



# Pure Cycle

a water, wastewater and land development company

## FINANCIAL RESULTS

Year Ended August 31, 2020

LAND  
DEVELOPMENT

FINANCIAL  
RESULTS

OUR  
COMPANY

WATER &  
WASTEWATER

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.

ABOUT  
PURE  
CYCLE

"SAFE HARBOR STATEMENT"



## ABOUT PURE CYCLE

A diversified land and water resource developer at our core, we are an innovative and vertically integrated water and wastewater service provider that owns a valuable portfolio of water rights in a water short region.

We also develop master planned communities creating value for investors, homeowners and businesses and building customers for our utility segment.

Water and  
Wastewater

Land  
Development



# Water Infrastructure

**Sky Ranch**

**Service Area**

**LEGEND:**

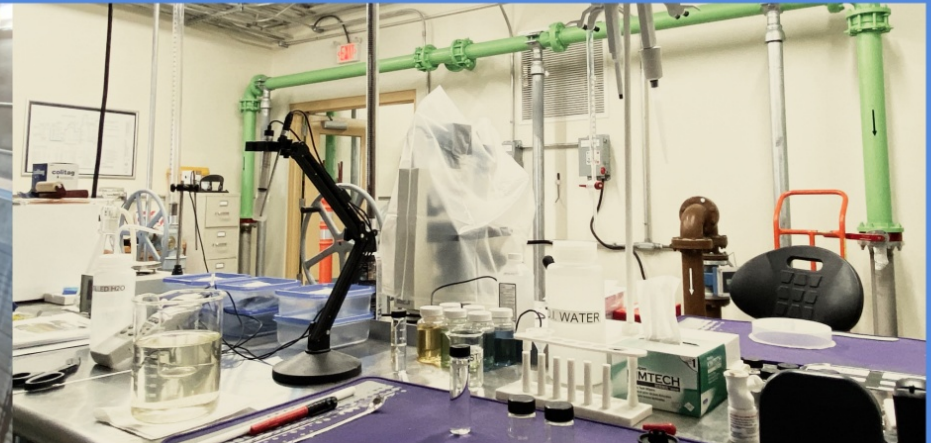
- Sky Ranch
- Service Area
- Alluvial Wells
- Groundwater Wells
- Surface Storage
- Wastewater Reclamation Facilities
- Transmission Pipeline

**Water Reclamation Facility**

| Infrastructure Type               | Quantity |
|-----------------------------------|----------|
| Groundwater Wells                 | 11       |
| Acres-Feet of Surface Storage     | 150      |
| Million Gallons of Water Storage  | 2        |
| Alluvial Wells                    | 3        |
| Wastewater Reclamation Facilities | 2        |
| Acres-Feet of Water Rights        | 29,500   |
| Miles of Distribution Pipeline    | 15       |
| Miles of Transmission Pipeline    | 20       |

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





# Water Reclamation Facility

- Construction of this \$10 million investment completed in February 2020
- Comprised of a state-of-the-art two-story 30' x 60' pretreatment building and a two-story 69' x 167' main plant structure.
- Active odor control technology.
- Provides highly treated irrigation and other reclaimed water uses and can service up to 2,000 single family equivalent units in Sky Ranch.
- A "green roof" will cover 90% of the Main Plant.
- Construction was completed in about 16 months and included measures to efficiently work in conjunction with site work at Sky Ranch.

# 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 lot equivalents)
- 15 miles east of downtown Denver and 4 miles south of DIA







## DENVER HOUSING MARKET IN THE NEWS

**01** Low interest rates lead to highest level of mortgage activity in Denver metro since 2005

Refinancings surge as borrowers take advantage of low rates

+ [DENVER POST 8/20](#)

**02** Average metro Denver home sale price surpasses \$600,000 for first time ever

A lack of supply pushed down sales and pushed the average price of a home sold above \$600,000 in August

+ [DENVER POST 9/20](#)

**03** September was the toughest month ever to buy a home in metro Denver

Inventory of homes and condos hits an all-time low

+ [DENVER POST 10/20](#)

**04** "Shrugging Off" the Pandemic, Colorado's Housing Market Broke Records This Summer

+ [CPR NEWS 8/20](#)

**05** Denver's a top market among millennials buying homes

+ [DENVER BUSINESS JOURNAL 1/20](#)

**06** Denver suddenly has one of the most competitive housing markets in America

+ [CNBC 10/20](#)





# Sky Ranch Development



**110**  
Homes under Construction  
**70**  
Residents

**Q2**



**90**  
Homes under Construction  
**214**  
Residents

**Q4**

**Q1**

**60**  
Homes under Construction  
**40**  
Residents



**Q3**

**110**  
Homes under Construction  
**120**  
Residents



# Sky Ranch Filing 1

## Neighborhood B



### Lots Sold

506 Lots Sold to 3 national home builders for \$36.7 million

### Lots Delivered

All 506 lots have been delivered as of Q1-2021

### Homes Occupied

214 Homes are occupied by residents

### Homes Under Construction

87 Homes are under construction at avg of 27 completed per month.

*Estimated fully occupied by December 2021*



# SKY RANCH FILING 2 FORECAST

**895** Total Platted Lots Anticipated

**789** Lots Under Contract

**106** Lots retained for future use



STRATEGY

Projections

# WHAT'S NEXT

1st Lot  
Deliveries  
expected  
in Winter  
2021

Projected lot sales  
and reimbursable  
expenses  
\$121M

December 2020  
anticipated date to  
start grading

**Attached and detached homes**  
(paired duplex and townhomes) will  
be added on lots sized 32' 45' and  
50'

Some will be alley loaded homes



# Sky Ranch

## Filing 1 - 506 Lots

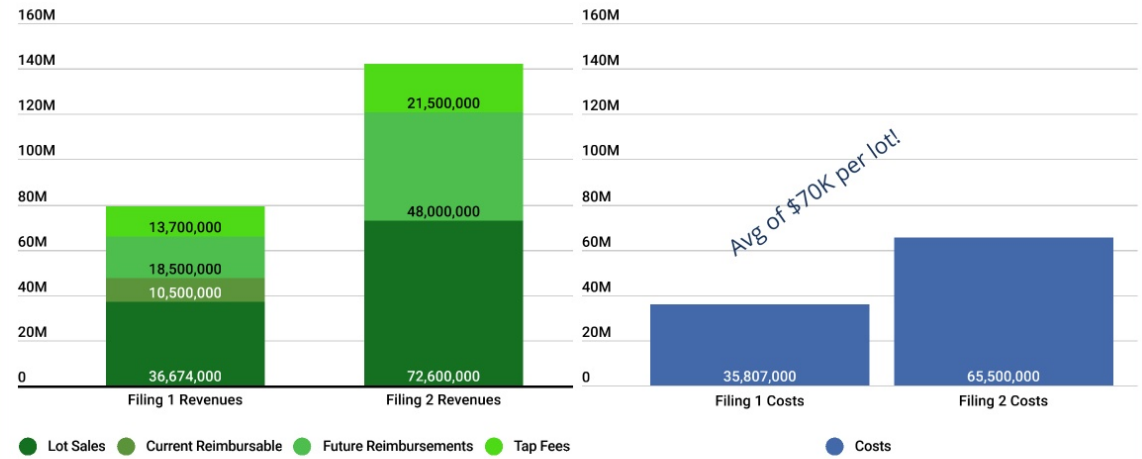
|                       |                  |
|-----------------------|------------------|
| Lot Sales             | \$ 36,674,000 *  |
| Current Reimbursables | \$ 10,500,000    |
| Future Reimbursements | \$ 18,500,000    |
| Tap Fees              | \$ 13,700,000 ** |
| Costs                 | \$ 35,807,000    |

\*includes \$1.6 million received in November 2020

\*\*\$9.2 million to date with \$4.5M expected before end of 2021

## Filing 2 - 895 Lots

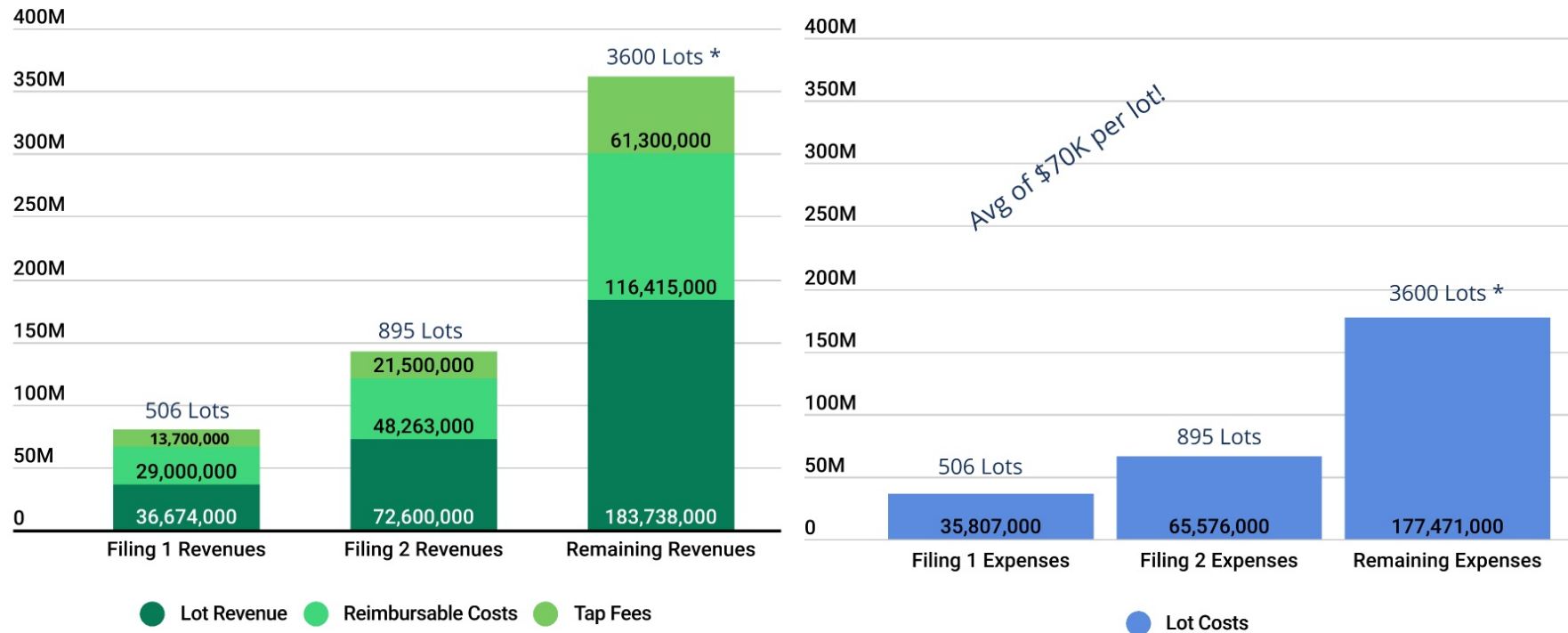
|              |               |
|--------------|---------------|
| Lot Sales    | \$ 72,600,000 |
| Reimbursable | \$ 48,000,000 |
| Tap Fees     | \$ 21,500,000 |
| Costs        | \$ 65,500,000 |



## 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

# Sky Ranch Master Plan



*\*Includes commercial lots converted to residential equivalent*



# Water & Wastewater

Water Assets



Tap Fees



Metered Water Usage  
Wastewater Treatment  
Industrial Bulk Water

Tap Fees

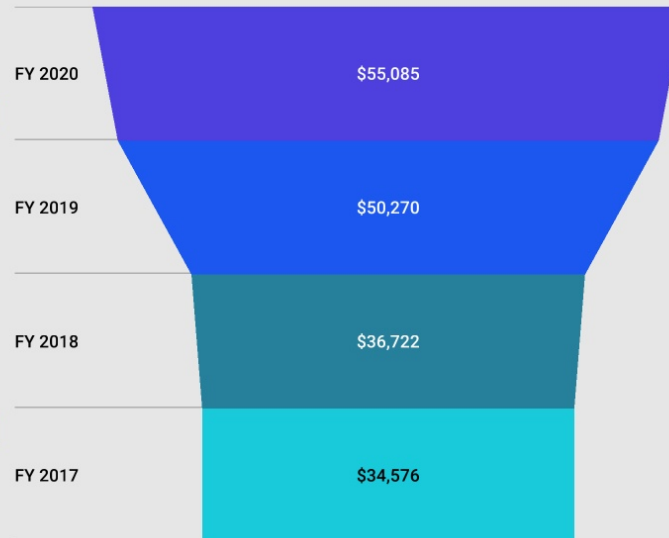
Utility  
Services

# Investment in Water and Tap Sales

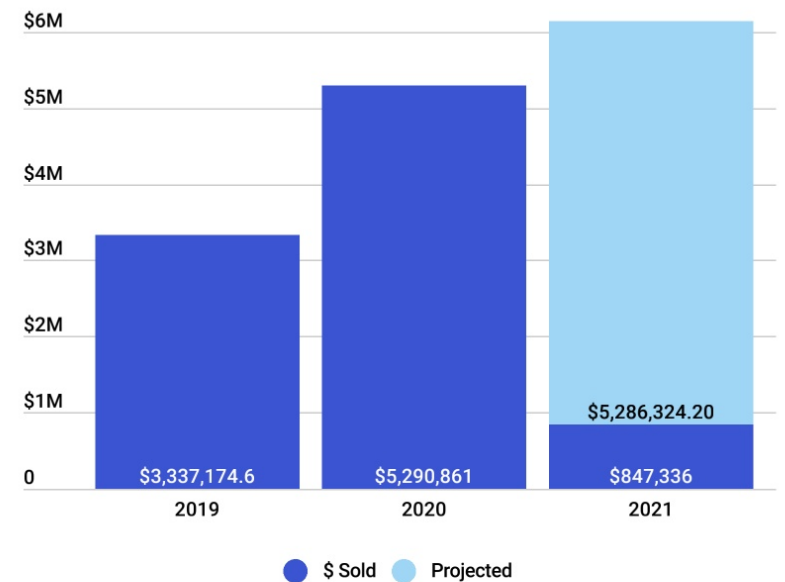
## Net Water Assets

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

64% Growth



## Water/WW Tap Fees



(Current Rates)



# Water Utilities

## Growth from:

### New Residential

New water service customers added with every neighborhood

### New Commercial

Future Sky Ranch commercial phases

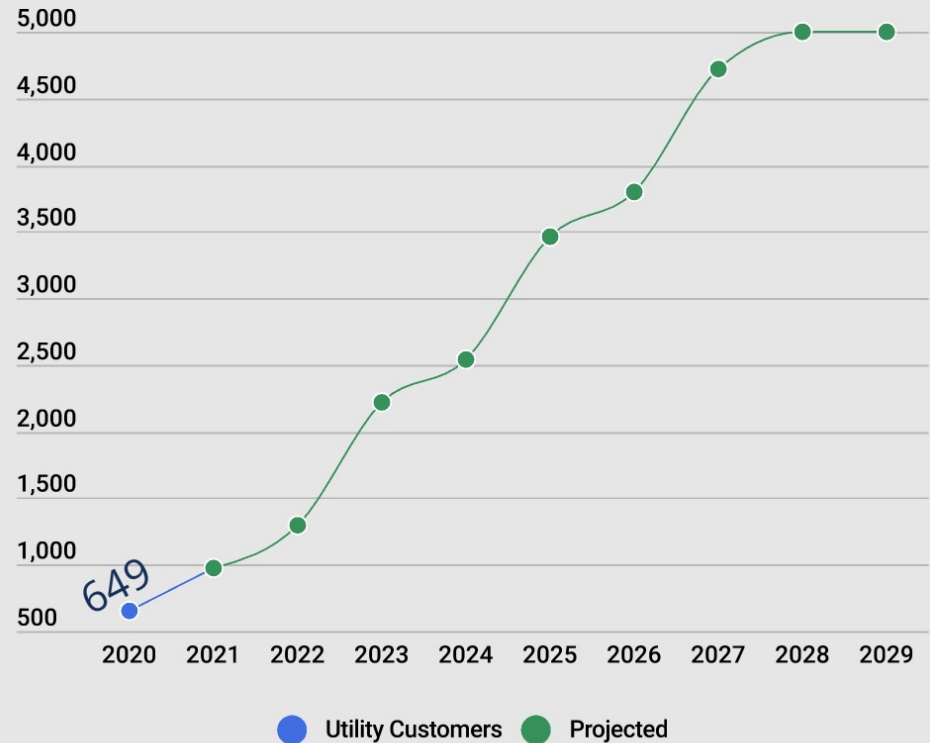
### Existing Residential

Elbert and hwy 86 Residents

### Existing Commercial

Elbert and Hwy 86 commercial customers

## Monthly Utility Customers



# 2020 Accomplishments

Sky Ranch Filing 1  
Complete

Sky Ranch Filing 2  
Start and  
Contracted

Cash of \$21.8M  
at year end

Invested \$6.2M  
into water  
resources in  
2020

All within one of the most challenging  
environments to operate in.

Balance  
Sheet

Income  
Statement

Leadership

Metrics



## Summary Balance Sheet Information

|   | As of August 31, |           | Change    |        |
|---|------------------|-----------|-----------|--------|
|   | 2020             | 2019      | \$        | %      |
| <b>ASSETS:</b>  |                  |           |           |        |
| Current Assets:   |                  |           |           |        |
| Cash, cash equivalents and investments                                | \$ 21,797        | \$ 9,667  | \$ 12,131 | 125.5% |
| Land development inventories  | 481              | 11,613    | (11,132)  | -95.9% |
| All other current assets  | 3,712            | 2,258     | 1,455     | 64.4%  |
| Total current assets  | 25,991           | 23,538    | 2,453     | 10.4%  |
| Investments in water and water systems, net                           | 55,087           | 50,270    | 4,816     | 9.6%   |
| All other long-term assets  | 8,683            | 9,913     | (1,230)   | -12.4% |
| Total assets  | \$ 89,761        | \$ 83,721 | \$ 6,040  | 7.2%   |
| <b>LIABILITIES:</b>   |                  |           |           |        |
| Current liabilities:  |                  |           |           |        |
| Accounts payable and accrued liabilities (with related party amounts) | \$ 2,783         | \$ 3,599  | \$ (816)  | -22.7% |
| All other current liabilities   | 3,436            | 4,698     | (1,262)   | -26.9% |
| Total current liabilities   | 6,219            | 8,297     | (2,079)   | -25.1% |
| All long-term liabilities   | 1,499            | 693       | 806       | 116.2% |
| Total liabilities   | 7,717            | 8,990     | (1,273)   | -14.2% |
| Total shareholders' equity  | 82,044           | 74,731    | 7,313     | 9.8%   |
| Total liabilities and shareholders' equity                            | \$ 89,761        | \$ 83,721 | \$ 6,040  | 7.2%   |

# Summary Income Statement Information

(000's except per share data)

## Revenues:

|                               | For the years ended<br>August 31, |        | Change  |      |
|-------------------------------|-----------------------------------|--------|---------|------|
|                               | 2020                              | 2019   | \$      | %    |
| Metered water usage           | 1,037                             | 4,557  | (3,520) | -77% |
| Wastewater treatment fees     | 96                                | 36     | 60      | 167% |
| Lot sales                     | 18,934                            | 11,956 | 6,978   | 58%  |
| Water and wastewater tap fees | 5,641                             | 3,643  | 1,998   | 55%  |
| Other                         | 147                               | 171    | (23)    | -14% |
| Total revenues                | 25,855                            | 20,362 | 5,494   | 27%  |

## Expenses:

|   |          |          |         |      |
|---|----------|----------|---------|------|
| Water and wastewater service operations | (1,004)  | (1,530)  | 526     | -34% |
| Land development construction costs     | (15,870) | (11,305) | (4,565) | 40%  |
| Other                                   | (1,438)  | (1,108)  | (329)   | 30%  |
| Total cost of revenues                  | (18,311) | (13,944) | (4,367) | 31%  |
| Gross profit                            | 7,544    | 6,418    | 1,126   | 18%  |

|   |         |         |         |      |
|---|---------|---------|---------|------|
| General and administrative expenses       | (4,249) | (3,107) | (1,143) | 37%  |
| Other - including mineral rights impaired | (1,781) | (313)   | (1,469) | 470% |
| Operating income                          | 1,513   | 2,999   | (1,485) | -50% |

## Other income:

|   |         |       |         |       |
|---|---------|-------|---------|-------|
| Reimbursement of construction costs - related party | 6,276   | 0     | 6,276   | 100%  |
| All other   | 1,130   | 529   | 601     | 114%  |
| Net income before taxes                             | 8,919   | 3,528 | 5,391   | 153%  |
| Income tax (expense) benefit                        | (2,169) | 1,283 | (3,452) | -269% |
| Net income  | 6,750   | 4,811 | 1,939   | 40%   |

## Earnings per common share:

|                 |      |      |      |     |
|-----------------|------|------|------|-----|
| Fully - Diluted | 0.28 | 0.20 | 0.08 | 40% |
|-----------------|------|------|------|-----|



# Leadership and Board of Directors

**Mark W. Harding**  
President and CEO

**Kevin B. McNeill**  
Vice President and CFO

**Harrison H. Augur**  
Chairman of the Board\*

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

**Richard L. Guido**  
Director and Chairman of the  
Nominating and Governance  
Committee\*

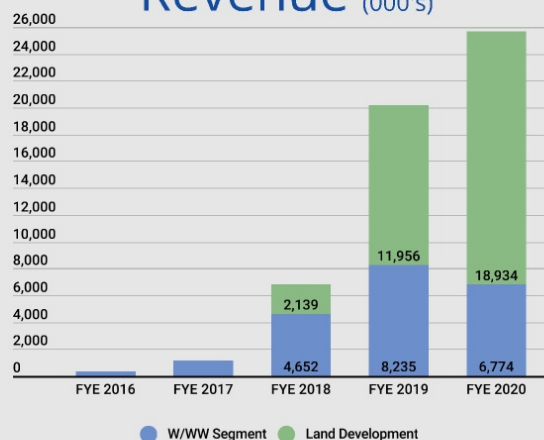
**Arthur G. Epker III**  
Director and Chairman of  
the Compensation  
Committee

**Patrick J. Beirne**  
Director

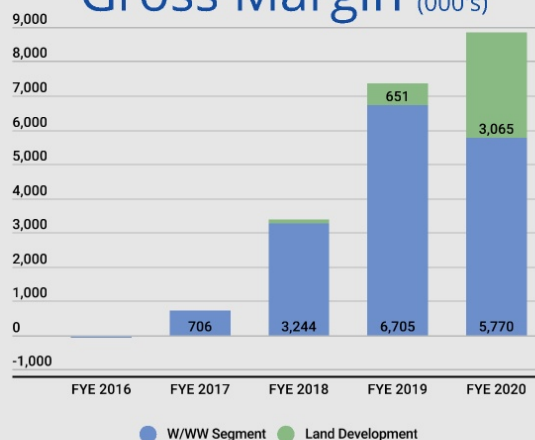
**Jeffrey G. Sheets**  
Director

*\*Not standing for re-election in January 2021, to be  
replaced by two new directors*

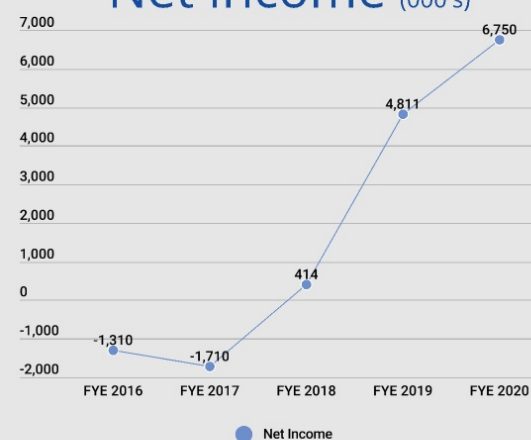
## Revenue (000's)



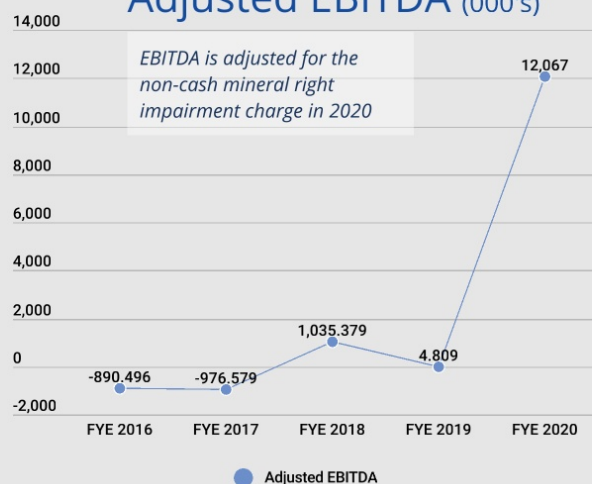
## Gross Margin (000's)



## Net Income (000's)



## Adjusted EBITDA (000's)



**\$21.8M**

**Cash**

**\$60.5M**

**Gross  
invested in  
water  
resources**

**\$82.0M**

**Shareholders'  
equity**



## Contact and Company Information

### Corporate Headquarters:

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

### Additional information contact us or visit our website:

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303-292-3456  
www.purecyclewater.com

Follow us on twitter  
@PureCycleCorp

### Additional information:

Ticker symbol (NASDAQ Capital Market): PCYO

Shares outstanding: 23.9 million

Stock Price





**PURE CYCLE**

a water and wastewater services company

# Questions?