



**PURE CYCLE  
CORPORATION**

**2023**

---



**ANNUAL  
REPORT**





## Dear Shareholders,

Over the years, our focus on key attributes of the company—from highlighting assets, performance, and value creation to providing value to our shareholders—has been unwavering. The success we've achieved is largely attributed to our exceptional team of professionals, dedicated to delivering their best every day.

Our disciplined approach to capital allocation, encompassing acquisitions, expansion of water and wastewater systems, development of lots for homebuilders, and strategic risk-sharing in large infrastructure investments, has resulted in consistent year-over-year earnings for our shareholders. Our distinctive model, developing valuable water supplies in the water-scarce region of Denver, Colorado, alongside land development, positions us as one of the region's most value-added Master Plan Community Developers.

As we enhance the value of our Master Planned Community, Sky Ranch, highlighted by the recent opening of a new Charter School, we are expanding our portfolio of single-family rental homes. These homes generate over 50% gross margin returns, positive recurring cash flows monthly, and annual home appreciation of over 5%.



Mark Harding cutting the ribbon for the grand opening of Sky Ranch Academy.



## Unlocking Assets Returns

With a robust balance sheet boasting over \$50 million in cash and receivables and minimal debt (primarily for financing the vertical costs of our single-family rental homes), we are actively seeking acquisitions of land and water to augment our portfolio. Share repurchases are also being strategically employed to add value to our shareholders

Not only do we carry a healthy balance sheet with highly appreciating assets, but our income statement demonstrates extremely high gross margins returns.

### GROSS MARGIN RETURNS

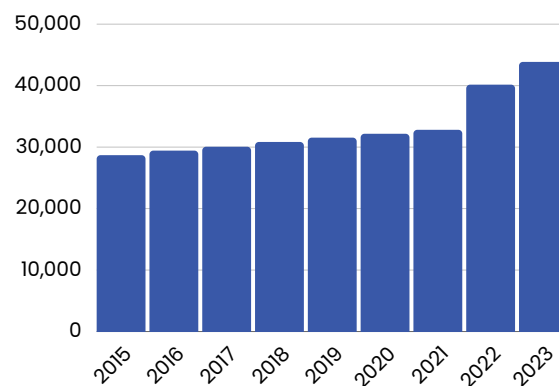
WATER	LAND DEV	SFR
60%	73%	56%

**An often-understated strength of the company lies in each segment's ability to generate consistent returns**

The value of our water rights portfolio, with a book value of \$15.06 million, continues to appreciate at

near double-digit rates. The tangible evidence is seen in the escalating system development fees or tap fees in the region increasing over 52% over the past 8 years.

### AVG REGIONAL TAP FEES

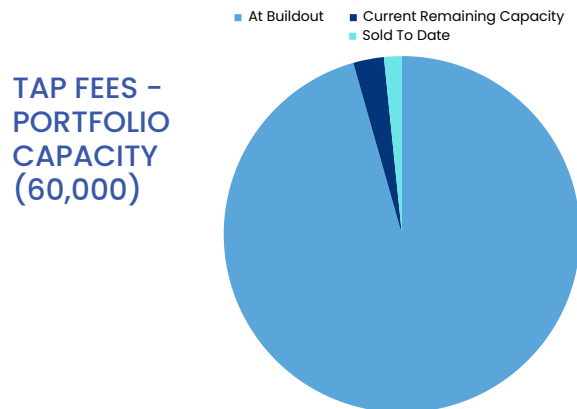


With the combined area water and wastewater tap fees at \$43,000, our current combined tap fees of \$38,227 not only uphold our competitive advantage but also position us to capitalize on the escalating value of our water rights portfolio. Notably, for every 1% increase in tap fees, the value of our unallocated water rights increases by approximate \$23 million.



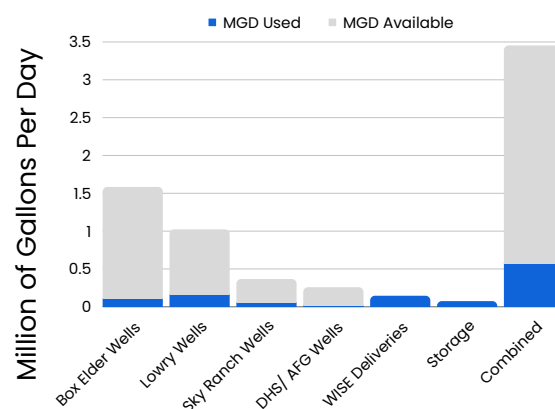
## Untapped Capacity

We estimate our portfolio can serve approximately 60,000 connections, generating approximately \$2.3 billion in revenues based on current rates. To date, we have added around 1,136 connections, representing less than 2% of our overall capacity



We continue to invest in our systems with a current book value of \$40.0 million which can produce over 3 million gallons of water per day

## ANNUALIZED WELL PRODUCTION



## Addressing Dual Demands

Our water segment also generates recurring revenues from monthly water and wastewater charges and sells water at attractive margins to meet the demands of our industrial oil and gas customers.

Nearly  $\frac{3}{4}$  of this capacity is sold to our industrial customers, which only use approximately 15% of the overall capacity of the system. The stored value in our water delivery capacity allows us to meet the demands of our industrial customers in the short term but allows us to reallocate that capacity to our residential customers as Sky Ranch grows without additional capital investment.



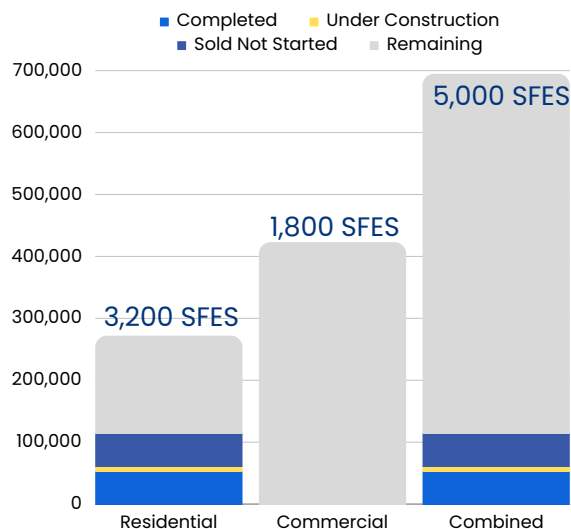


## Building a Reputation

The land development segment continues to yield outstanding gross margin returns of over 75%, with Sky Ranch only 14% developed. Our success in large-scale master planned communities is driven by expertise in governmental entitlements, detailed engineering of large-scale infrastructure, and specialized financing coordination.

Sky Ranch, with a book value of land at \$4.43 million and over \$600 million in development revenue poised to monetize in the coming years, exemplifies the understated value on the Company's balance sheet.

### SKY RANCH CAPACITY PROJECTIONS (000s)

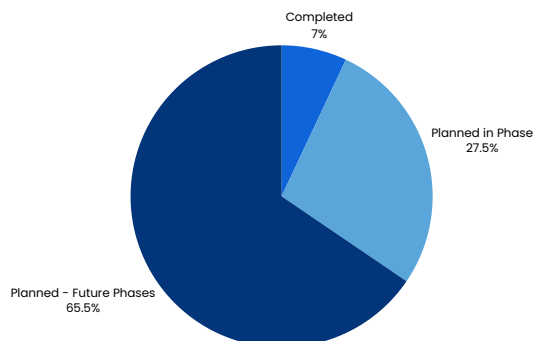


## The Dual Impact of SFR Expansion

The recent expansion of our single-family rental segment further contributes to above-market returns through tax-advantaged investments.

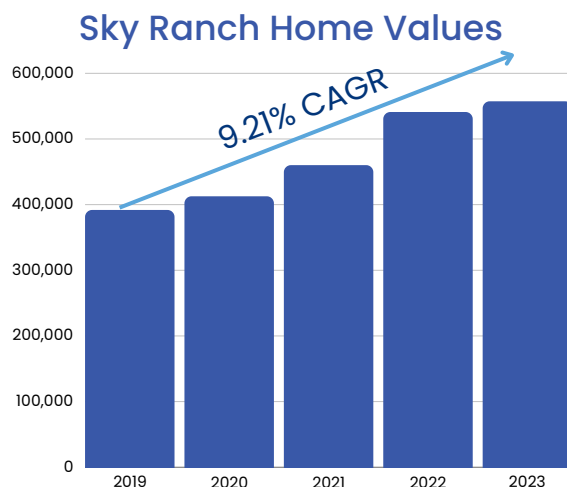
### PLANNED SFR UNITS

To produce \$6.6m in Annual revenue





This strategic move allows us to capitalize on the equity value in our land and water, leveraging low-cost capital to build homes with our homebuilder partners at 65% loan to value assets, generating significant recurring revenues.



## Growth and Monetization

Our annual shareholder letter provides an opportunity to showcase our performance and offer insight into how our management team and board of directors perceive our businesses and assets.

We continue to generate outstanding gross margins on our assets and, most importantly, have only just begun monetizing these highly appreciated assets to generate shareholder value.

The outlook remains positive in each business segment, from adding new water and wastewater connections (taps) to supporting our industrial water customers, serving entry-level lots/homes in our well-positioned land development segment, and growing our SFR portfolio. We have substantial growth within our control and will continue to monetize these assets to their fullest potential.

I, along with our team of dedicated professionals and outstanding board of directors, continue to pursue the highest level of performance in delivering exceptional financial results to our shareholders each year. On behalf of Management, our Board of Directors, and our dedicated professionals, we express our sincere gratitude for your continued confidence in our Company.



Kind regards,

  
Mark Harding