



# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE YEAR ENDED AUGUST 31, 2022

NASDAQ: PCYO  
www.purecyclegwater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

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

# Safe Harbor Statement

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

# WE OPERATE MULTIPLE COMPLEMENTARY SEGMENTS...

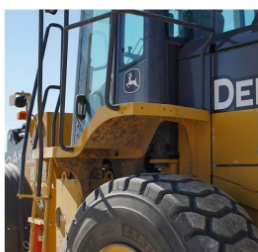
*...driving value for stakeholders with land and water investments*

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## 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
- 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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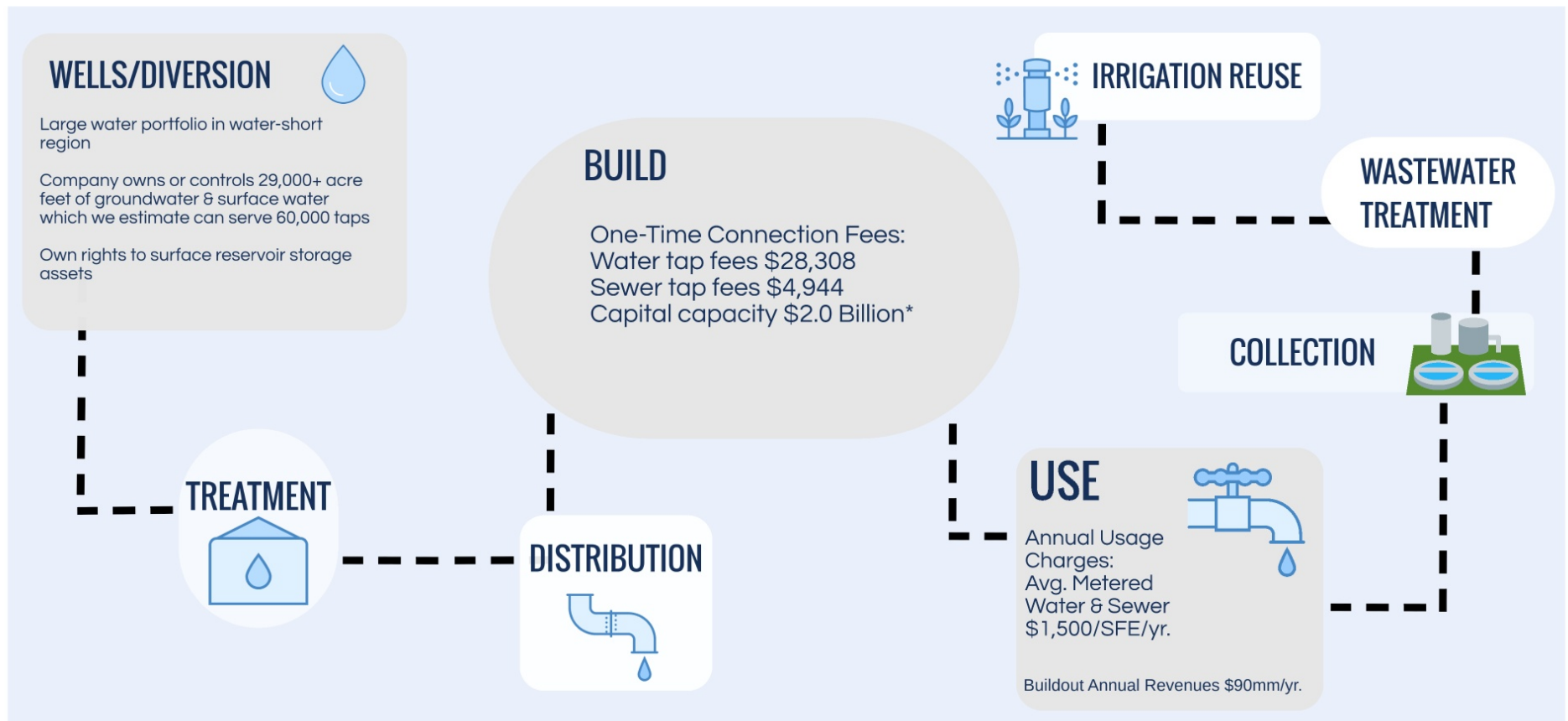
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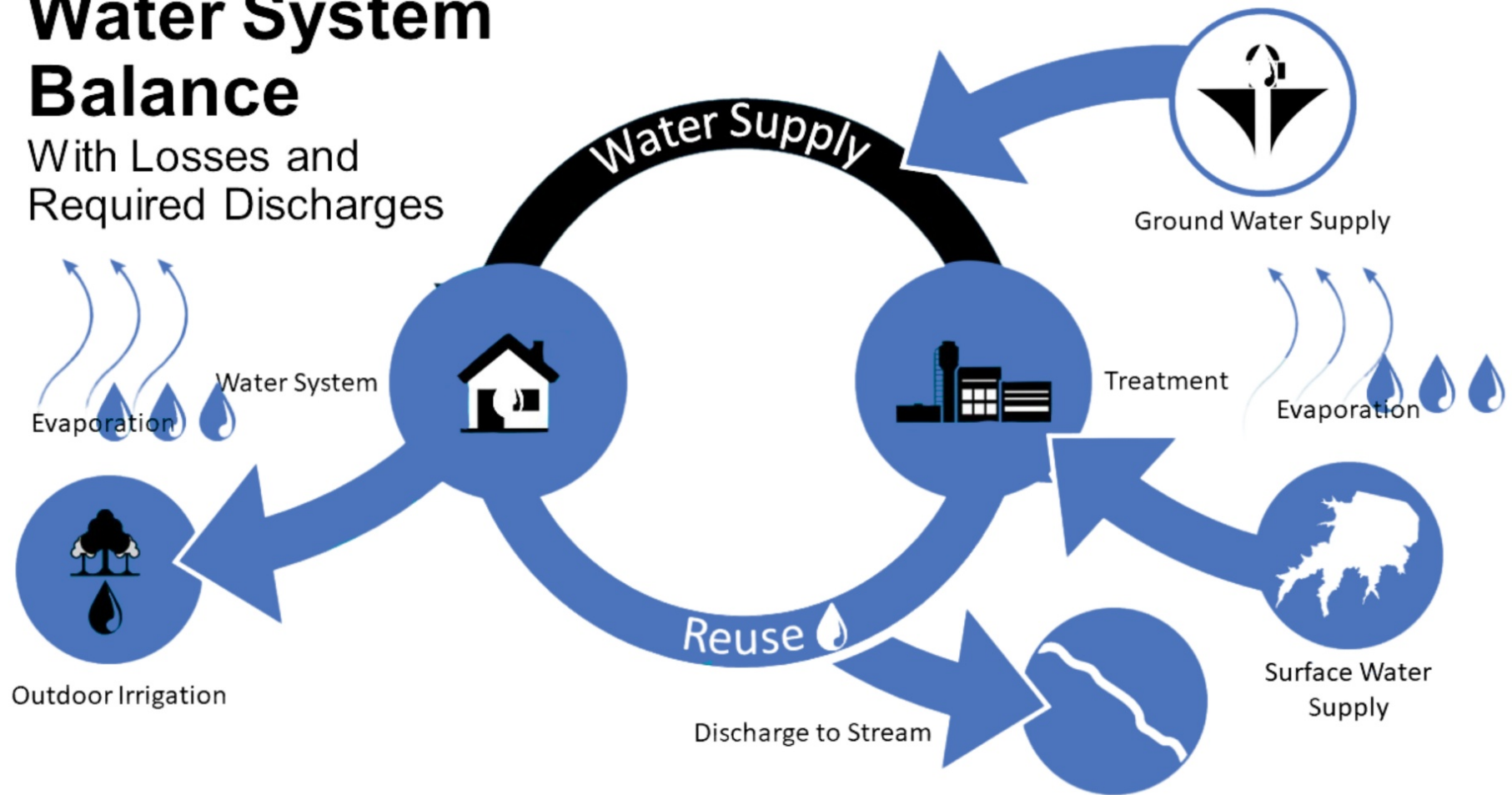
# Wholesale Water & Wastewater

*Principal business interests are to deliver wholesale water and wastewater service*



# Water System Balance

With Losses and  
Required Discharges





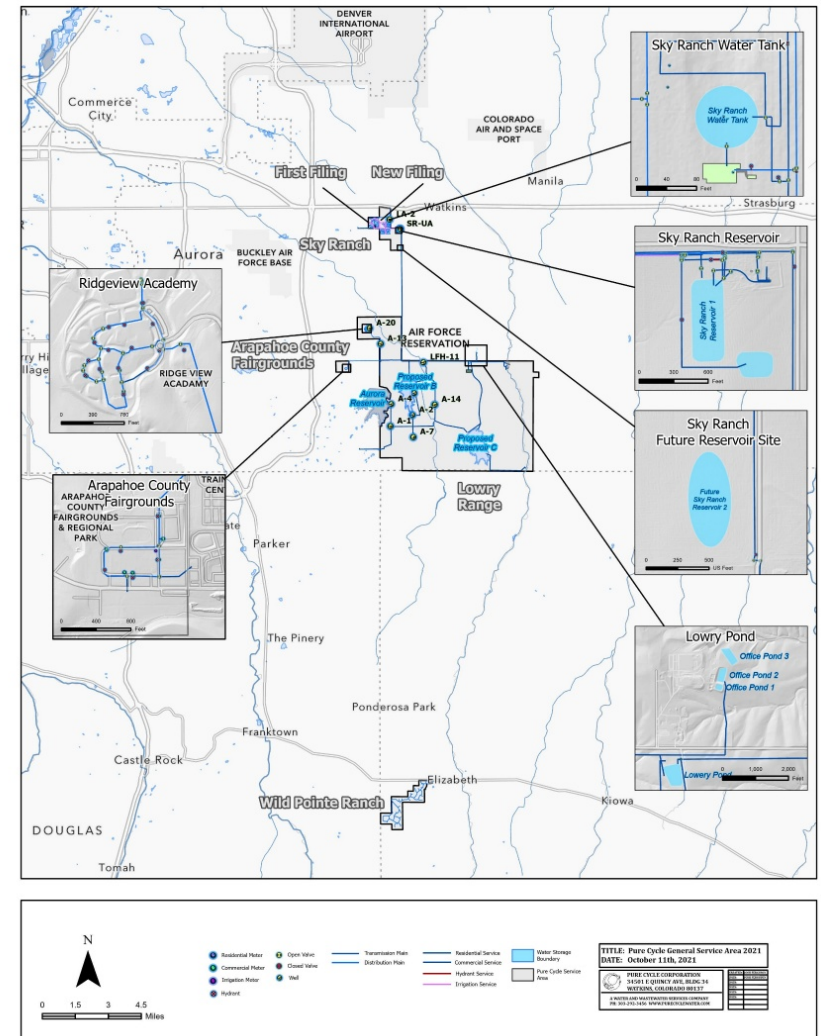
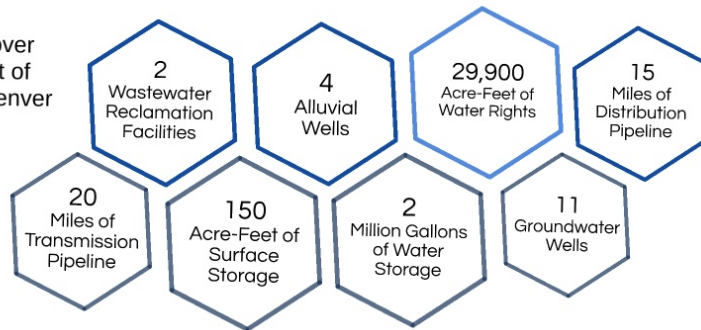
# Water Infrastructure

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

## Water Assets (at cost)



Own or control over  
29,000 acre-feet of  
water along the Denver  
Front Range



# Water Services

Growth from...

## 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

## Existing Residential

- **Sky Ranch Phase 1**
  - all taps sold for 509 homes
- **Sky Ranch Phase 2**
  - 113 taps sold as of 8/31/2022
- Elbert and Hwy 86 - more than 180 residents

## 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 CAB

## Existing Commercial

- Elbert and Hwy 86 commercial customers include a Walmart, carwash, and fitness center
- 3 parks and additional irrigated space for Sky Ranch CAB
- more irrigated space to come in Phase 2A in 2023
- Largest commercial customers are oil and operators - record sales to these customers in 2022



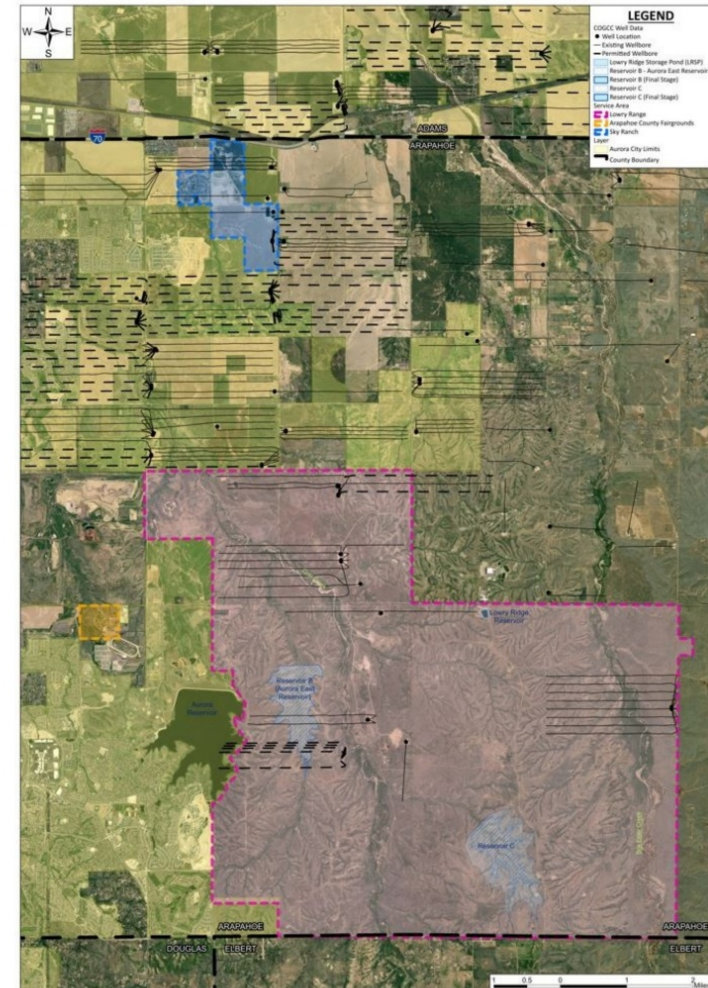
# OIL & GAS

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

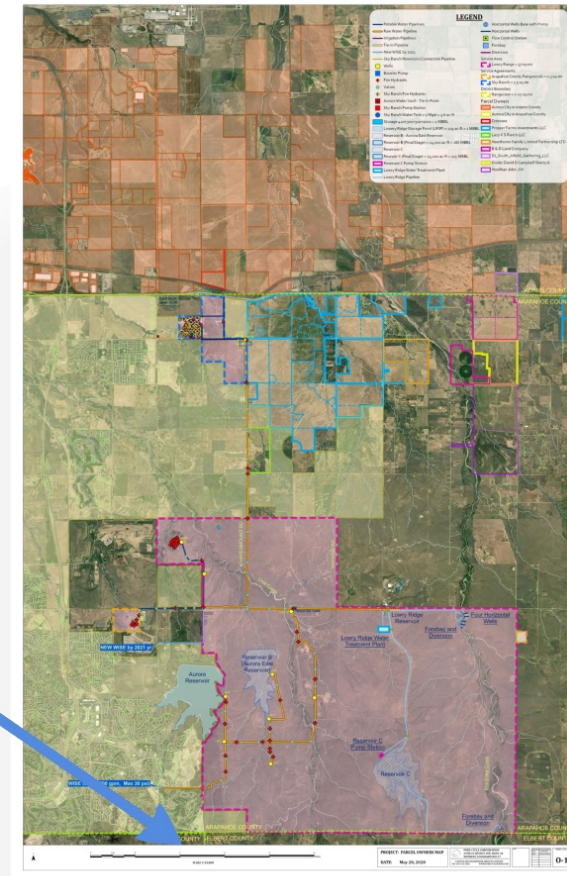
## Southern Wattenberg Niobrara

- Multiple Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Thousands of wells possible
- Average \$250,000 per well

More than 200 square miles in Adams & Arapahoe Counties



## DEVELOPMENT ENCROACHMENT TO LOWRY RANGE







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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

100% complete

- All lots delivered (509)
- As of 8/31/2022 all lots delivered with homes built or in final stages of construction
- Estimated that homes will be fully sold out by the end of 2022
- All 505 taps sold (4 units remain with PCYO for SFR)
- 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

Phase 2A - 76% complete



PARTNERING HOMEBUILDERS

**D-R HORTON**  
America's Builder

**CHALLENGER**  
HOMES

**LENNAR**

**kb**  
HOME

- Approximately 850 lots in total
  - 804 lots under contract with home builders
  - 46 lots reserved for rental business with an additional 100 potential plats
- All 229 finished lots in Phase 2A delivered by August 31, 2022
- New charter school directly north of this phase under construction - opening August 2023
- Estimated lot revenues of \$70 million (\$28M for Phase 2A)
- Estimated tap fees of \$20.9 million (\$5.6M for Phase 2A)
- Estimated \$61.1 million of reimbursable costs with \$15 million accrued to date
- Estimated \$73.4 million in total development costs

# SKY RANCH PHASE 2

## Financial and Quantitative Data

### Phase 2A (229 LOTS)

Lot Revenue**	\$	18.4m
Tap Revenue		5.6m
Total Lot Costs		(20.1m)
Reimbursable*		16.7m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>20.6m</b>

### Phase 2B (211 LOTS)

Lot Revenue**	\$	17.0m
Tap Revenue		5.2m
Total Lot Costs		(18.3m)
Reimbursable*		15.2m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>19.1m</b>

### Phase 2C (204 LOTS)

Lot Revenue**	\$	16.7m
Tap Revenue		5.0m
Total Lot Costs		(17.4m)
Reimbursable*		14.5m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>18.8m</b>

### Phase 2D (206 LOTS)

Lot Revenue**	\$	17.9m
Tap Revenue		5.1m
Total Lot Costs		(17.6m)
Reimbursable*		\$ 14.6m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>20.0m</b>

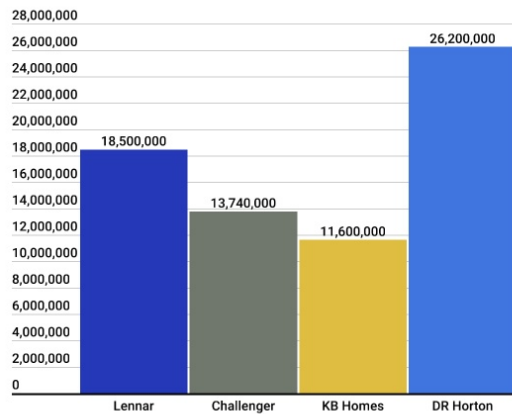
### Phase 2 (850 LOTS)

Lot Revenue **	\$	70.0m
Tap Revenue		20.9m
Total Lot Costs		(73.4m)
Reimbursable*		61.0m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>78.5m</b>

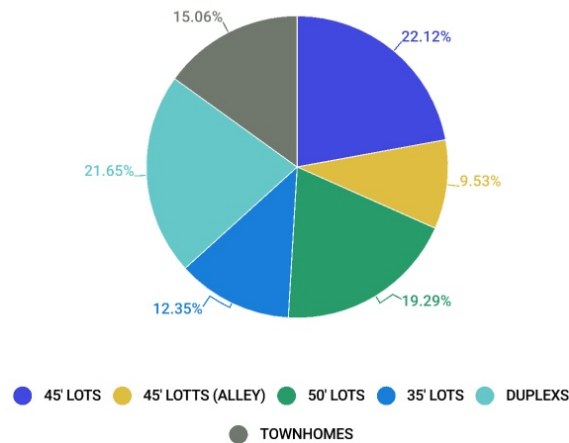
\*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board

\*\* Lot revenue does not include potential price escalators

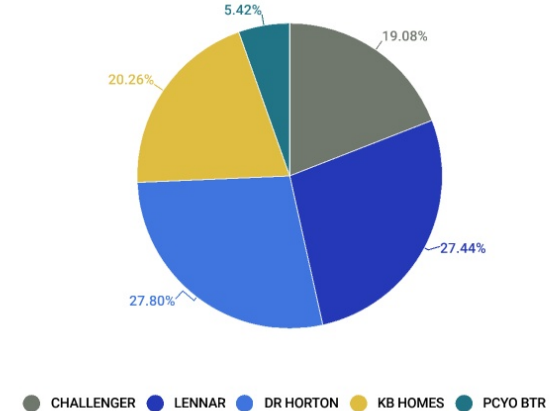
### TOTAL LOT SALES BY BUILDER



### TOTAL LOTS BY TYPE



### TOTAL LOTS BY BUILDER





# Sky Ranch Academy

- Sold 32 acres to National Heritage Academy for \$1.6 million, and made cash-in-lieu payment to Bennett School District for \$1.6 million
- Located at the center of our Sky Ranch Community
- Groundbreaking on June 24, 2022
- School Opening Dates:
  - Grades K-7 opening August 2023 for 2023-2024 school year
  - Grades 9-10 opening August 2025





# Market Conditions

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

Short-term mortgage options  
2:1 buy downs

Low unemployment

House price appreciation

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

**The GOOD**

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

Contracting Market  
Home sales down 17% year over year  
Sept. mortgage applications down 40% year over year  
Builder confidence down 10th month in a row

Material and Labor Costs  
Avg. 2-6% increase per year over last 20 yrs  
Up around 20% since last year  
Up over 40% since pandemic

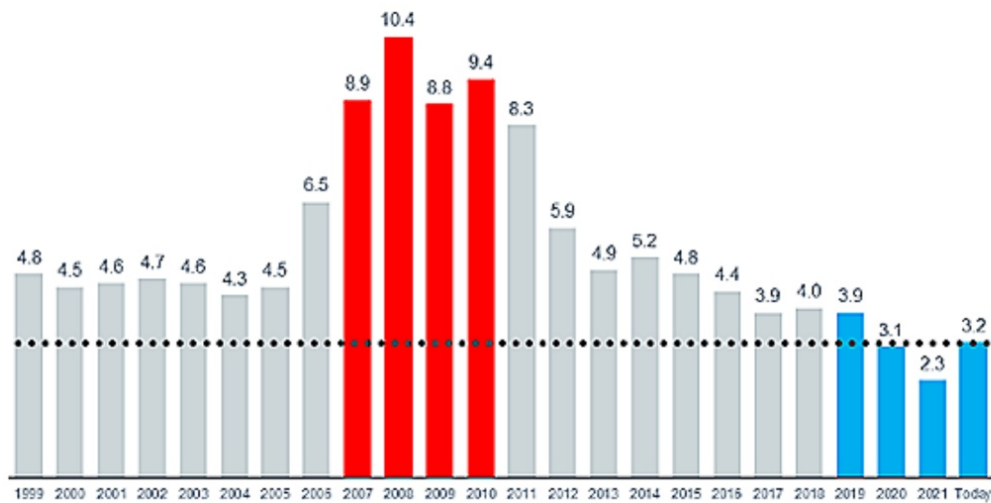
**The BAD**

Recalibrate: **CORRECTION, NOT COLLAPSE**  
Recalibration for Sky Ranch - timing on lot deliveries

# Housing Statistics

## Supply of Homes Is Nothing Like Last Time

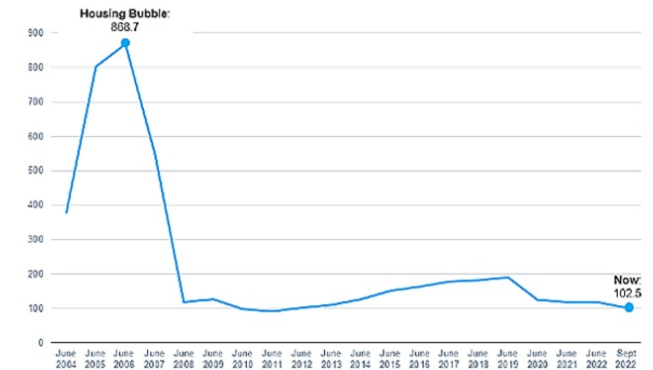
Annual Average of Months' Supply of Homes for Sale, 1999-2022



Source: NAR

## Lending Standards Still Under Control

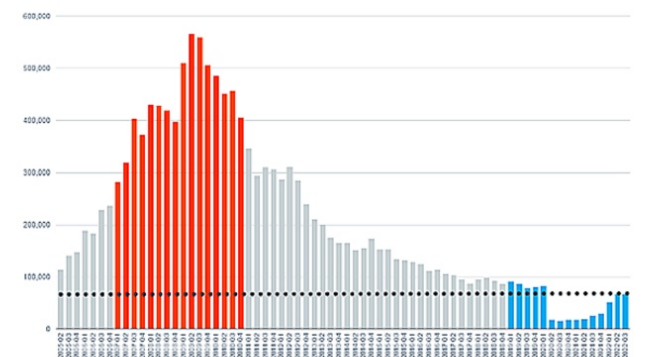
Historic Data for the Mortgage Credit Availability Index (MCAI)



Source: MBA

## Foreclosure Starts: Then and Now

Lenders Started the Process on 67,249 U.S. Properties in Q3 2022



Source: ATTOM Data



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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 an experience home builder 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**

**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 than other types of rental units

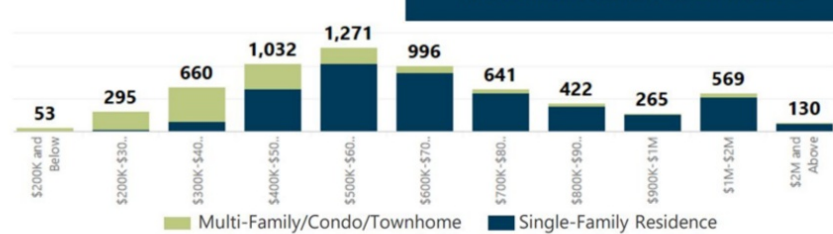
## Our Single Family Rentals

- Rented first 3 homes above the average market price
- All 3 homes rented within 14 days of listing
- 4th home in Phase 1 under construction
- 10 homes in Phase 2A under construction

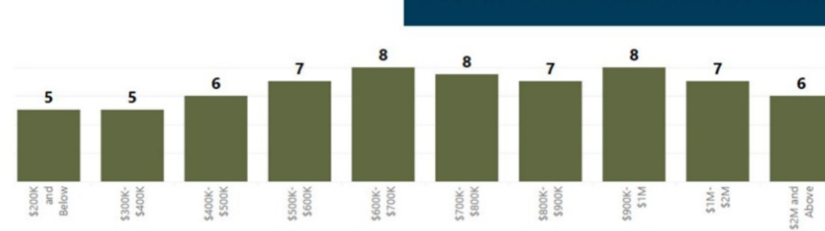
CLOSED LISTINGS BY PRICE RANGE



NEW LISTINGS BY PRICE RANGE



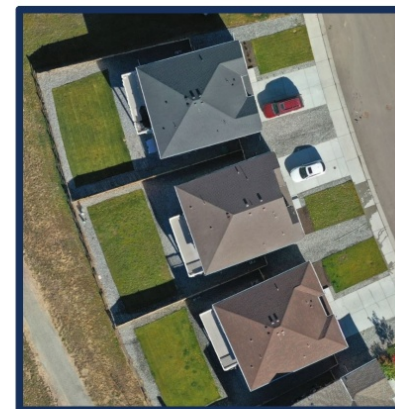
MEDIAN DAYS IN MLS BY PRICE RANGE



## 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 50 homes/yr
Rental Income	\$ 82	\$ 98	\$ 33	\$ 459	\$ 1,640
Operating Costs	30	36	12	168	600
G&A, Interest and Depreciation Expense	31	37	12	174	620
Net operating income	\$ 21	\$ 25	\$ 8	\$ 118	\$ 420
Add back non-cash items	23	28	9	129	460
Cash flows from operations	\$ 44	\$ 53	\$ 18	\$ 246	\$ 880

\*ten months ended 8/31/2022





# PHASE 1 - 4 RENTAL HOMES

March 2021



May 2021



June 2021



November 2021



August 2022



Capitalized costs	\$1.7M
Financed costs	\$1.0M
Fair market value	\$2.2M

- Initial Three Homes Financed with our Bank
- Flexible debt usage up to 70% of appraised value
- Low cost capital (3.75 - 4.25%)
- House appraisal value estimated at \$547,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- 4th rental home to be delivered in November 2022!

# PHASE 2A - 10 RENTAL HOMES

- More diverse product mix with:
  - 4 - duplex homes
  - 4 - 35' alley load homes
  - 2 - 45' detached homes
- Price ranges in rental units from \$2,400 - \$3,000/month







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# Our Year in Review!



## WATER & WASTEWATER

- \$67.4 m in water assets (cost)
- Acquired 370 acre-feet of Lost Creek Water (for \$3.7M with \$3M financed)
- 404.9 million gallons delivered in 2022



## LAND DEVELOPMENT

- Phase 1 100% Complete, Phase 2A 76% complete
- \$24.1M in reimbursable public improvement payments received in 2022
- 85% gross margin on lots sales



## SINGLE FAMILY RENTALS

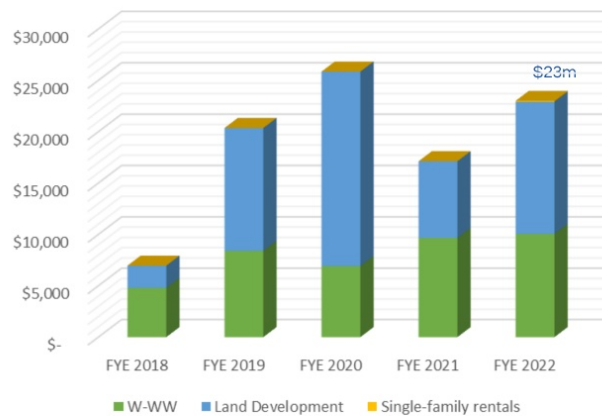
- \$1m in completed assets with an approximate market value of \$1.6m
- \$1M of financing for first 3 lots
- Fully occupied
- 11 lots under construction



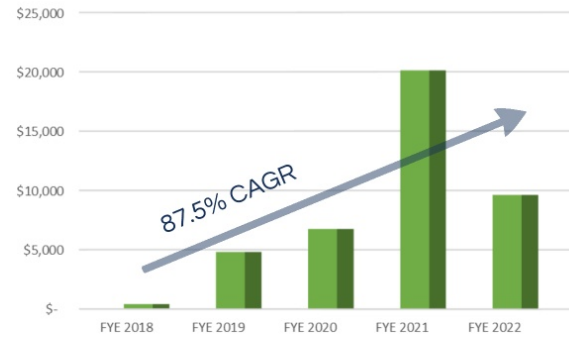
# 5 YEAR PERFORMANCE

## Shareholder Value

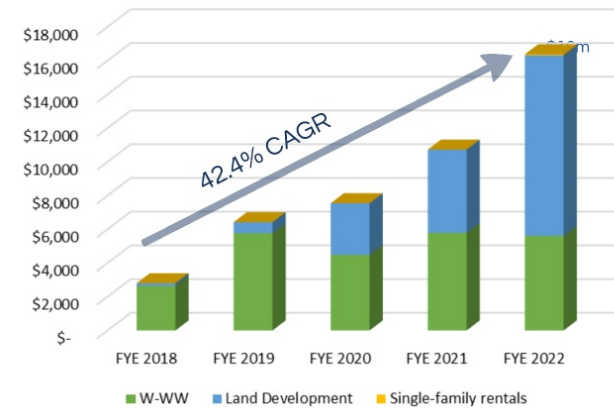
Revenue (thousands)



Net Income (thousands)



Margin (thousands)



## CAPITAL ALLOCATION PRIORITIES

### Investing in Business Segments



- Land
- Water & Wastewater
- Single Family Rentals

### M & A Growth



- Land
- Water
- Sustained pipeline of acquisitions

### Shareholder Return



- Corporate execution
- Land/water acquisitions
- Share repurchase
- Dividend

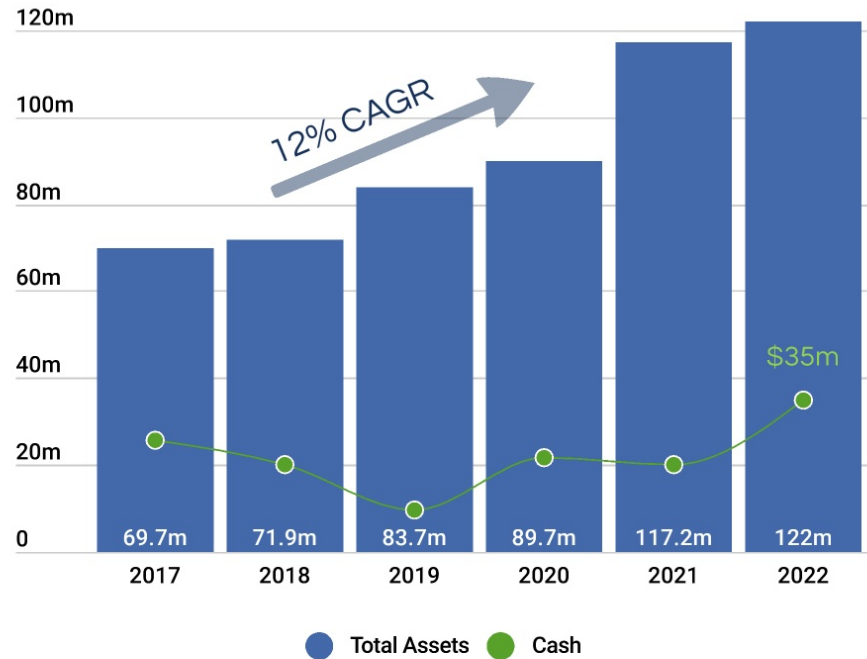
# 5 Year Asset Growth



Strong asset growth of **75%** over the last five years driven by strategic investments and operational excellence.



The compound annual growth rate of **11.85%** (CAGR) represents the company's ability to utilize its assets to generate returns



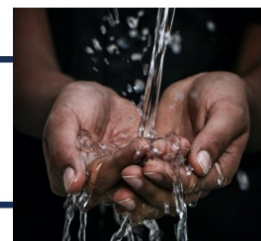


- Employment of an ESG Initiatives Specialist
- Development of an ESG Policy - first annual ESG Report to be issued in November 2022
- Added an ESG page on company website
- Implemented an ESG strategy that involves:
  - Adherence to an ESG framework for data disclosure guidance
  - Implementation of an ESG data management software to assess, track, and report ESG metrics



E

- Updated Environmental Policy
- Began assessing, tracking, and disclosing: energy management/usage, network efficiency, water usage and wastewater collection data



S

- Updated Human Rights Policy - improved a subset of "S" score by 6 points
- Developed a Labor, Health & Safety Policy - disclosed OSHA work-related incident data
- Began tracking and assessing employee satisfaction and water affordability/access
- Developed a staff diversity matrix



G

- Updated governance policies
- Developed a board diversity matrix required by NASDAQ - to be included in our 2022 Proxy to be mailed in December 2022



# BALANCE SHEET

(In thousands, except shares)

## ASSETS:

### Current assets:

Cash and cash equivalents  
Trade accounts receivable, net  
Prepaid expenses and other assets  
Land under development  
Notes receivable - related party, reimbursable public improvements

### 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 water sales revenues  
Debt, current portion

### 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 \$.01 per share,  
40.0 million authorized; 23,980,645 and 23,916,633 outstanding, respectively

Additional paid-in capital

Accumulated deficit

Total shareholders' equity

Total liabilities and shareholders' equity

	August 31, 2022	August 31, 2021
\$	34,894	\$ 20,117
	2,425	1,532
	467	458
	—	608
	—	16,000
	37,786	38,715
	2,328	2,327
	58,763	53,786
	1,224	3,304
	975	—
	6,773	5,924
	451	451
	2,463	2,591
	17,208	8,794
	1,120	1,163
	138	122
\$	129,229	\$ 117,177
\$	849	\$ 1,787
	2,029	1,224
	560	2,881
	2,530	4,163
	4,275	1,995
	570	410
	10	—
	10,823	12,460
	323	325
	3,950	—
	1,075	1,615
	62	37
	16,233	14,437
	—	—
	80	80
	174,150	173,513
	(61,234)	(70,853)
	112,996	102,740
\$	129,229	\$ 117,177



# INCOME STATEMENT

(In thousands, except share information)

## Revenues:

### Metered water usage from:

Municipal customers	\$ 440
Commercial customers	4,107
Wastewater treatment fees	248
Water and wastewater tap fees	4,922
Lot sales	12,187
Project management fees	683
Single-family rentals	82
Special facility projects and other	334
Total revenues	23,003

## Expenses:

Water service operations	1,910
Wastewater service operations	501
Land development construction costs	1,990
Project management costs	176
Single-family rental costs	23
Depletion and depreciation	1,740
Other	289
Total cost of revenues	6,629

General and administrative expenses	5,893
Depreciation	385

## Operating income

## Other income:

Interest income - related party	1,937
Recognition of public improvement reimbursables - related party	—
Reimbursement of construction costs - related party	—
Oil and gas royalty income, net	498
Oil and gas lease income, net	171
Other, net	93
Interest expense, net	(90)

Income from operations before income taxes	12,705
Income tax expense	3,086

## Net income

## Earnings per common share - basic and diluted

Basic	\$ 0.40
Diluted	\$ 0.40

## Weighted average common shares outstanding:

Basic	23,953,740
Diluted	24,155,990

## Year Ended

August 31, 2022	August 31, 2021
\$ 440	\$ 339
4,107	3,299
248	199
4,922	5,163
12,187	5,840
683	1,629
82	—
334	656
23,003	17,125
1,910	1,546
501	370
1,990	2,535
176	—
23	—
1,740	1,457
289	494
6,629	6,402
5,893	5,139
385	315
10,096	5,269
1,937	2,955
—	17,262
—	485
498	324
171	196
93	99
(90)	—
12,705	26,590
3,086	6,480
\$ 9,619	\$ 20,110
\$ 0.40	\$ 0.84
\$ 0.40	\$ 0.83
23,953,740	23,890,792
24,155,990	24,110,918



## SHARE REPURCHASE AUTHORIZATION / UPCOMING DATES

Stock Repurchase Program - as announced in the press release on November 14, 2022, our board approved an open-ended stock repurchase program which authorizes our CEO and CFO to repurchase up to 200,000 shares in the open market.

### Important Upcoming Dates

- Mailing of Proxy Statement and Cards - **December 2, 2022**
- Annual Shareholders Meeting - **January 11, 2022**
- Issuance of ESG Report - **end of November 2022**



## 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>

### STOCK INFO

Ticker symbol (NASDAQ Capital  
Market): PCYO

Shares outstanding: 23.8 million

# Questions?



# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE YEAR ENDED AUGUST 31, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

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