

January 12, 2024



# Pure Cycle Announces Financial Results For the Three Months Ended November 30, 2023

**DENVER, CO / ACCESSWIRE / January 12, 2024** /Pure Cycle Corporation (NASDAQ Capital Market:PCYO) announced its financial results for the three months ended November 30, 2023. Pure Cycle posted \$2.1 million of net income for the three months ended November 30, 2023, which marks our eighteenth consecutive fiscal quarter with positive net income. Pure Cycle continues to develop its Sky Ranch Master Planned Community and for the three months ended November 30, 2023, recognized an increase in lot sale revenue of 270% compared to same period 2022 as a result of multiple on-going Phases of development. We also recognized over a 300% increase in water and wastewater revenue for the three months ended November 30, 2023, compared to 2022, due to an increase in oil and gas water sales.

## Q1 2024 Highlights

- Revenues of \$5.4 million, which drove pre-tax income of \$2.8 million;
- Net income of \$2.1 million;
- EBITDA of \$3.4 million (see table below for reconciliation of net income to EBITDA);
- Cash totaled \$21.8 million;
- For the three months ended November 30, 2023, we delivered 623 acre-feet of water.

## *Net Income to EBITDA Reconciliation*

We continue our profitability as shown in the table below:

|                                  | Three Months Ended   |                      |
|----------------------------------|----------------------|----------------------|
|                                  | November<br>30, 2023 | November<br>30, 2022 |
| (In thousands)                   |                      |                      |
| Net Income                       | \$ 2,065             | \$ 159               |
| Add back:                        |                      |                      |
| Interest expense, net            | 108                  | 50                   |
| Taxes                            | 737                  | 130                  |
| Depreciation / amortization      | 510                  | 493                  |
| EBITDA                           | <u>\$ 3,420</u>      | <u>\$ 832</u>        |
| Fully diluted earnings per share | <u>\$ 0.09</u>       | <u>\$ 0.01</u>       |

"Our Sky Ranch community continues to demonstrate solid growth with entry level homes and our great location directly off Interstate 70," commented Mr. Harding, CEO of Pure Cycle. "We together with our homebuilder partners continue to balance our lot deliveries to match market demand, and we continue to see strong demand for affordable homes in the Denver market. With lot inventories and existing home sales well below historic levels Sky Ranch continues to out-perform other master planned communities in Denver. Also

contributing was a record quarter for O&G water demand with a continued strong outlook for 2024," continued Mr. Harding.

## **Q1 2024 Financial Summary**

### *Revenue*

For the three months ended November 30, 2023, and 2022, we reported total revenues of \$5.4 million and \$1.3 million with \$3.3 million and \$0.8 million being generated in our water and wastewater resource development segment, \$2.0 million and \$0.5 million generated by our land development segment, and \$0.1 million and less than \$0.1 million reported in our single-family rental business.

For the three months ended November 30, 2023, and 2022, we sold 15 and 4 water and wastewater taps for \$0.6 million and \$0.2 million. We have sold 723 water and wastewater taps at Sky Ranch in Phases 1 and 2A. Based on current prices and engineering estimates, we believe Phase 2 of Sky Ranch will exceed \$20.0 million in additional water and wastewater tap fee revenue and cash over the next 3-5 years.

For the three months ended November 30, 2023, we received certain milestone payments from our Lot Delivery Agreement from home builders, which accounted for \$2.9 million in milestone payments for Phase 2B. We expect to be substantially complete with the delivery of all 211 Phase 2B lots during calendar 2024. We are approximately 95% completed, with some landscape construction activities to complete in Phase 2A.

As of November 30, 2023, the single-family rental business had 14 homes built and rented in Sky Ranch and 17 additional homes forecasted for construction in Phase 2B. As noted in the prior quarters, due to the overwhelming demand for rental homes at Sky Ranch, we expect to have a total of 91 homes in Phase 2 with the ability to add more than 200 homes as Sky Ranch builds out.

"With our diversified revenue streams, we were well positioned to take advantage of current market conditions to maximize revenue in the first quarter," commented Marc Spezialy, CFO of Pure Cycle. "We are currently developing on multiple Phases within our Sky Ranch Master Planned Community, due to continued strong demand. We also experienced a significant increase in oil and gas drilling operations in our service area resulting in a substantial increase in commercial water sales," concluded Mr. Spezialy.

### *Working Capital*

We reported working capital (current assets less current liabilities) of \$20.4 million as of November 30, 2023, with \$22.0 million of cash and cash equivalents.

## **Q1 2024 Operational Summary**

### *Water and Wastewater Resource Development*

Water deliveries increased for the three months ended November 30, 2023, to a record 623 acre-feet delivered as compared to 207 acre-feet delivered in Q1 2023, primarily due to increased sales to oil and gas operators and new Sky Ranch customers. Oil and gas operations are highly variable and dependent on oil prices, demand for gas, and timing of development of other leases in our service areas; however our current expectation is for continued strong demand for oil and gas water sales through 2024. As Sky Ranch continues

to develop, we anticipate continued growth in our residential water and wastewater service revenues. Water and wastewater tap sales increased in Q1 2024 compared to Q1 2023 due to the timing of closings at Sky Ranch. Tap sales are driven by building permit applications and are not contractually established with the builders.

#### *Land Development*

Lot sales revenue increased in Q1 2024 compared to Q1 2023 due to timing of construction in Phase 2B at Sky Ranch. Because lot sale revenue is recognized as construction progresses, revenue will fluctuate due to timing of construction activities.

#### *Single Family Rentals*

Q1 2024 represented our first quarter of rental income for our 14 completed homes. An additional 17 homes are forecasted for construction in Phase 2B in calendar 2024.

### **Earnings Call Information**

Pure Cycle will host a conference call on Tuesday January 16, 2024, at 8:30AM Eastern (6:30AM Mountain) to discuss the financial results and answer questions. Call details are presented below. We will post a detailed slide presentation on our website, which will provide an overview of Pure Cycle and present summary financial results and can be accessed at [www.purecyclewater.com](http://www.purecyclewater.com).

When: 8:30AM Eastern (6:30AM Mountain) on Tuesday January 16, 2024

Call in number: 888-506-0062 (access code: 711415)

International call-in number: 973-528-0011 (access code: 711415)

Replay numbers: 877-481-4010 | 919-882-2331 (passcode: 49672)

Replay available until: January 30, 2024 at 8:30AM ET

Event link: <https://www.webcaster4.com/Webcast/Page/2247/49672>

### **Other Important Information**

The table below presents our consolidated results of operations for the three months ended November 30, 2023 and 2022 (unaudited):

|   | Three Months Ended   |                      |
|---|----------------------|----------------------|
|   | November<br>30, 2023 | November<br>30, 2022 |
| <i>(In thousands, except share information)</i> |                      |                      |
| Revenues:                                       |                      |                      |
| Metered water usage from:                       |                      |                      |
| Municipal customers                             | \$ 202               | \$ 121               |
| Commercial customers                            | 2,132                | 392                  |
| Wastewater treatment fees                       | 86                   | 63                   |
| Water and wastewater tap fees                   | 581                  | 150                  |
| Lot sales                                       | 1,896                | 513                  |
| Project management fees                         | 100                  | 8                    |
| Single-family rentals                           | 109                  | 25                   |
| Special facility projects and other             | 280                  | 68                   |
| Total revenues                                  | <u>5,386</u>         | <u>1,340</u>         |
| Expenses:                                       |                      |                      |
| Water service operations                        | 553                  | 479                  |
| Wastewater service operations                   | 159                  | 138                  |
| Land development construction costs             | 688                  | 143                  |
| Project management costs                        | 79                   | 72                   |
| Single-family rental costs                      | 57                   | 10                   |
| Depletion and depreciation                      | 362                  | 378                  |
| Other   | 146                  | 106                  |
| Total cost of revenues                          | <u>2,044</u>         | <u>1,326</u>         |
| General and administrative expenses             | 1,438                | 1,388                |
| Depreciation                                    | 148                  | 115                  |
| Operating (loss) income                         | <u>1,756</u>         | <u>(1,489 )</u>      |
| Other income (expense):                         |                      |                      |
| Interest income - related party                 | 724                  | 247                  |
| Interest income - Investments                   | 308                  | 228                  |
| Oil and gas royalty income, net                 | 34                   | 116                  |
| Oil and gas lease income, net                   | 18                   | 19                   |
| Other, net                                      | 70                   | 1,218                |
| Interest expense, net                           | (108 )               | (50 )                |
| Income from operations before income taxes      | <u>2,802</u>         | <u>289</u>           |
| Income tax expense                              | <u>737</u>           | <u>130</u>           |
| Net income                                      | <u>\$ 2,065</u>      | <u>\$ 159</u>        |
| Earnings per common share - basic and diluted   |                      |                      |
| Basic   | <u>\$ 0.09</u>       | <u>\$ 0.01</u>       |
| Diluted   | <u>\$ 0.09</u>       | <u>\$ 0.01</u>       |
| Weighted average common shares outstanding:     |                      |                      |
| Basic   | <u>24,078,544</u>    | <u>23,985,788</u>    |
| Diluted   | <u>24,153,662</u>    | <u>24,087,893</u>    |

The following table presents our consolidated financial position as of November 30, 2023 (unaudited) and August 31, 2023 (audited):

(In thousands, except shares)

|  | November<br>30, 2023<br>(unaudited) | August 31,<br>2023 |
|--|-------------------------------------|--------------------|
| <b>ASSETS:</b>   |                                     |                    |
| Current assets:  |                                     |                    |
| Cash and cash equivalents  | \$ 21,784                           | \$ 26,012          |
| Short term investments   | 167                                 | -                  |
| Trade accounts receivable, net   | 4,778                               | 1,092              |
| Land under development   | 2,164                               | 1,726              |
| Income taxes receivable  | -                                   | 551                |
| Prepaid expenses and other assets  | 249                                 | 346                |
| Total current assets   | 29,142                              | 29,727             |
| Restricted cash  | 2,880                               | 2,475              |
| Investments in water and water systems, net  | 57,698                              | 57,798             |
| Construction in progress   | 5,865                               | 5,457              |
| Single-family rental units   | 5,227                               | 4,490              |
| Land and mineral rights:   |                                     |                    |
| Held for development   | 4,871                               | 4,652              |
| Held for investment purposes   | 451                                 | 451                |
| Other assets   | 1,234                               | 1,359              |
| Notes receivable - related parties, including accrued interest   |                                     |                    |
| Reimbursable public improvements and project management fees   | 28,270                              | 24,999             |
| Other  | 1,481                               | 1,451              |
| Operating leases - right of use assets   | 210                                 | 357                |
| Total assets   | <u>\$ 137,329</u>                   | <u>\$ 133,216</u>  |
| <b>LIABILITIES:</b>  |                                     |                    |
| Current liabilities:   |                                     |                    |
| Accounts payable   | \$ 2,783                            | \$ 1,960           |
| Accrued liabilities  | 1,015                               | 1,761              |
| Accrued liabilities - related parties  | 906                                 | 1,021              |
| Income taxes payable   | 200                                 | -                  |
| Deferred lot sale revenues   | 3,791                               | 1,661              |
| Deferred water sales revenues  | 50                                  | 69                 |
| Debt, current portion  | 34                                  | 31                 |
| Total current liabilities  | 8,779                               | 6,503              |
| Debt, less current portion   | 6,874                               | 6,885              |
| Deferred tax liability, net  | 1,352                               | 1,352              |
|  | 142                                 | 242                |
| Lease obligations - operating leases, less current portion   |                                     |                    |
| Total liabilities  | <u>17,147</u>                       | <u>14,982</u>      |
| Commitments and contingencies  |                                     |                    |
| <b>SHAREHOLDERS' EQUITY:</b>   |                                     |                    |
| Series B preferred shares: par value \$0.001 per share, 25 million authorized;<br>432,513 issued and outstanding (liquidation preference of \$432,513) | -                                   | -                  |
| Common shares: par value 1/3 of \$.01 per share, 40.0 million authorized;<br>24,066,720 and 24,078,720 outstanding, respectively                       | 80                                  | 80                 |
| Additional paid-in capital   | 174,770                             | 174,689            |
| Accumulated deficit  | (54,668 )                           | (56,535 )          |
| Total shareholders' equity   | <u>120,182</u>                      | <u>118,234</u>     |
| Total liabilities and shareholders' equity   | <u>\$ 137,329</u>                   | <u>\$ 133,216</u>  |

## Company Information

Pure Cycle continues to grow and strengthen its operations, grow its balance sheet, and drive recurring revenues. We operate in three distinct business segments, each of which complements the other. At our core, we are an innovative and vertically integrated wholesale

water and wastewater service provider. In 2017, we launched our land development segment which develops master planned communities on land we own and to which we provide water and wastewater services. In 2021, we launched our newest line of business, the rental of single-family homes located at Sky Ranch, which provides long-term recurring revenues, furthers our land development operations, and adds more customers to our water resource segment.

Additional information, including our recent press releases and SEC filings, is available at [www.purecyclewater.com](http://www.purecyclewater.com), or you may contact our President, Mark W. Harding, or our CFO, Marc Spezialy, at 303-292-3456 or [info@purecyclewater.com](mailto:info@purecyclewater.com).

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are all statements, other than statements of historical facts, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future, such as statements about the following: our positioning to continue to grow through this market cycle; the completion and delivery of our rental units; timing of development at Sky Ranch; future tap sales and revenues; future home sales by our home builder customers; the affordability of our products; the strength of the Sky Ranch market; forecasts about our fiscal 2024 sales of water to oil and gas operators; our sales of lots; and our expected financial results. The words "anticipate," "likely," "may," "should," "could," "will," "believe," "estimate," "expect," "plan," "intend" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation: home mortgage interest rates, inflation, and other factors impacting the housing market and home sales; the risk factors discussed in Part I, Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended August 31, 2023; and those factors discussed from time to time in our press releases, public statement and documents filed or furnished with the U.S. Securities and Exchange Commission. Except as required by law, we disclaim any obligation to update publicly any forward-looking statements, whether because of new information, future events or otherwise.

**SOURCE:** Pure Cycle Corporation

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