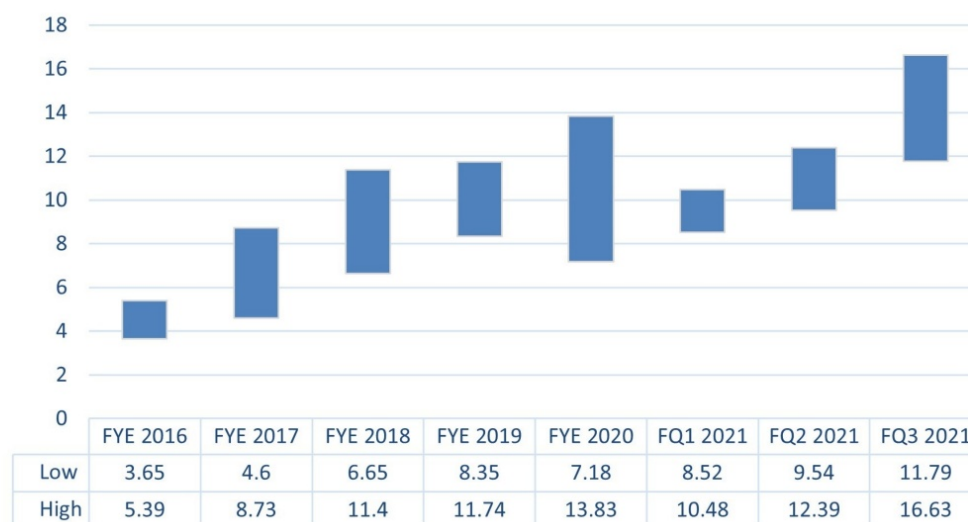
STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million

Questions?

PCYO STOCK PRICE RANGE



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

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