

Earnings presentation for the
three and six months ended
February 28, 2021



Overview

*Water &
Wastewater
Development*

*Land
Development*

BTR

*Oil and
Gas*

*Financial
Results*

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.

COMPLIMENTARY SEGMENTS

Driving value for stakeholders with land and water investments



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 1,000 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,400 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
- Retain ownership of portions of property to receive residual benefit



Build-to-Rent Segment

- Develop 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 accretive cash flows
- Provide water and wastewater service to rental properties

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WHOLESALE WATER AND WASTEWATER

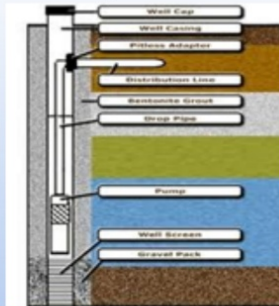
Wastewater



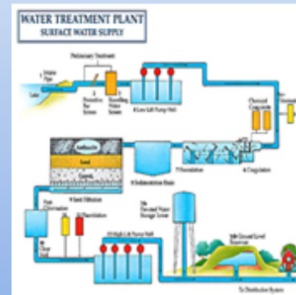
Collection



Wells/Diversion



Treatment



Distribution



Irrigation reuse

Use



AT A GLANCE

Large water portfolio in water-short Denver

Company owns or controls 29,000+ acre feet of groundwater & surface water which we estimate can serve 60,000 taps

Own rights to surface reservoir storage assets

Principle business interests are to deliver wholesale water and wastewater service

One-Time Connection Fees:

Water tap fees \$27,753

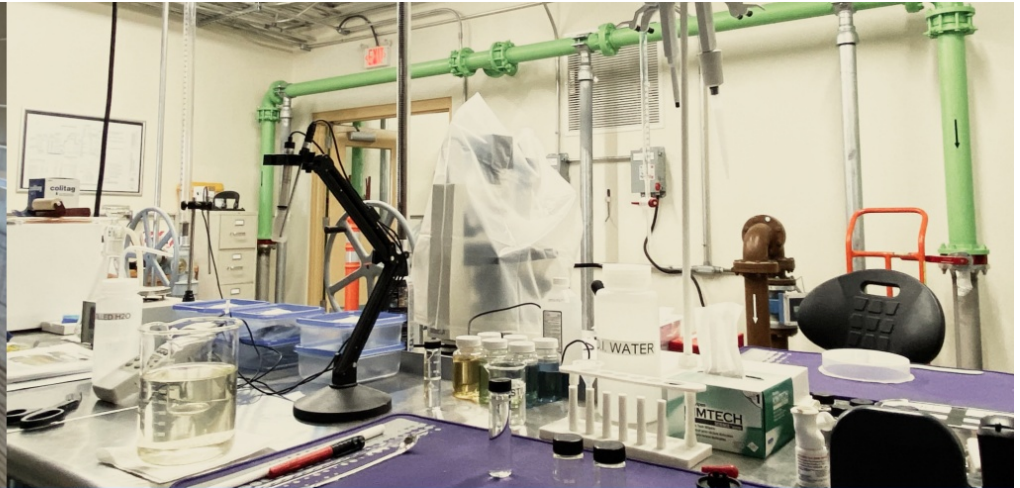
Sewer tap fees \$4,847

Capital capacity \$2.0 Billion

Annual Usage Charges:

Avg. Metered Water & Sewer \$1,500/SFE/yr.

Buildout Annual Revenues \$90mm/yr.



WATER RECLAMATION FACILITY

(100% Reuse 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.

Water Services

Growth from:

New Residential

New service customers added with every neighborhood

New Commercial

Future Sky Ranch commercial phases

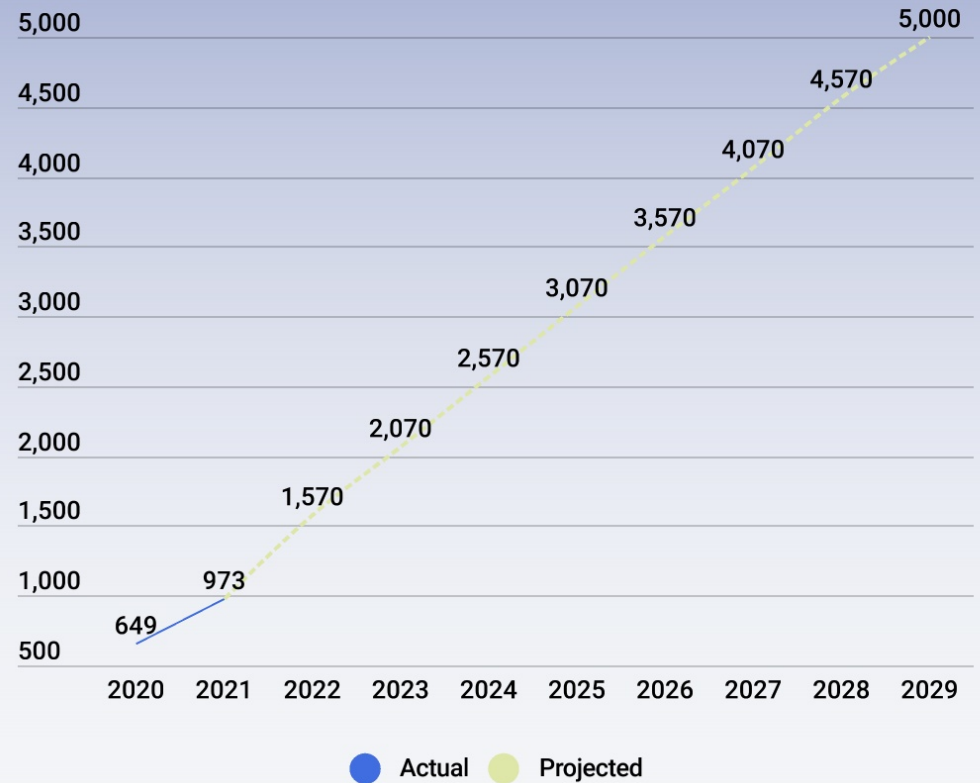
Existing Residential

Elbert and hwy 86 Residents

Existing Commercial

Elbert and Hwy 86 commercial customers

Monthly Water Customers

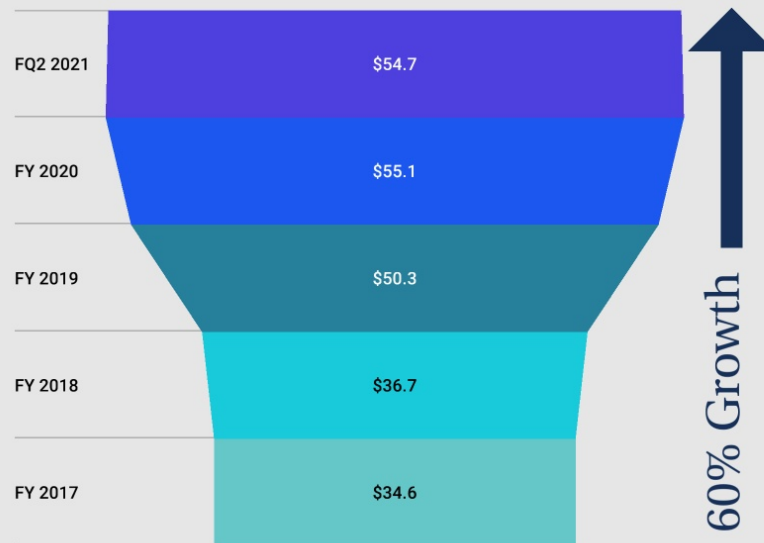


Investment in Water and Tap Sales

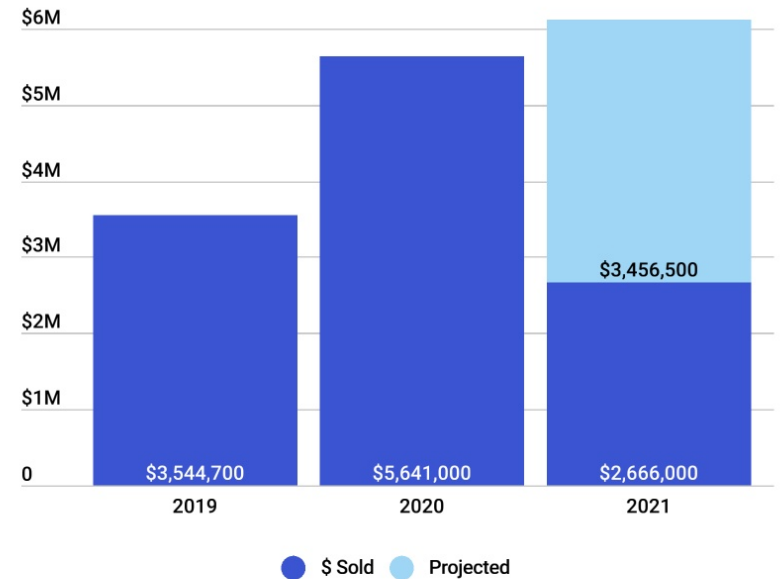
All major infrastructure is in service to support phase 2 of the Sky Ranch Development

Water Assets (Net)

In millions



Water/WW Tap Fees



(Current Rates)

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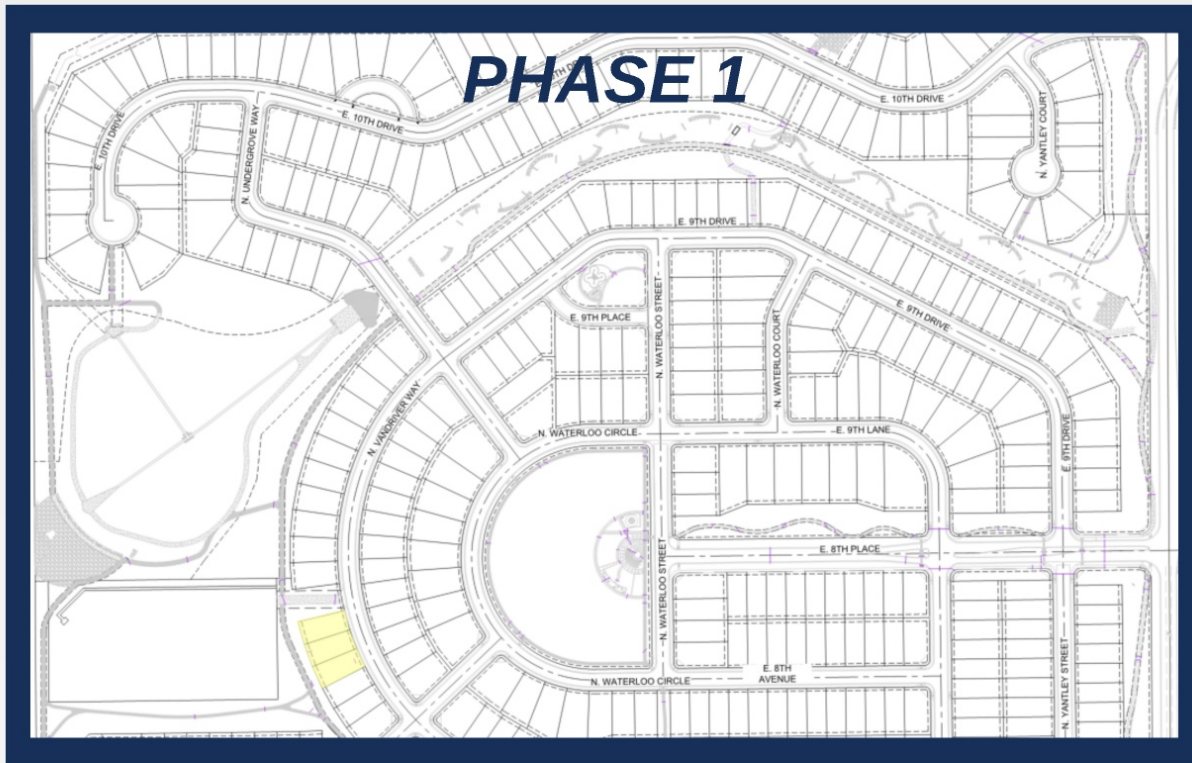
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LAND DEVELOPMENT

- Developing the 930 acre Sky Ranch
- Can accommodate up to 3,400 residential lots
- Can Accommodate up to 2 million square feet of commercial development (1,600 SFE's)
- Total connections equal to 5000 SFE's
- 15 miles east of downtown Denver and 4 miles south of DIA



Phase Progress



- All lots delivered (509)
- Nearly 300 residents
- 115 homes under construction
- Estimated that homes will be fully sold out by December 2021
- Recognized \$36.7 million in lot revenue to date
- Recognized \$11.5 million in tap fees to date

PARTNERING
HOMEBUILDERS



- Approximately 900 lots in total
 - 800 lots under contract with home builders
 - 100+ lots reserved for BTR purposes (In yellow)
- Broke ground February 2021
- Initial lots expected to be delivered late calendar 2021
- Estimated lot revenues of \$72.6 million
- Estimated tap fees of \$21.5 million
- Estimated \$48 million of reimbursable costs



PARTNERING HOMEBUILDERS



SKY RANCH

Filing 1 - 506 Lots

Lot Sales	\$ 36.7 million
Current Reimbursables	\$ 10.5 million
Future Reimbursements	\$ 21.1 million *
Tap Fees	\$ 14.9 million**
Costs	\$ 35.8 million

*Recognized in income in Q2-2021
 **\$11.5 million to date with \$3.4M expected before end of 2021

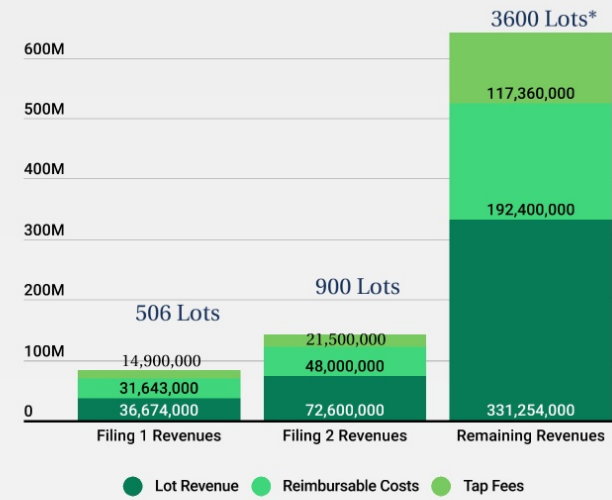
Filing 2 - 900 Lots

Lot Sales	\$ 72.6 million
Reimbursables	\$ 48.1 million
Tap Fees	\$ 21.5 million
Costs	\$ 65.5 million

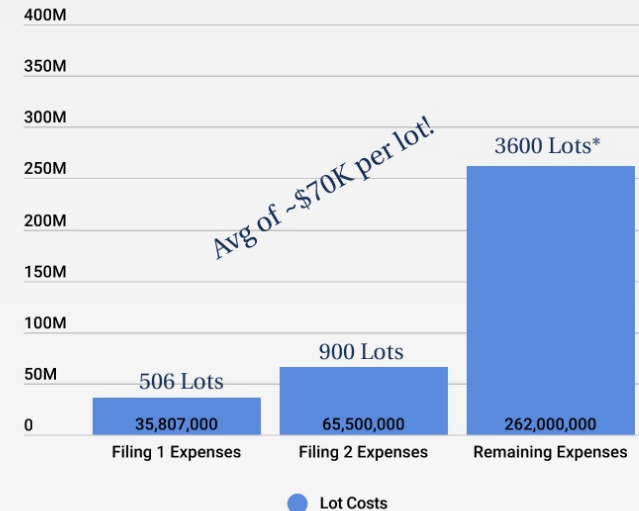
Key Comparisons

- 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

Revenues



Expenses



* 3600 remaining lots includes 1600 commercial equivalent lots with results estimated using phase 2 actuals

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BUILD-TO-RENT

Build-to-Rent (BTR) is the construction of single family homes with the intent to retain them for long-term rental purposes. Pure Cycle is working with experienced home builders to construct these houses, which Pure Cycle will own and maintain these properties, taking on a new role as property manager.

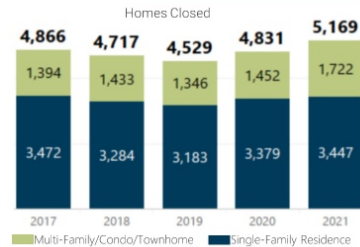
"The BTR model is ideal for our highly appreciated land and water assets, allowing us to build an accretive high margin recurring revenue product while maintaining our highly liquid balance sheet using inexpensive capital for the incremental cost of building each home" stated Mark W. Harding, President and CEO

*Our Strategy
and Projections*

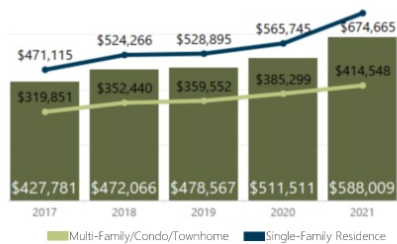
+7% HOMES CLOSED

In the Denver Metro area this March, 5,169 Homes Closed, which is more than any other March on record. The number of March closings was 7% more than March 2020 and 31% more than last month.

In March, the count of listings in Pending status was 5,783, 28% higher than last year and up 25% from last month, indicating the number of closings could continue to be strong.



Average Closed Prices



+15% PRICES

In March, the average price of a home in the Denver metro area was \$588,009, a year-over-year increase of 15% and up 7% from last month.

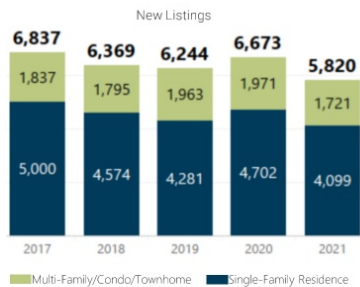
Single-Family Residences sold for an average price of \$674,665, up 19% year over year. The price of multi-family/condos/townhomes was up 8% from March 2020, at an average of \$414,548.

-13% NEW LISTINGS

Throughout the month, sellers brought 5,820 new listings to the market, 13% fewer than last year at this time, but 28% more than last month.

The count of active listings of homes for sale at the end of March was 1,751, 73% lower than last year and 13% lower than the end of last month.

We currently have 1 week of inventory, 5 weeks fewer than last March and 1 week fewer last month.



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"Housing demand in the Denver area continues to outpace supply, and as a result of increasing costs and the need for large down payments, the single-family rental market is growing exponentially. Our national home builder customers have expressed interest in building these homes, offering renters a brand new home without the hassle of buying."

- Mark Harding, President of Pure Cycle

Sky Ranch - Life Within Reach

Population

- Denver metro population continues to grow
- Many "urbanites" are moving to the suburbs for more space and affordability
- Younger families need space but may not be ready for down payment and long-term mortgages

Location

- Single family homes with room to grow
- Master Planned Community with all the amenities for pets, families, and easy living
- 2 million square feet of commercial and retail to be developed

Amenities

- New charter school approved
- Several parks and open spaces
- Community is pet friendly
- Landscaping services offered for rentals
- Recreation center and pool in the works
- Double the amount of open space over county requirements

Commutes

- Close to DIA, Gaylord Hotel, Amazon Fulfillment Center, Buckley AFB, CU Anschutz Medical Campus
- 30 minutes to Downtown
- 10 minutes to light-rail
- Easy access to I-70 and E-470

Stability

- Colorado rents have not been as affected by the pandemic
- Single family rents are generally more stable than multifamily
- Continued revenue for the Water and Wastewater Resource Development

	Pro Forma Single house Monthly	Pro Forma Single house Annualized
Rental income	\$ 2,800	\$ 33,600
Operations, repairs and maintenance	150	1,800
Property Taxes and insurance	398	4,780
Interest Expense	945	11,337
Cash flow	\$ 1,307	\$ 15,683

Annualized
Average
Estimated
Rental Revenue
per Home of
\$33K

Annualized
Average
estimated cash
flow per Home
of \$15K

Annualized
Estimated
Capitalization
Rate ¹
6%

Assumptions

- Rental income is estimated based on average rental rates in surrounding communities with a similar home
- Optional additional services such as yard and snow maintenance included in rent and cost
- Current staffing will provide property management services for the foreseeable future
- Property taxes based on current mills in Sky Ranch
- Interest expense based on current finance offering for a 30-year amortizing loan at 3.75%
- Cost of homes will be amortized using the straight-line depreciation method over thirty years, which is a non-cash charge and not included in the cash projections table above

¹ Net operating income/market value. Excludes interest and depreciation.

PER HOUSE ESTIMATES

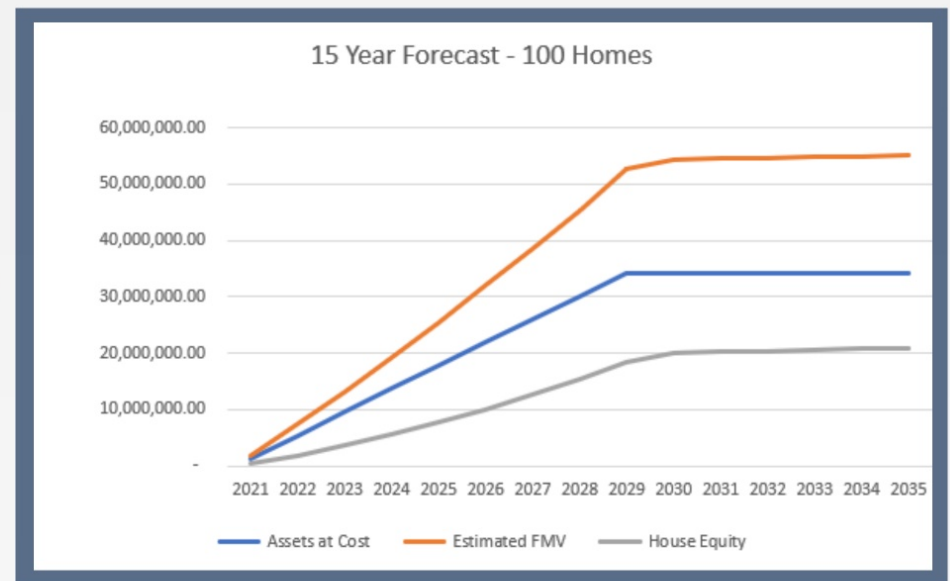
Capitalized costs
\$342K

Financed costs
\$317K

Fair market value
\$450K

Assumptions

- Flexible debt usage, up to 80% of appraised value
- Low cost capital (3.75%)
- House fair market value estimated at \$450,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- Estimated construction of 12 homes per year



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Southern Wattenberg Niobrara

More than 200 square miles in Adams & Arapahoe Counties

- Five Possible Formations
- Pad Development: 40 Acre spacing
- 16 wells/mile formation
- Over 10,000 well capacity
- Average \$250,000 per well

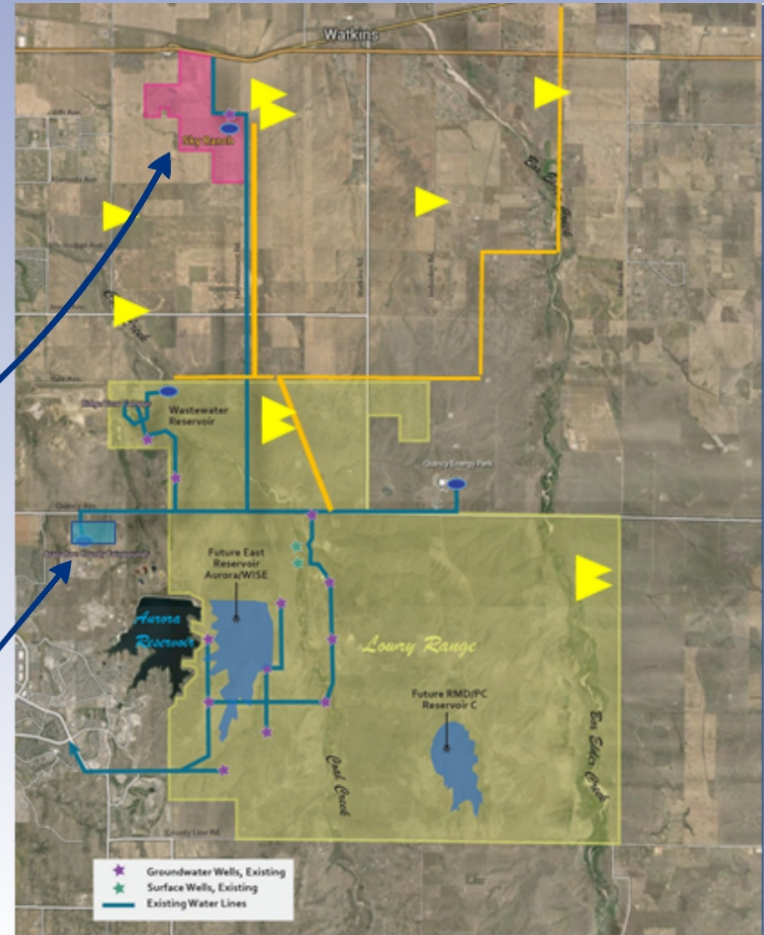
Legend

- Service Area
- Lowry Range
- Sky Ranch
- Gas Collection
- Water Transmission
- Wells Drilled to date 2019

Approximately 100 wells drilled to date total

Sky Ranch

Arapahoe County Fairgrounds



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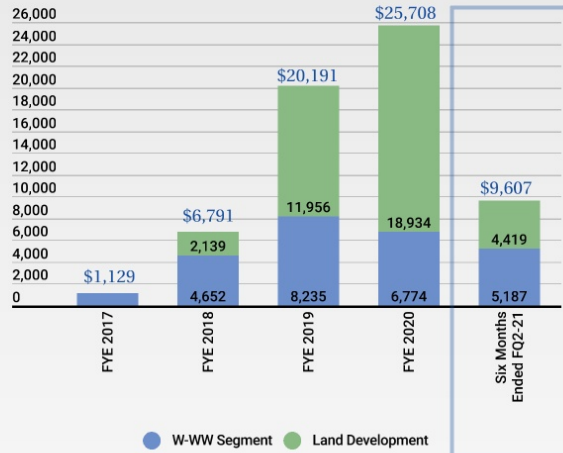
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Six Months Ended February 28, 2021

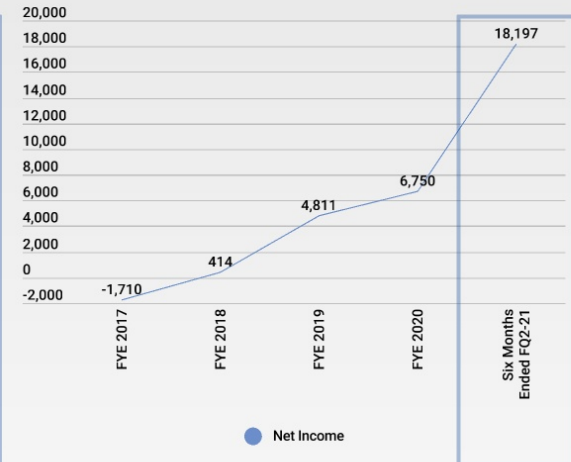
Revenue (000's)



Gross Margin (000's)



Net Income (000's)



Since the inception of Sky Ranch we have recognized:

\$29.4 Million in Other income from Reimbursables*
*\$18.9M in Q2-2021**

\$1.5 Million in Project Management Fees

\$1.4 Million in Interest from Notes Receivable

During the three months ended February 28, 2021, the Company revised its estimates to conclude that the reimbursable public improvements, project management revenue and interest income related to the first development phase at Sky Ranch are probable of collection.

**View
 Financial
 Statements**

SUMMARY BALANCE SHEET INFORMATION

ASSETS:	February 28, 2021	August 31, 2020
	(Unaudited)	
Current Assets:		
Cash, cash equivalents and restricted cash	\$ 20,763	\$ 21,797
Land development inventories	-	-
Land development Phase 1	-	481
Land development Phase 2	151	-
Public reimbursable costs - Phase 2	315	-
All other current assets	1,830	3,713
Total current assets	23,059	25,991
Investments in water and water systems, net	54,737	55,087
All other long-term assets	30,730	8,683
Total assets	\$ 108,526	\$ 89,761
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,074	\$ 2,783
All other current liabilities	5,453	3,435
Total current liabilities	6,527	6,218
All long-term liabilities	1,431	1,499
Total liabilities	7,958	7,717
Total shareholders' equity	100,568	82,044
Total liabilities and shareholders' equity	\$ 108,526	\$ 89,761

SUMMARY INCOME STATEMENT INFORMATION

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
	(unaudited)		(unaudited)	
Revenues:				
Metered water usage				
Municipal water usage revenues	\$ 74	\$ 37	\$ 241	\$ 140
Oil and Gas water usage revenues	583	20	1,782	57
Wastewater treatment revenues	51	20	93	40
Lot fee revenue	515	2,265	2,871	10,807
Water and wastewater tap revenue	1,583	1,173	2,666	2,845
Project management fees	1,548	-	1,548	-
Special facility projects and other	385	4	406	90
Total revenues	\$ 4,739	\$ 3,519	\$ 9,607	\$ 13,979
Expenses:				
Water service operations	\$ (213)	\$ (207)	\$ (758)	\$ (461)
Wastewater services operations	(64)	(38)	(156)	(64)
Lot fee construction costs incurred	(269)	(1,817)	(1,988)	(9,880)
Other	(363)	(3)	(387)	(27)
Depreciation and depletion	(354)	(383)	(719)	(602)
Total cost of revenues	(1,263)	(2,448)	(4,008)	(11,034)
Gross profit	3,476	1,071	5,599	2,945
General and administrative expenses	(1,342)	(1,037)	(2,428)	(1,838)
Depreciation	(76)	(95)	(160)	(180)
Operating income (loss)	2,058	(61)	3,011	927
Income from reimbursables	19,379	-	19,379	6,276
Other income	1,582	414	1,734	800
Net income before taxes	23,019	353	24,124	8,003
Income tax expense	(5,667)	(79)	(5,927)	(1,966)
Net income	\$ 17,352	\$ 274	\$ 18,197	\$ 6,037
Earnings per fully diluted share	\$ 0.72	\$ 0.01	\$ 0.76	\$ 0.25

LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding
President and CEO

Kevin B. McNeill
Vice President and CFO

Patrick J. Bierne
Chairman of the Board

Peter C. Howell
Director and Chairman of
the Audit Committee

Jeffrey G. Sheets
Director and Chairman of the
Nominating and Governance
Committee

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

Daniel R. Kozlowski
Director

Fredrick A. Fendel III.
Director

CONTACT AND COMPANY INFORMATION

CORPORATE HEADQUARTERS

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

CONTACT INFO

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303-292-3456

www.purecyclewater.com

Follow us on twitter 
@PureCycleCorp

STOCK INFO

Ticker symbol (NASDAQ Capital
Market): PCYO

Shares outstanding: 23.9 million

Questions?

Stock Price Range



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