



PURE CYCLE CORPORATION

2023 LD Micro Conference

October 4, 2023

FINANCIAL
RESULTS

SINGLE FAMILY
RENTALS

WATER &
WASTEWATER
DEVELOPMENT

LAND DEVELOPMENT

COMPANY
OVERVIEW

Presented by Mark Harding, CEO



COMPANY OVERVIEW

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 water, land, and rentals



Water and Wastewater Resource Development Segment

- Own nearly 30K acre-feet of water rights (surface and ground water)
- Sustainable 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
- Own and reuse our reclaimed water



Land Development Segment

- Own highly-appreciated property in 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 can have around 3,200 residential units and over 2 million square feet of retail, commercial and industrial uses (Equivalent of 1,800 residential units)
- 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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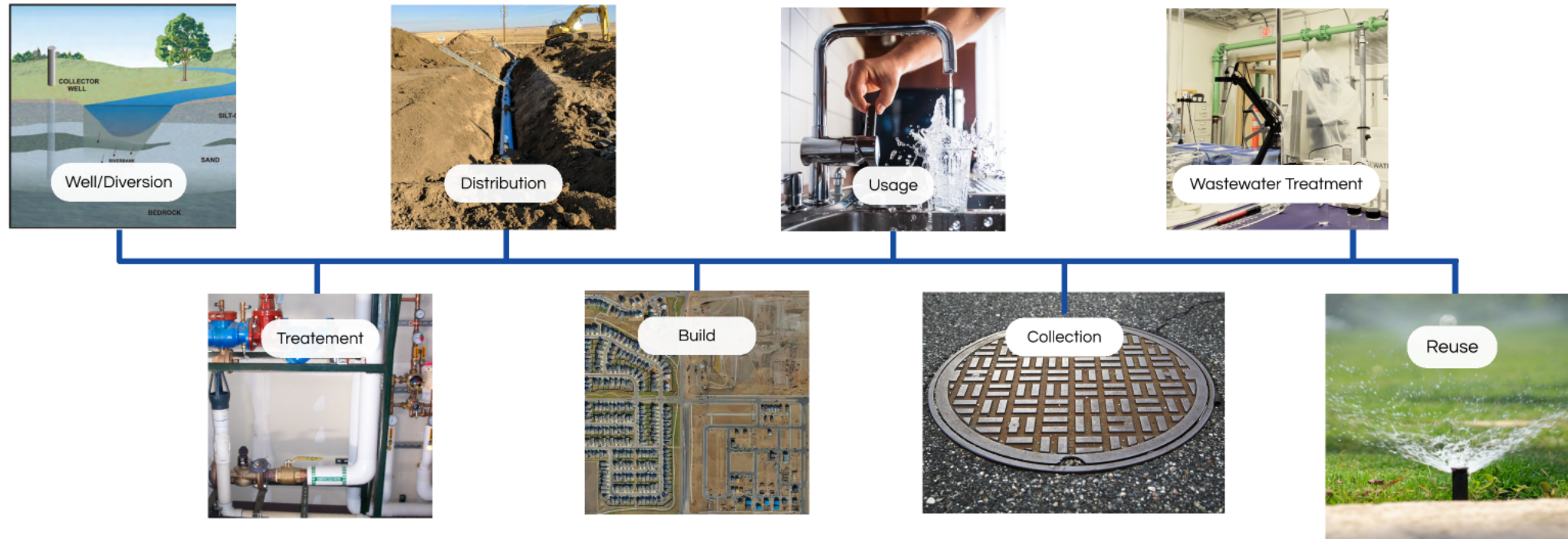
WATER &
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Wholesale Water & Wastewater



Well/Diversion

- Vertically integrated, meaning we own, treat and sell water then collect, treat, and reuse wastewater
- Own and control nearly 30K acre feet of water
- Own rights to surface reservoir storage assets

Build

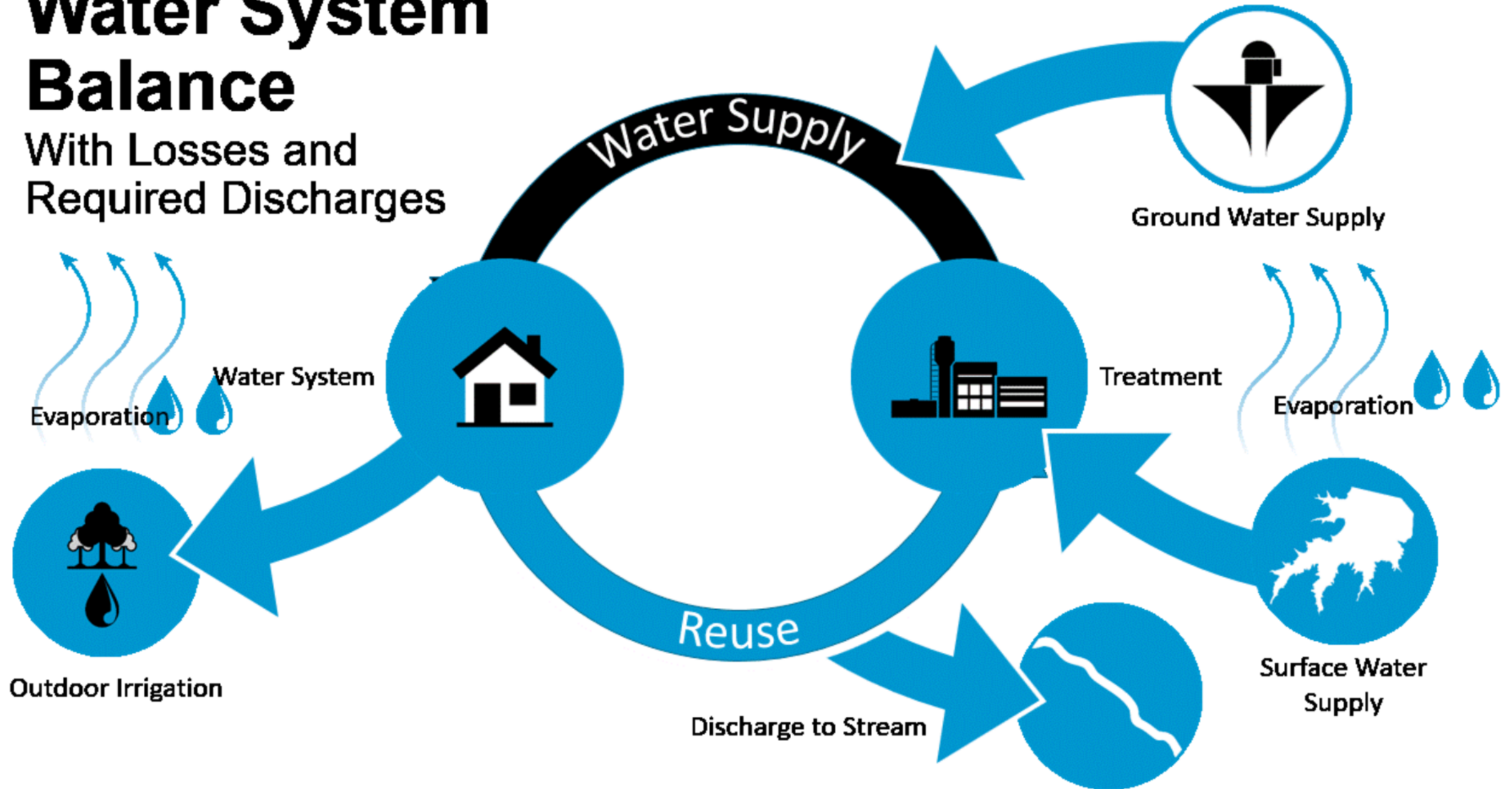
- Capacity to serve 60,000 taps
- Capital Capacity = \$2.3 billion
- One-Time Connection Fees:
- Water tap = \$30,977
- Sewer tap = \$7,250

Typical Usage

- Base fee = \$32.74
- Consumption fee = Tiered
 - 0-15k gal - \$4.63 per 1,000 gal
 - 15k-30k gal - \$8.10 per 1,000 gal
 - >30k gal - \$9.95 per 1,000 gal
 (Approx \$1,500/yr/unit)

Water System Balance

With Losses and
Required Discharges



WATER INFRASTRUCTURE

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

Water
Assets
(at cost)



88% Growth

Water Assets/Infrastructure Inventory

- 2 Wastewater reclamation facilities (one is a zero-discharge state of the art facility)
- 20+ miles of transmission pipeline
- 4 Alluvial wells
- 150 Acre-feet surface storage
- 2 million gallons of water storage
- 29,900+ Acre-feet of water rights
- 11 Groundwater wells
- 30+ miles of distribution pipeline

WATER AND WASTEWATER

Customers - 1,326

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

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 Community

Existing Residential

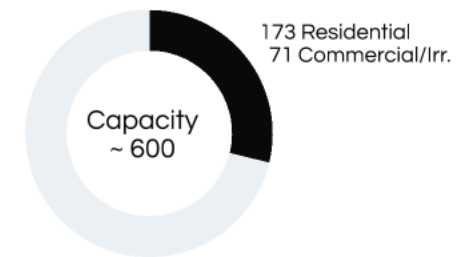
- **Sky Ranch Phase 1**
 - all taps sold for 509 homes (4 are our SFRs)
- **Sky Ranch Phase 2A**
 - 192 taps sold as of QTR End (10 are our SFRs)
- **Elbert and Hwy 86**
 - more than 200 residents

Existing Commercial

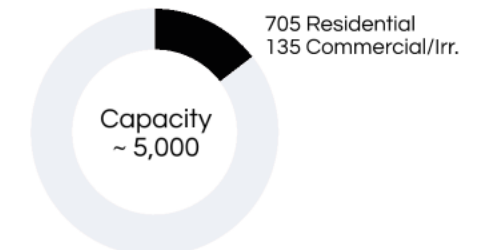
- Elbert and Hwy 86 commercial customers include a Walmart, carwash, and fitness center
- 3 parks and additional irrigated space for Sky Ranch, paid by the Sky Ranch CAB
- more irrigated space to come in Phase 2A in 2023
- Largest commercial customers are oil and gas operators - record sales to these customers in 2022; Strong demand for FY '23.

System Capacity

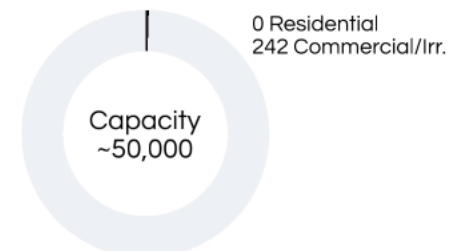
Wild Pointe



Sky Ranch



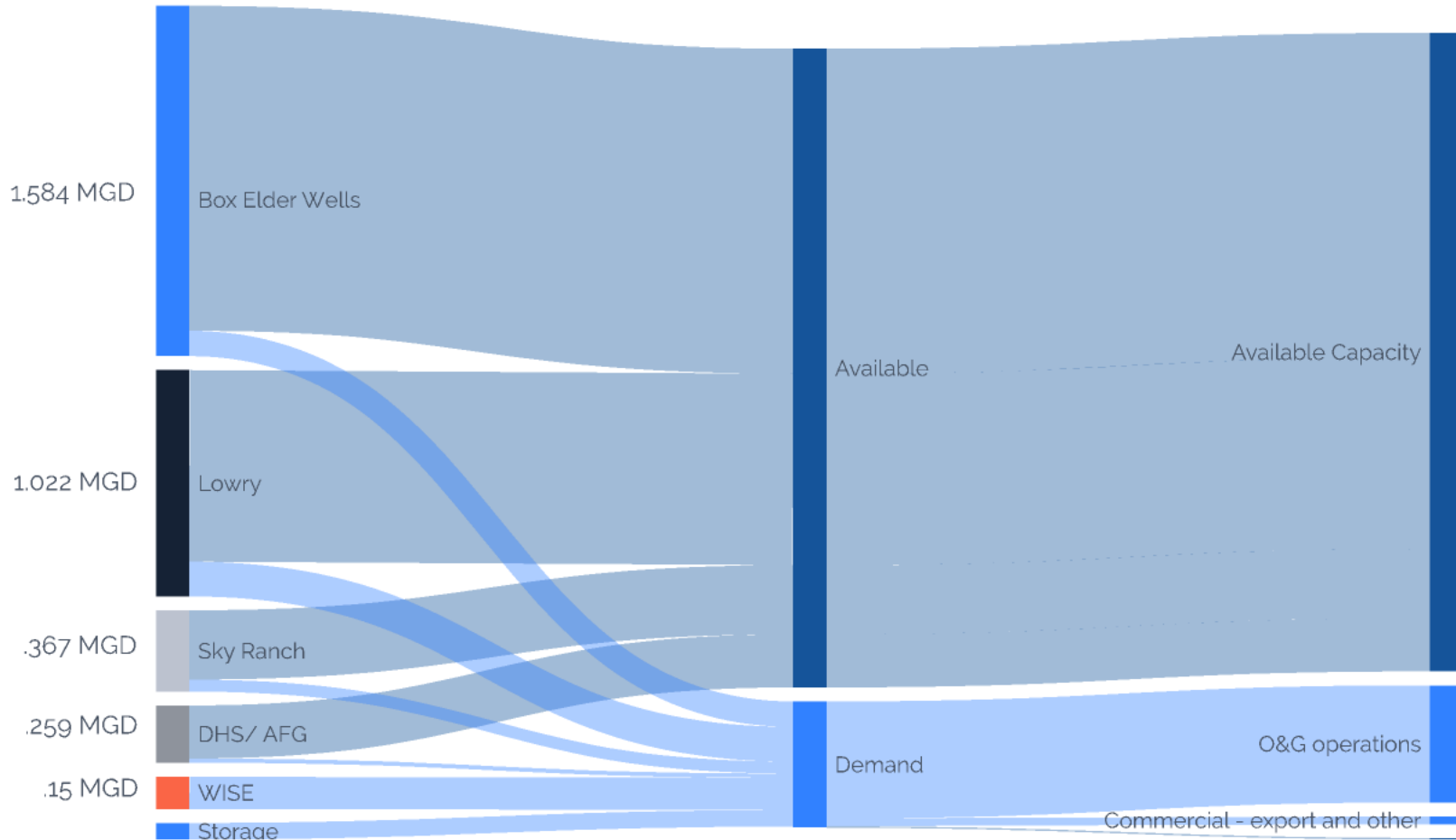
Lowry



CURRENT SYSTEM CAPACITY

Supply

3.233 Total MGD From Wells



Demand

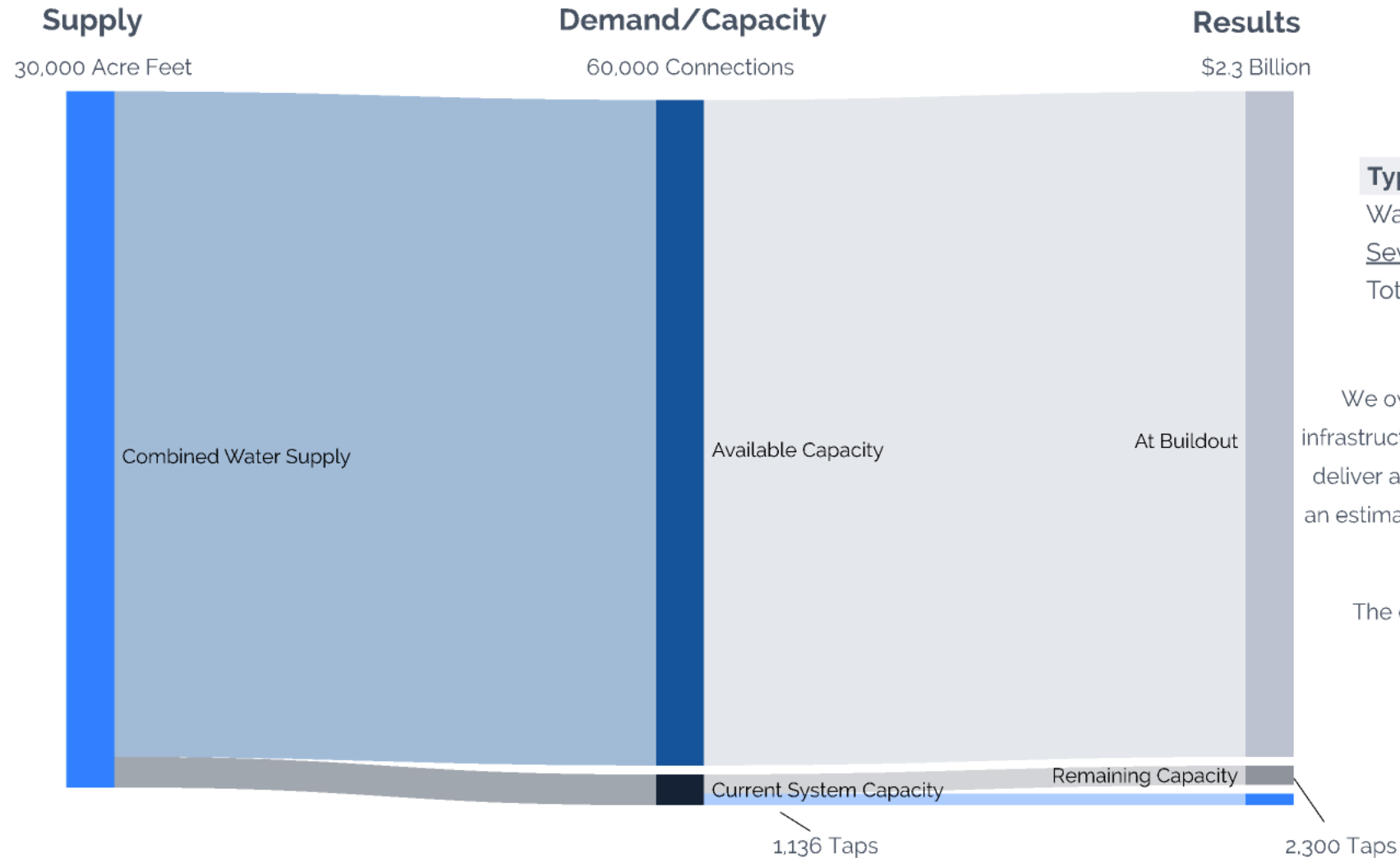
Results

Potential of ~ \$88m in water revenues at developed capacity

The remaining supply available for use for future tap capacity is ~2.88 MGD with the potential to service an additional 2,300 taps generating \$88m with an additional \$3.45m annual revenue.

An annual average MGD of .491 produced revenue of \$3.1m

Tap Fees - Portfolio Capacity (60,000)



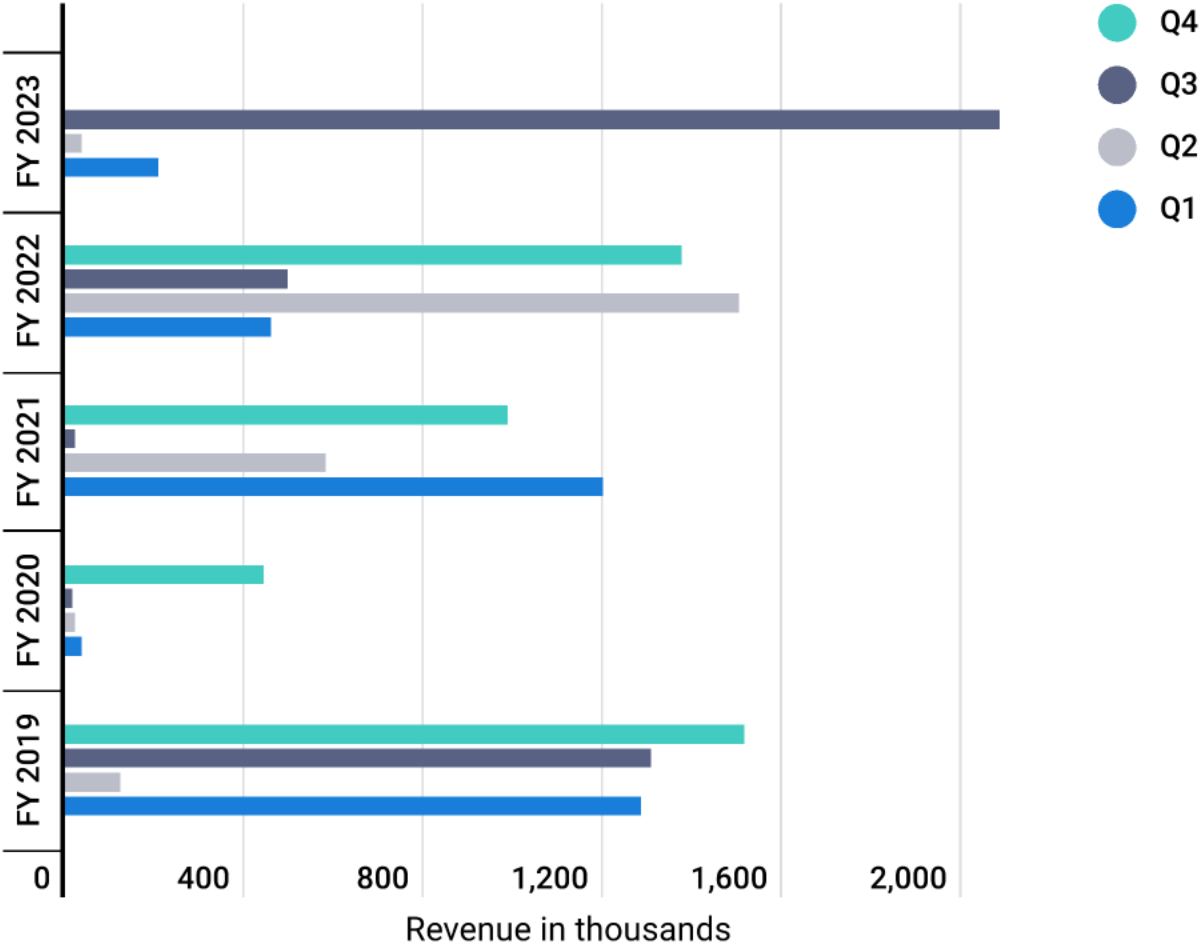
OIL & GAS

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

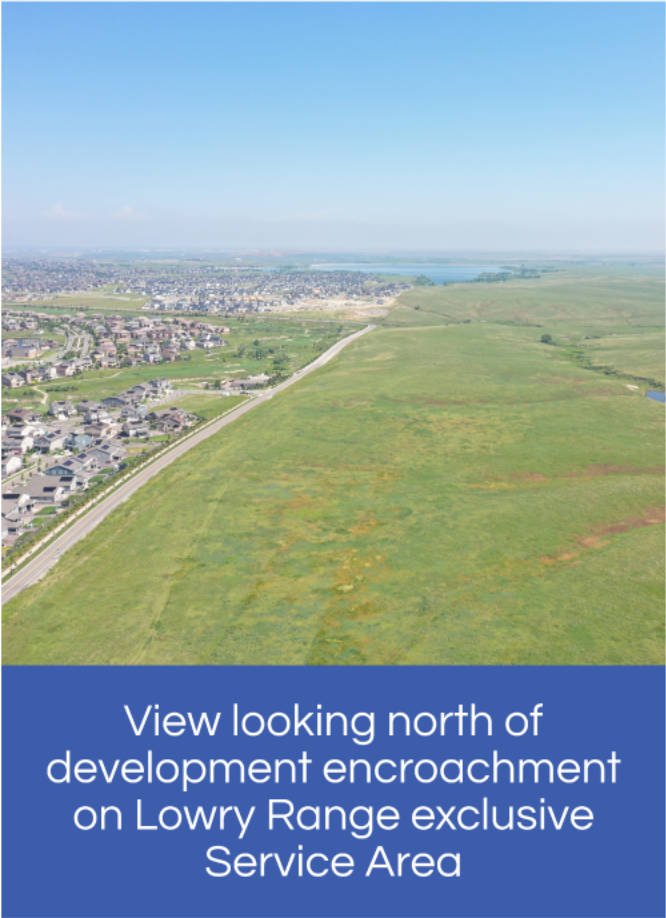
Southern Wattenberg Niobrara

- Multiple Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Oil rig can drill 20 wells per year
- Average \$250,000 of water sales per well

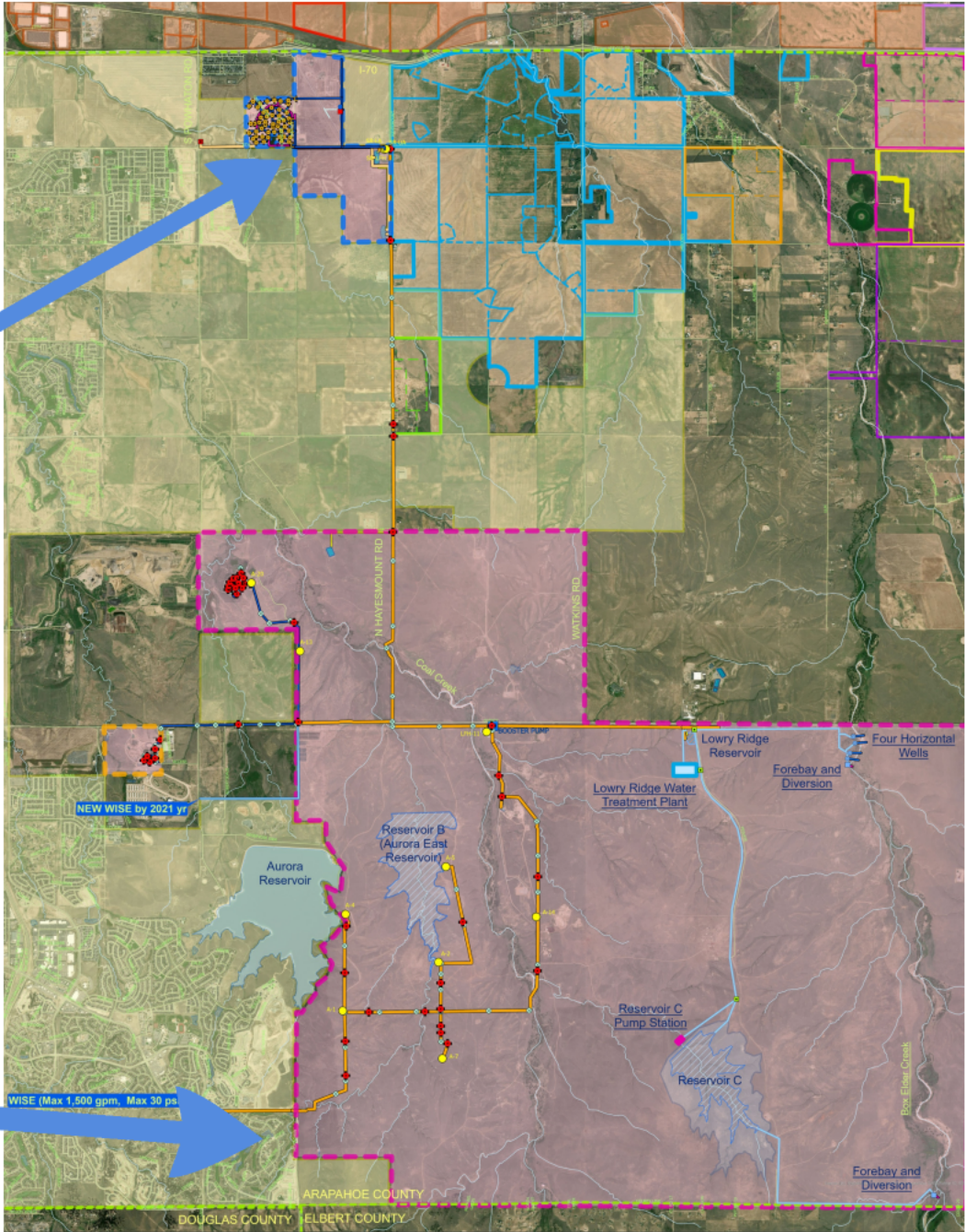
More than 200 square miles in Adams & Arapahoe Counties



DEVELOPMENT ENCROACHMENT TO LOWRY RANGE



Sky Ranch





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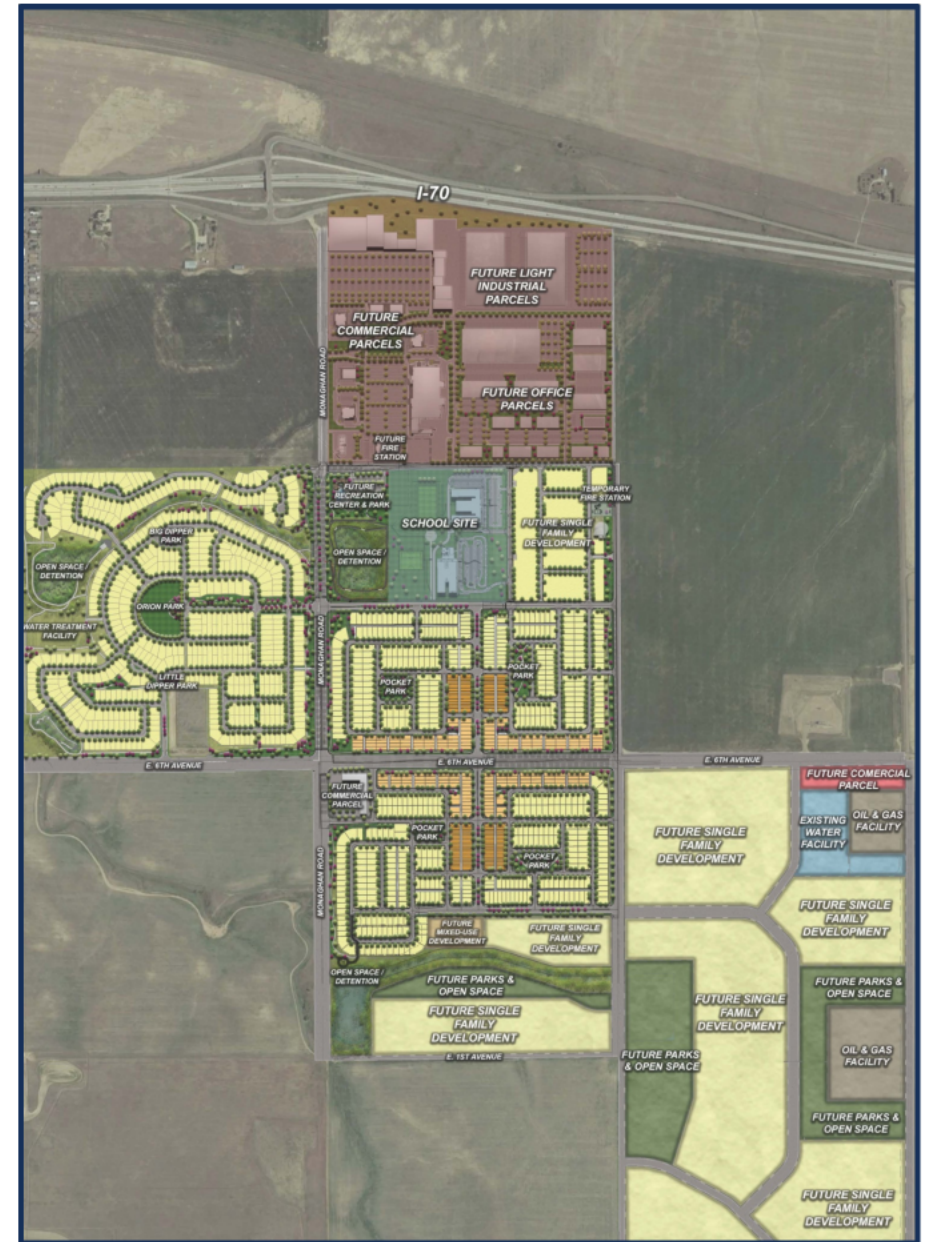
LAND DEVELOPMENT

COMPANY
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LAND DEVELOPMENT

- Developing the **930 acre** Sky Ranch (Currently developing Phase 2A and Phase 2B)
- Can accommodate up to **3,200** residential lots
- Can accommodate up to **2M sq. ft.** of commercial development (**1,800 SFE's**)
- **15 miles** east of downtown Denver and **4 miles** south of DIA



LAND DEVELOPMENT - PHASE 1 & 2 - Total Lots 1,359

Phase 1

Phase 1 - 509 lots **100% Complete** - Completed 2022
Rental lots - 4 lots

Sky Ranch Academy

K-7 opening in **8/2023**
High School opening in **2025**



Phase 2

Phase 2A - 229 lots
90% complete - est. completion 2023

Phase 2B - 211 lots
21% complete - est. completion 2024

Phase 2C - 204 lots
0% complete - est. completion 2025

Phase 2D - 206 lots
0% complete - est. completion 2026

Rental lots - 65 lots

PARTNERING HOMEBUILDERS

taylor
morrison
Homes Inspired by You

LENNAR®

D·R·HORTON
America's Builder

RICHMOND
AMERICAN HOMES

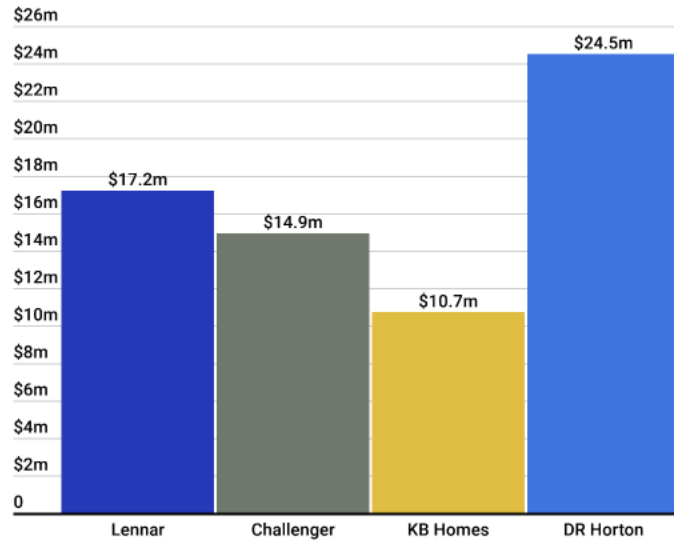
kb
HOME

CHALLENGER
HOMES

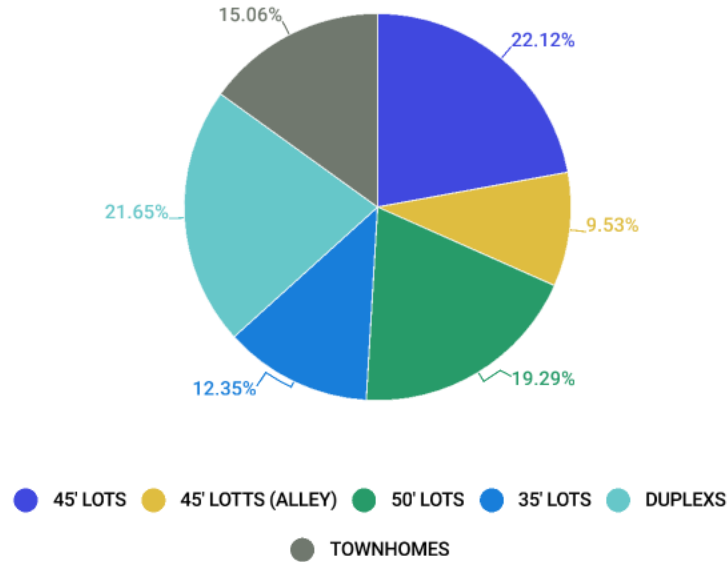
SKY RANCH PHASE 2

Financial and Quantitative Data

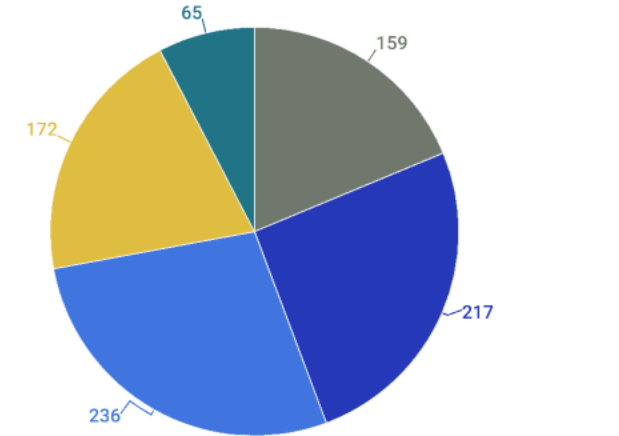
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER



pg 2

Phase 2A (229 LOTS)

Lot Revenue**	\$	18.4m
Tap Fees		5.6m
Total Lot Costs		(21.0m)
Reimbursable*		18.4m
NET PROCEEDS	\$	21.4m

Phase 2B (211 LOTS)

Lot Revenue**	\$	17.2m
Tap Fees		5.2m
Total Lot Costs		(18.8m)
Reimbursable*		14.1m
NET PROCEEDS	\$	17.6m

Phase 2C (204 LOTS)

Lot Revenue**	\$	15.5m
Tap Fees		5.0m
Total Lot Costs		(17.1m)
Reimbursable*		12.8m
NET PROCEEDS	\$	16.2m

Phase 2D (206 LOTS)

Lot Revenue**	\$	15.5m
Tap Fees		5.1m
Total Lot Costs		(17.3m)
Reimbursable*		\$ 12.9m
NET PROCEEDS	\$	16.3m

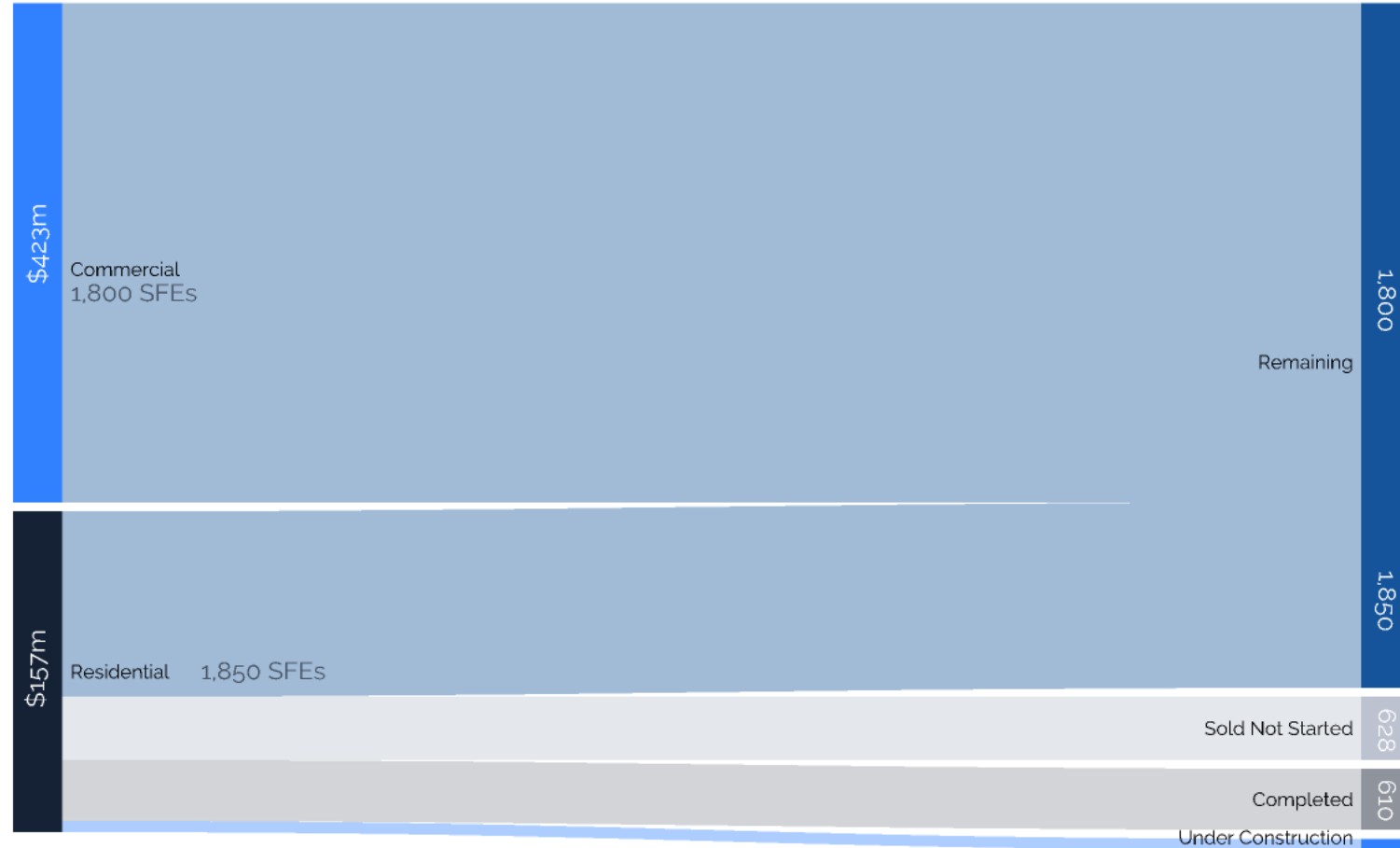
*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board

** Lot revenue for Phase 2C and 2D does not include potential price escalators

SKY RANCH CAPACITY PROJECTIONS

Development

\$580m



Progress

5,000 SFEs

Results

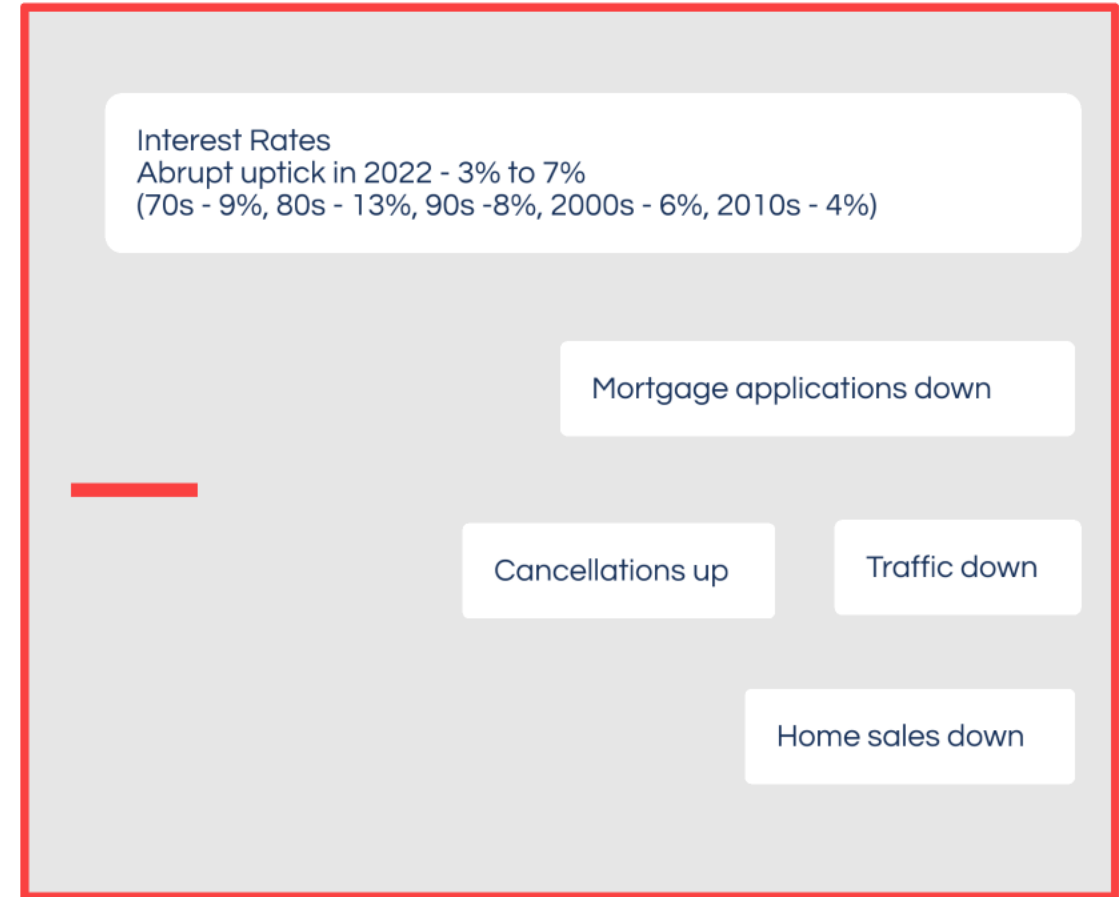
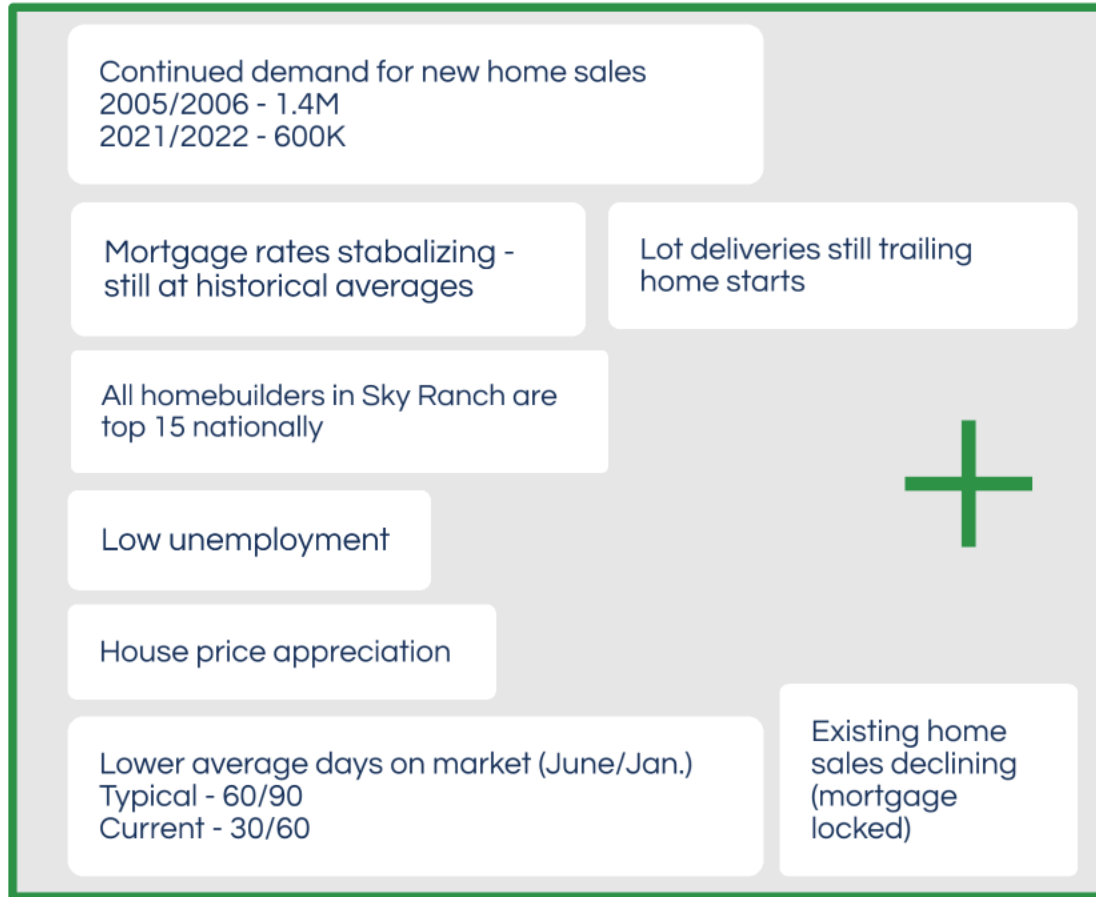
Sky Ranch is zoned to accommodate up to 3,200 single- and multi-family homes, and over 2 million square feet of retail, commercial, and light industrial space – which is the equivalent of 1,800 residential lots for a total of 5,000 SFEs

The first 2 development phases of Sky Ranch have generated ~ \$55m in lot Revenue with and ~ \$44m in reimbursable costs with ~ \$34m reimbursed to date

The remaining development phases are estimated to produce \$157m from residential lots and \$432m from commercial development.

*These are projections based on the performance of completed phases

Market Conditions

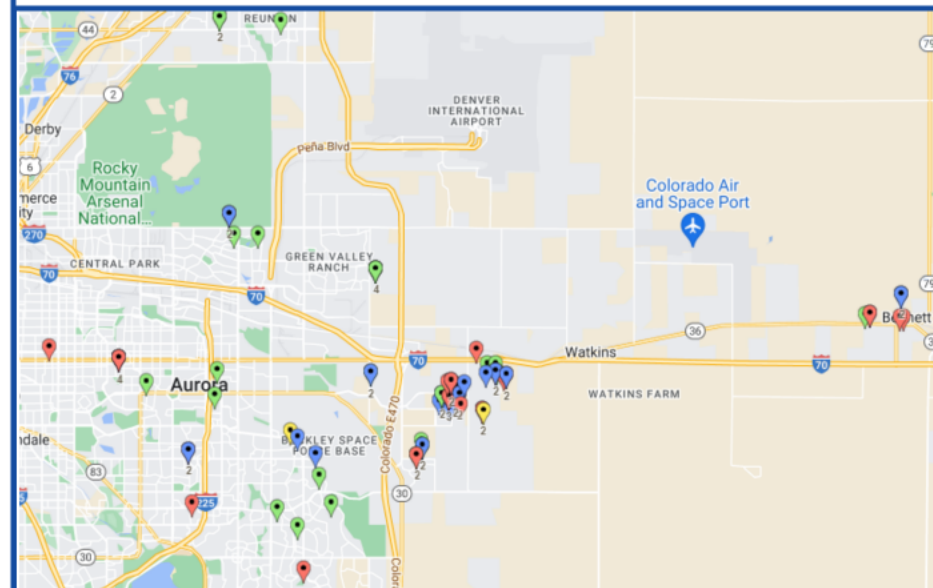


Sky Ranch Strengths

- Entry level price segmentation
- Diverse product offerings (Low to mid 400's)
- Available homes to buy - spec home construction
- New school opening August 2023



SKY RANCH ACADEMY



380
Students K-7





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Single-Family Rentals



Pure Cycle contracts to build single family homes in it's Sky Ranch Master Planned Community to hold for rentals.

- Retaining lots within the community it's building and adding value
- Lot development costs fully recovered (horizontal costs and tap fees)
- Contracting with experienced builder to deliver homes cost efficiently
- Financing home costs with mortgage based cost of capital
- Finished home valuations average \$200,000 in appraised equity
- Assets appreciating 4% per year
- Each unit covers financing costs and provides positive cash flows

Segment provides excellent asset appreciation positive cash flows.

Single Family Rentals

Phase 1 & 2

Four units completed and rented in Phase 1

Flexible debt usage up to 70% of appraised value

Low cost capital (First 3 units at 3.75 - 4.25%, working on next 11)

House appraisal value estimated at \$547,000 based on homes sold in Sky Ranch per NMLS

Annual appreciation estimated at 4% per year

Price ranges in rental units from \$2,800 - \$3,000/month

Expanding our product mix to include:

- Front load detached homes
- Paired homes
- Alley load homes

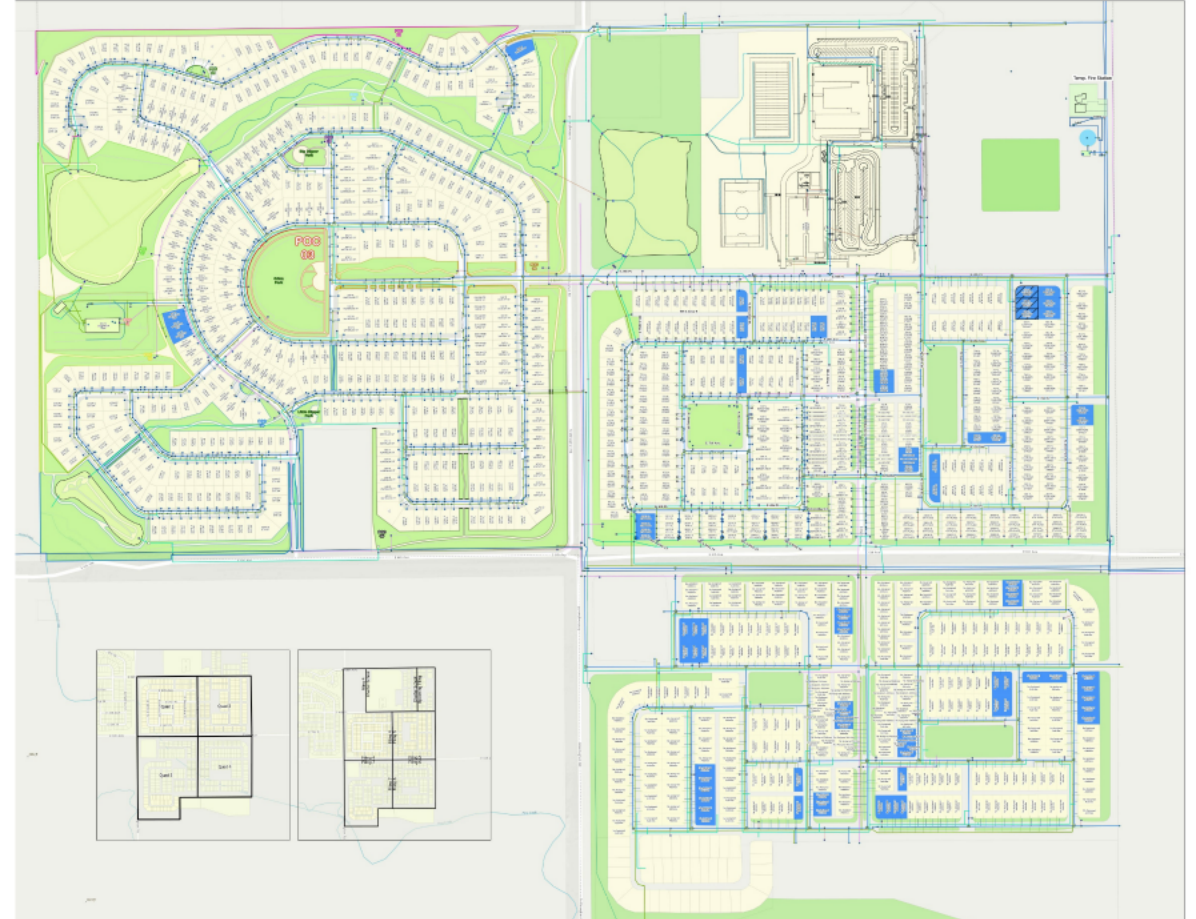
Watch our website for additional information



69 Homes in Phase 1 & 2

10 Under Construction

4 rented (6 more rented after 5/31/2023 but before this presentation)

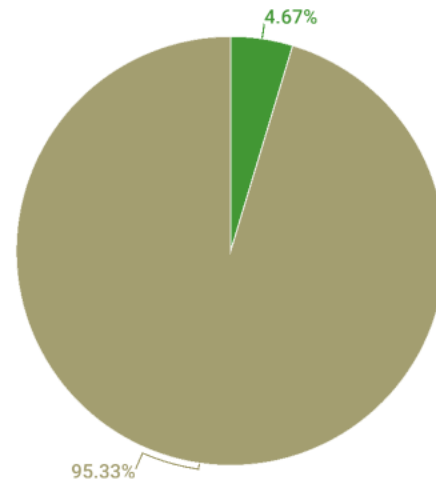


Our Single Family Rentals - Operations and Cash Flows

Item	Actual Results 3 units*	Annualized	Avg per home/yr	Projected to 14 homes/yr	Projected to 83 homes/yr	Projected to 300 homes/yr
Rental Income	\$ 82	\$ 98	\$ 33	\$ 459	\$ 2,739	\$ 9,900
Direct Operating Costs	30	36	12	168	996	3,600
Interest and depreciation expense	31	37	12	174	996	3,600
Net	\$ 21	\$ 25	\$ 8	\$ 118	\$ 664	\$ 2,400
Add back non-cash items	23	28	9	129	747	2,700
Cash flows before G&A & tax	\$ 44	\$ 53	\$ 18	\$ 246	1,494	\$ 5,400

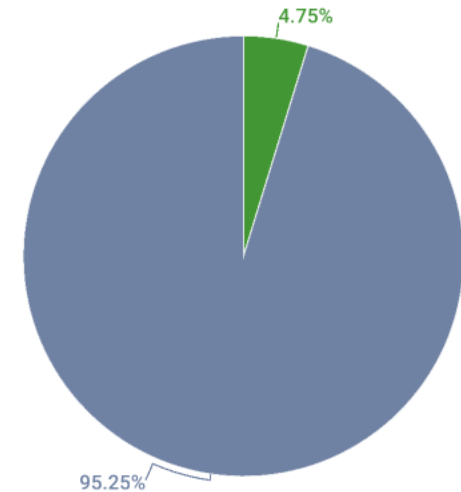
*ten months ended 8/31/2022

SFR Lots Distribution
(300 Planned)



● Current Lots ● Remaining Lots

Annualized Income Capacity



● Rented Lots ● Future Lots For Rent



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Financial Results

YTD Q3 Summary



WATER & WASTEWATER

- \$68.0 m in water assets (cost)
- 1,326 total taps served
- 262.6M gallons delivered nine months ended 5/31/2023
- Continued acquisitions to ensure sustainability



LAND DEVELOPMENT

- Phase 2A - 90% complete
- Phase 2B - 21% complete, received 1st milestone payment from 3 builders in March/ April 2023
- \$23.1M recorded reimbursable public improvement receivables
- 80%+ gross margin for Phase 2



SINGLE FAMILY RENTALS

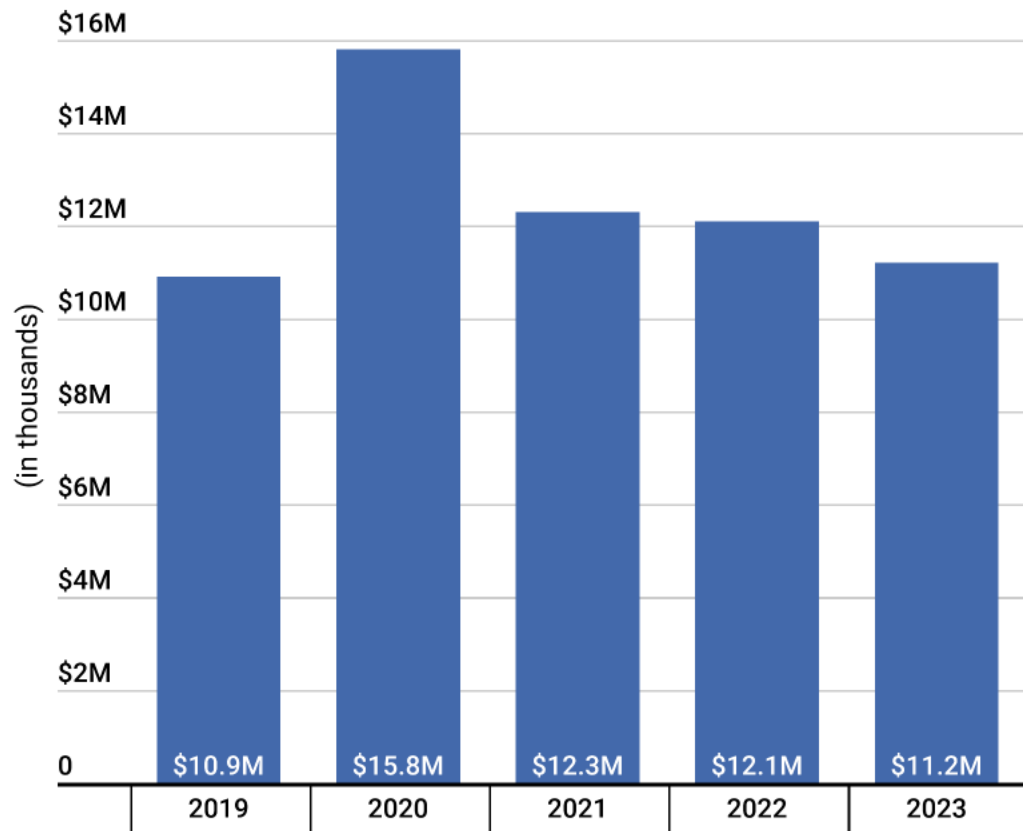
- \$1.5m in completed assets with an approximate market value >\$2.0m
- 10 homes under construction at 5/31/2023 with deliveries in FY 2023
- Average monthly rental rates in excess of \$2,800 per unit
- Amended Future Phase 2 filings with builders to add 19 additional rentals



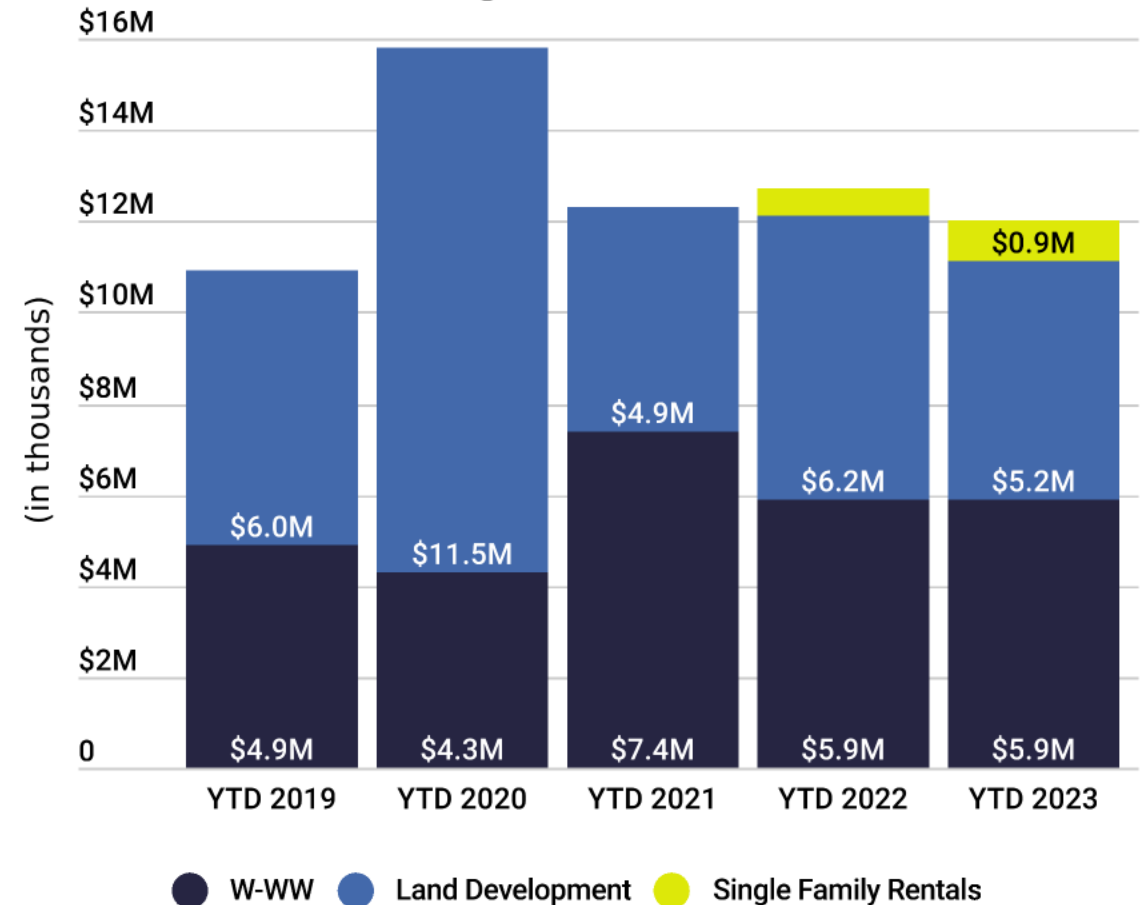
Financial Results

Fiscal YTD Q3-2023

Revenue



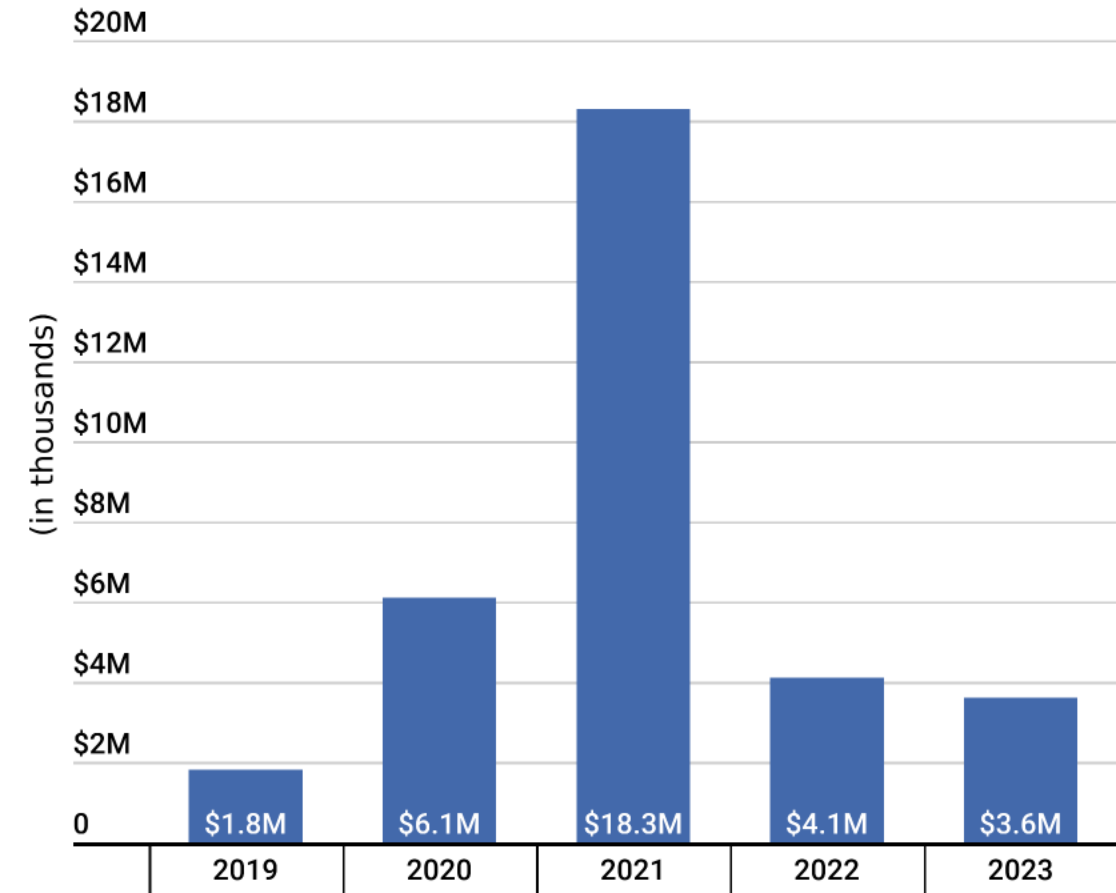
Segment Revenue



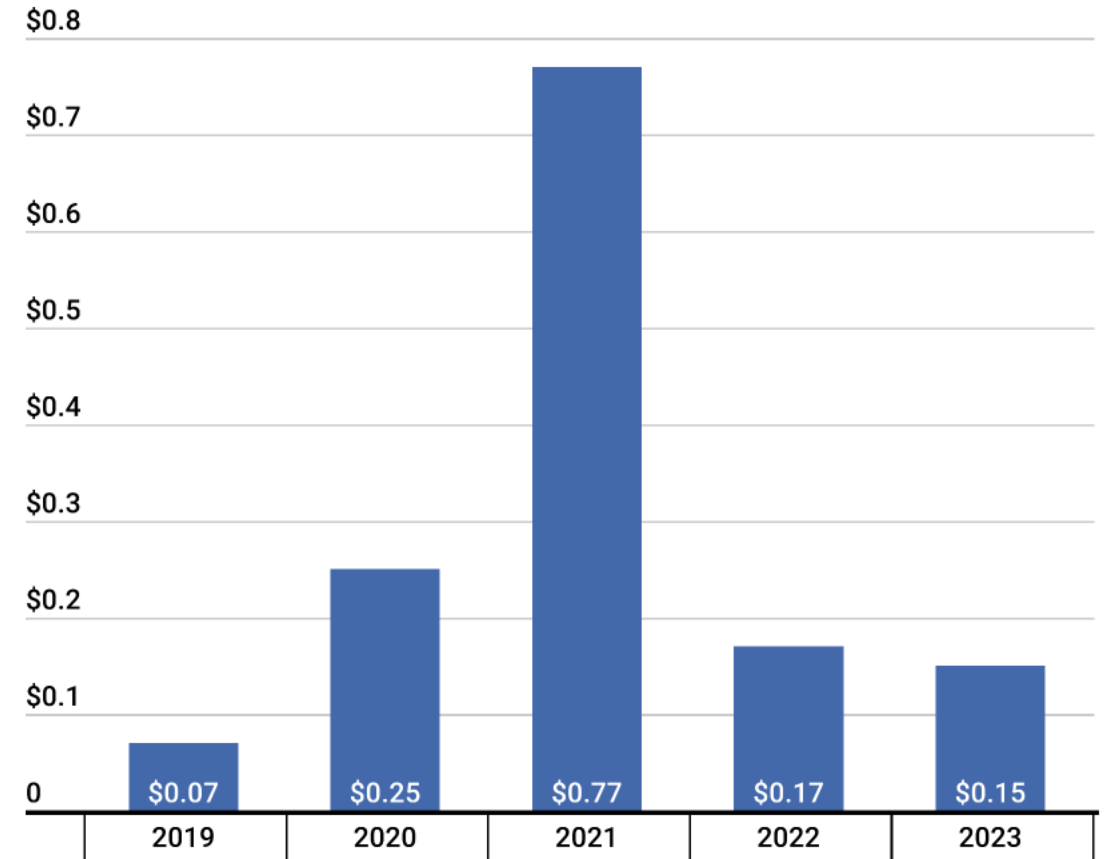
Financial Results

Fiscal YTD Q3-2023

Net Income



Diluted EPS



BALANCE SHEET

(In thousands, except shares)

ASSETS:

Current assets:

Cash and cash equivalents
Trade accounts receivable, net
Land under development
Income taxes receivable
Prepaid expenses and other assets

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 and project management fees

Other

Operating leases - right of use assets

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 \$0.01 per share, 40.0 million authorized;
24,054,843 and 23,980,645 outstanding, respectively

Additional paid-in capital

Accumulated deficit

Total shareholders' equity

Total liabilities and shareholders' equity

May 31, 2023

(unaudited)

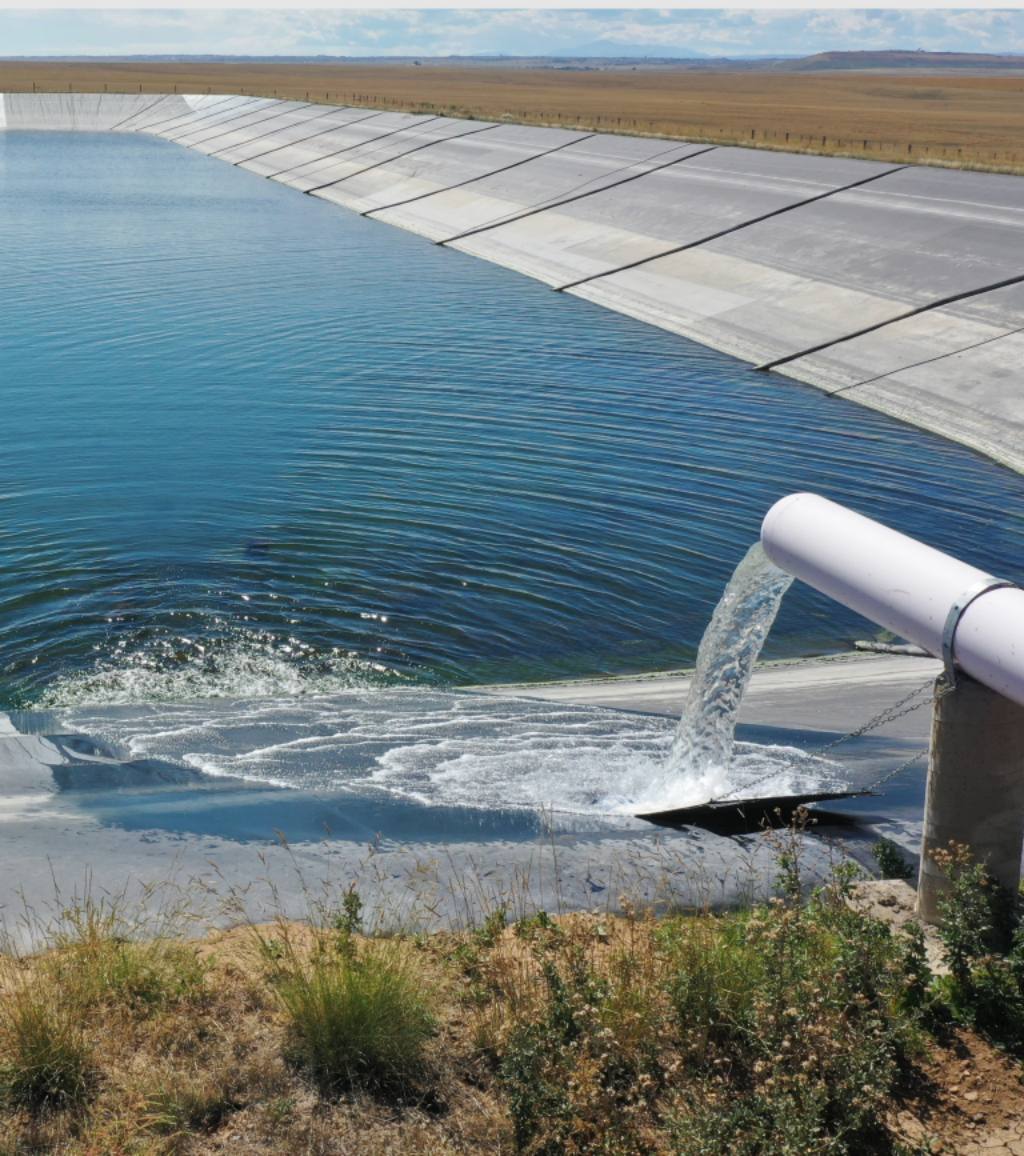
August 31, 2022

\$	26,000	\$	34,894
	2,671		2,425
	721		—
	190		—
	392		467
	29,974		37,786
	2,332		2,328
	58,146		58,763
	4,929		1,224
	1,395		975
	4,996		6,773
	451		451
	1,343		2,463
	23,118		17,208
	1,397		1,120
	84		138
\$	128,165	\$	129,229

\$	905	\$	849
	1,174		2,029
	569		560
	—		2,530
	3,475		4,275
	13		570
	10		10
	6,146		10,823
	—		323
	3,942		3,950
	873		1,075
	6		62
	10,967		16,233

	—		—
	80		80
	174,709		174,150
	(57,591)		(61,234)
	117,198		112,996
\$	128,165	\$	129,229

INCOME STATEMENT



(In thousands, except share information)

Revenues:

Metered water usage from:

Municipal customers	\$ 145	\$ 94	\$ 349	\$ 274
Commercial customers	2,145	549	2,596	2,686
Wastewater treatment fees	75	66	216	185
Water and wastewater tap fees	1,256	1,273	2,400	2,447
Lot sales	3,160	1,070	5,064	5,644
Project management fees	42	81	173	529
Single-family rentals	34	25	90	59
Special facility projects and other	22	29	321	299
Total revenues	6,879	3,187	11,209	12,123

Expenses:

Water service operations	576	560	1,457	1,419
Wastewater service operations	96	109	350	337
Land development construction costs	951	222	1,282	1,048
Project management costs	81	66	227	112
Single-family rental costs	24	9	53	16
Depletion and depreciation	407	349	1,246	1,055
Other	71	79	318	298
Total cost of revenues	2,206	1,394	4,933	4,285

General and administrative expenses	805	1,074	3,900	3,950
Depreciation	111	95	348	277
Operating (loss) income	3,757	624	2,028	3,611

Other income (expense):

Interest income - related party	331	305	841	1,196
Interest income - Investments	281	5	727	8
Oil and gas royalty income, net	44	123	227	330
Oil and gas lease income, net	18	47	56	143
Other, net	40	10	1,257	40
Interest expense, net	(52)	(31)	(149)	(52)

Income from operations before income taxes	4,419	1,083	4,987	5,276
Income tax expense	1,124	246	1,344	1,224
Net income	\$ 3,295	\$ 837	\$ 3,643	\$ 4,052

Earnings per common share - basic and diluted

Basic	\$ 0.14	\$ 0.03	\$ 0.15	\$ 0.17
Diluted	\$ 0.14	\$ 0.03	\$ 0.15	\$ 0.17

Weighted average common shares outstanding:

Basic	24,054,843	23,970,290	24,021,582	23,944,394
Diluted	24,166,344	24,124,586	24,131,621	24,183,500



OTHER INFORMATION / 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. No shares repurchased as of this date.

Important Upcoming Dates

- Fiscal Year End: **August 31, 2023**
- Fiscal Year End Earnings Call: **November 16, 2023**



LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding

President and CEO

Marc Spezialy

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

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CONTACT INFO

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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: 24.1 million



Questions?



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