



# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

# 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.

**COMPANY  
OVERVIEW**

# WE OPERATE MULTIPLE COMPLEMENTARY 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 930 acres of a full Master Planned community known as Sky Ranch.
- Sky Ranch has over 3,200 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



## 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



# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

# WHOLESALE WATER AND WASTEWATER

Principal business interests are to deliver wholesale water and wastewater service

## WELLS/DIVERSION



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

## TREATMENT



## DISTRIBUTION



## BUILD

**One-Time Connection Fees:**  
Water tap fees \$28,308  
Sewer tap fees \$4,944  
Capital capacity \$2.0 Billion\*

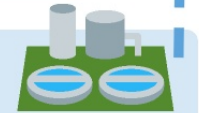
\*This equates to 60,000 taps times current tap fees.

## IRRIGATION REUSE



## WASTEWATER TREATMENT

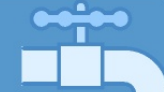
## COLLECTION



## USE

**Annual Usage Charges:**  
Avg. Metered Water & Sewer  
\$1,500/SFE/yr.

Buildout Annual Revenues \$90mm/yr.

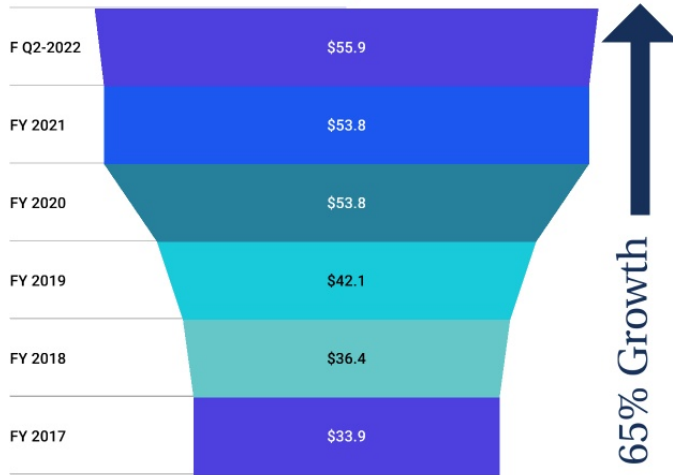


# WATER INFRASTRUCTURE

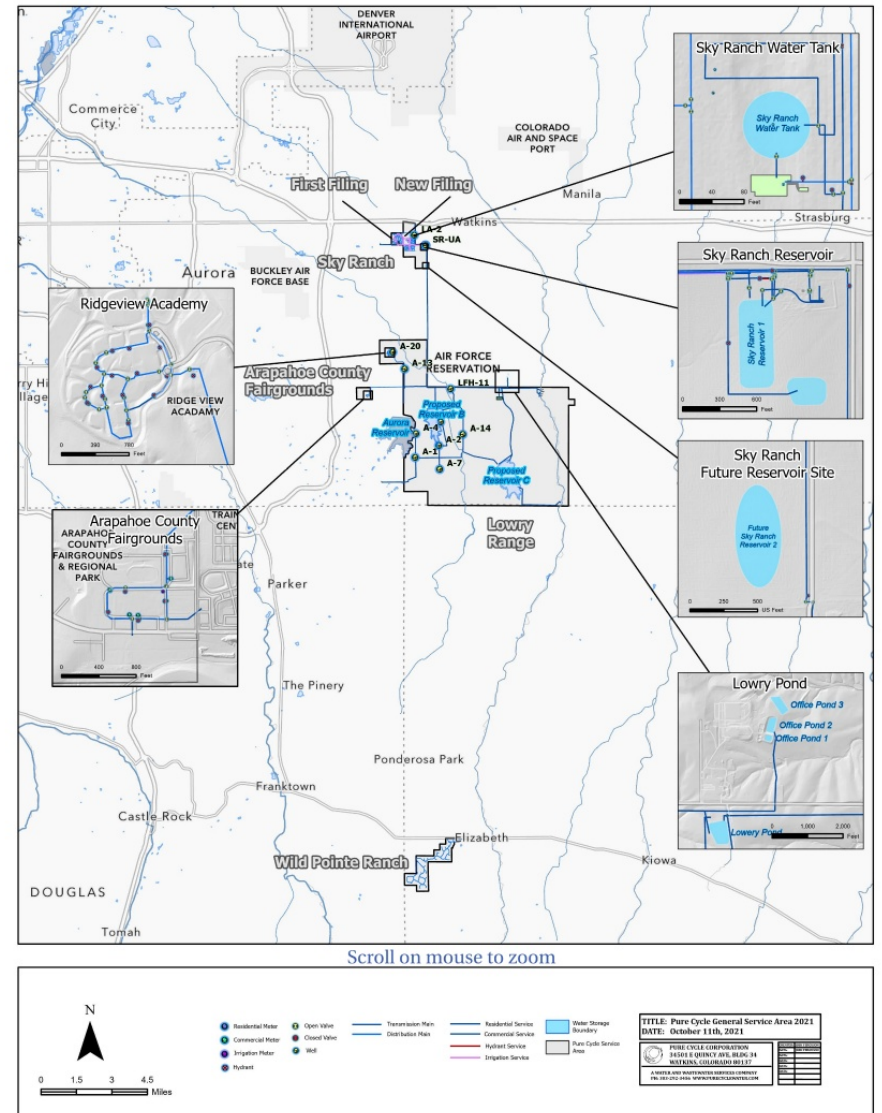
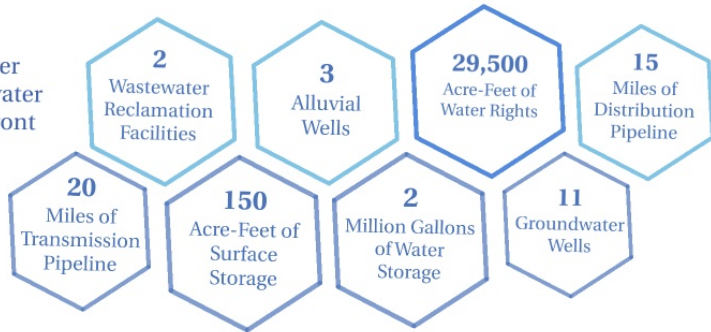
All major infrastructure is in service to support phase 2 of the Sky Ranch Development

## Water Assets (Net)

In millions



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



# Water Services

## Growth from:

### ***New Residential***

New service customers added with every neighborhood  
Avg. residential customer generates \$1,500 per year in revenue

### ***New Commercial***

Future Sky Ranch  
commercial phases

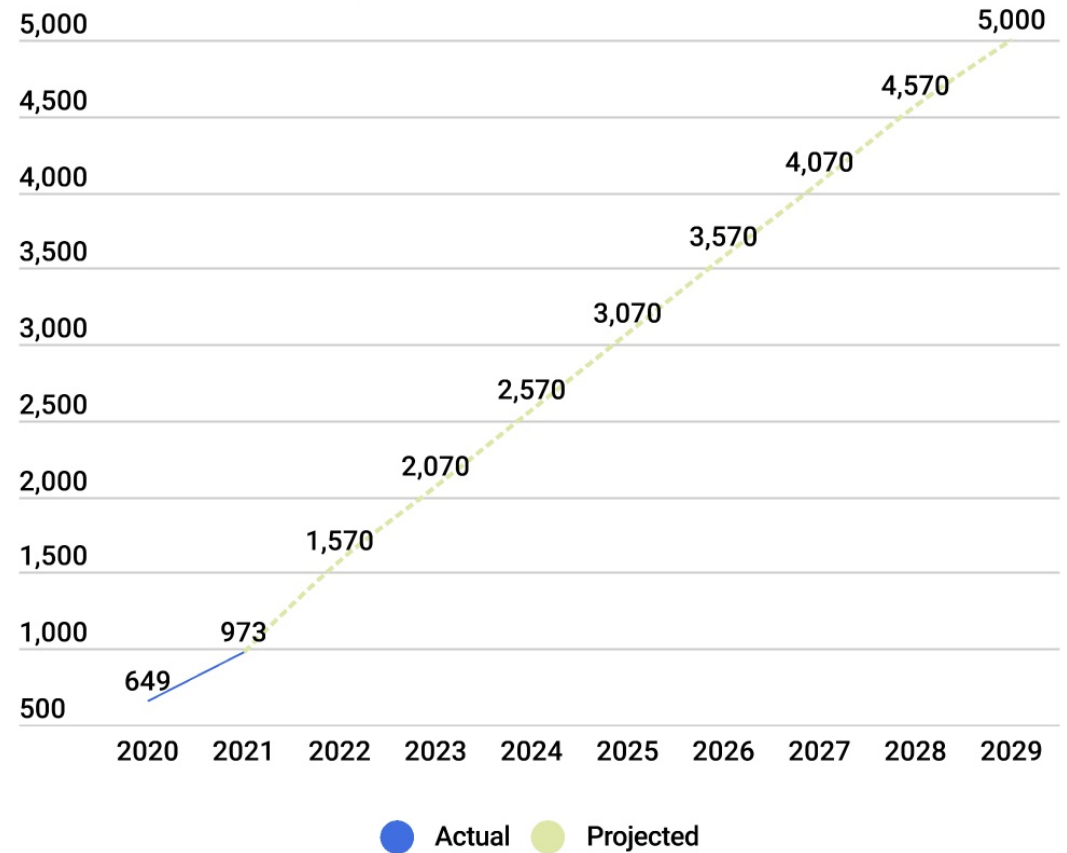
### ***Existing Residential***

Elbert and Hwy 86 Residents

### ***Existing Commercial***

Elbert and Hwy 86  
commercial customers

## Monthly Water Customers



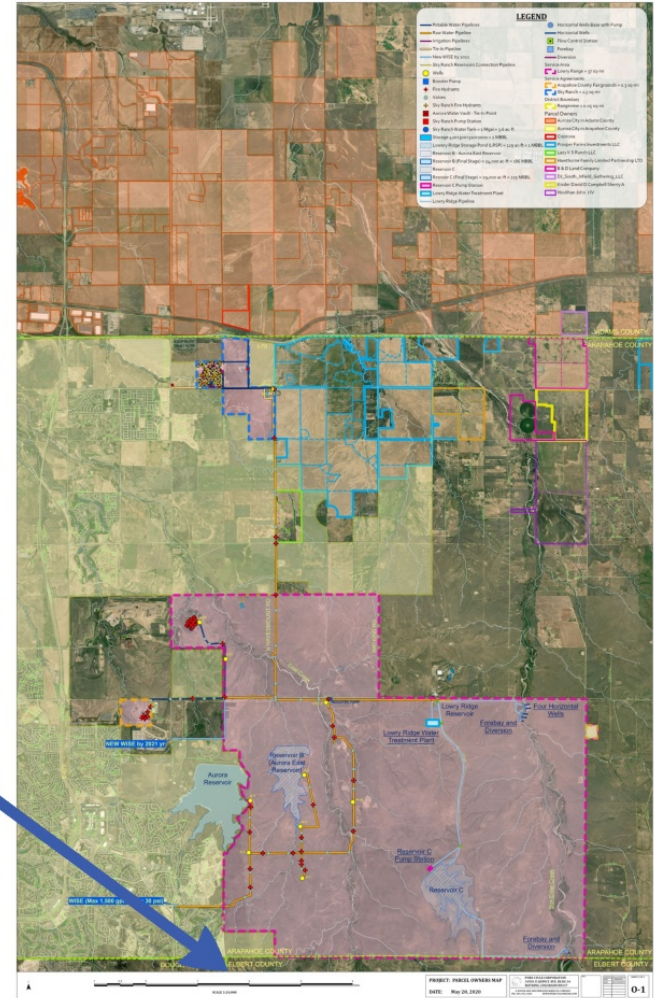




# DEVELOPMENT ENCROACHMENT TO LOWRY RANGE



View looking north of development encroachment on Lowry Range exclusive Service Area





# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecycletwater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

# 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 SFE's)
- 15 miles east of downtown Denver and 4 miles south of DIA



## SKY RANCH - PHASE 1

99% complete

- All lots delivered (509)
- As of 2/28/2022 there were approximately 405 occupied homes
- 500 of 505 taps sold
- Estimated that homes will be fully sold out by the end of Q3-2022
- Received \$10.5 million of reimbursables and recorded more than \$22.7M in receivables including project management fees and related interest income
- Recognized \$36.7 million in lot revenue to date
- Recognized \$15.1 million in tap fees to date



PARTNERING  
HOMEBUILDERS





## SKY RANCH - PHASE 1

99% complete

- All lots delivered (509)
- As of 2/28/2022 there were approximately 405 residents
- 500 of 505 taps sold
- Estimated that homes will be fully sold out by the end of Q3-2022
- Received \$10.5 million of reimbursables and recorded more than \$20M in receivables including project management fees and related interest income
- Recognized \$36.7 million in lot revenue to date
- Recognized \$14.2 million in tap fees to date



PARTNERING  
HOMEBUILDERS



## SKY RANCH - PHASE 2 OVERVIEW

- Approximately 850 lots in total
  - 804 lots under contract with home builders
  - 46 lots reserved for rental business with an additional 100 potential plats
- Initial lots expected to be delivered spring 2022
- Will include new Charter School directly north of this phase. Opening August 2023
- Estimated lot revenues of \$70 million
- Estimated tap fees of \$20.9 million
- Estimated \$61.1 million of reimbursable costs with \$10.1 million to date
- Estimated \$73.4 million in total development costs

### PARTNERING HOMEBUILDERS

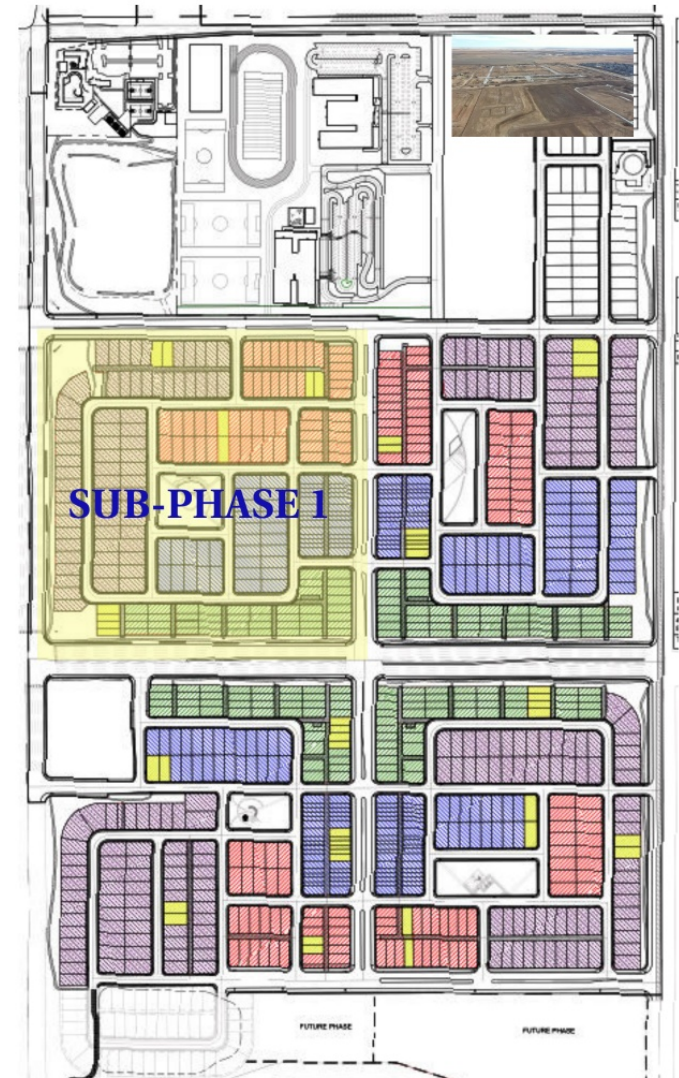
**D·R·HORTON**<sup>®</sup>  
*America's Builder*



**CHALLENGER**  
HOMES

**LENNAR**<sup>®</sup>

**kb**  
HOME







## SKY RANCH - PHASE 2 OVERVIEW

- Approximately 850 lots in total
  - 804 lots under contract with home builders
  - 46 lots reserved for rental business with an additional 100 potential plats
- Initial lots expected to be delivered spring 2022
- Will include new Charter School directly north of this phase. Opening August 2023
- Estimated lot revenues of \$70 million
- Estimated tap fees of \$20.9 million
- Estimated \$61.1 million of reimbursable costs with \$10.1 million to date
- Estimated \$73.4 million in total development costs

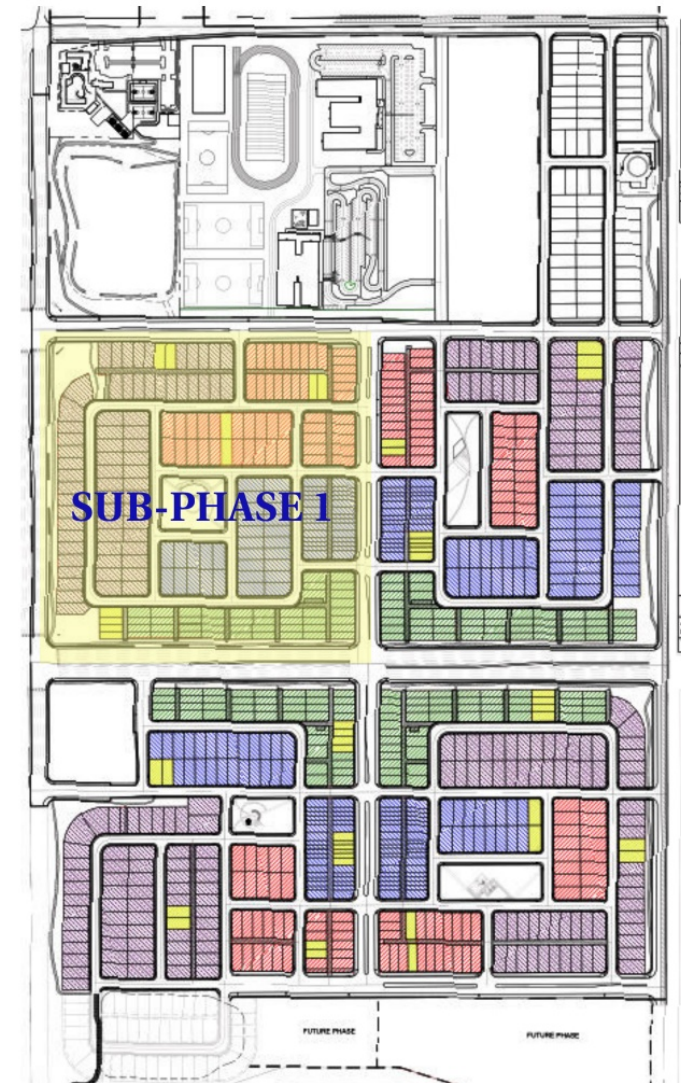
### PARTNERING HOMEBUILDERS

**D·R·HORTON**<sup>®</sup>  
*America's Builder*

**CHALLENGER**  
HOMES

**LENNAR**<sup>®</sup>

**kb**  
HOME



# SKY RANCH PHASE 2

## Financial And Quantitative Data

Subphase 1 (229 LOTS)		
Lot Revenue	\$	18.4m
Tap Revenue		5.6m
Total Lot Costs		(20.1m)
Reimbursable*		16.7m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>20.6m</b>

Subphase 2 (211 LOTS)		
Lot Revenue	\$	17.0m
Tap Revenue		5.2m
Total Lot Costs		(18.3m)
Reimbursable*		15.2m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>19.1m</b>

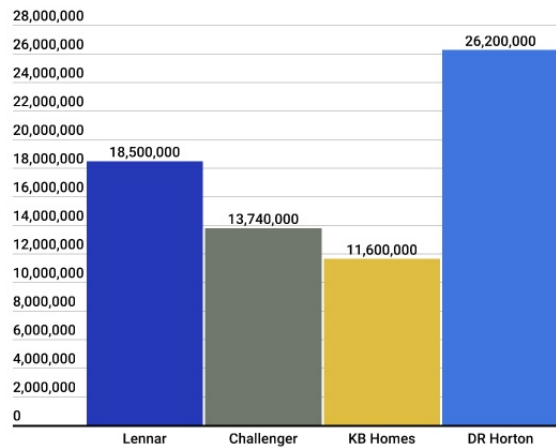
Subphase 3 (204 LOTS)		
Lot Revenue	\$	16.7m
Tap Revenue		5.0m
Total Lot Costs		(17.4m)
Reimbursable*		14.5m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>18.8m</b>

Subphase 4 (206 LOTS)		
Lot Revenue	\$	17.9m
Tap Revenue		5.1m
Total Lot Costs		(17.6m)
Reimbursable*		\$ 14.6m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>20.0m</b>

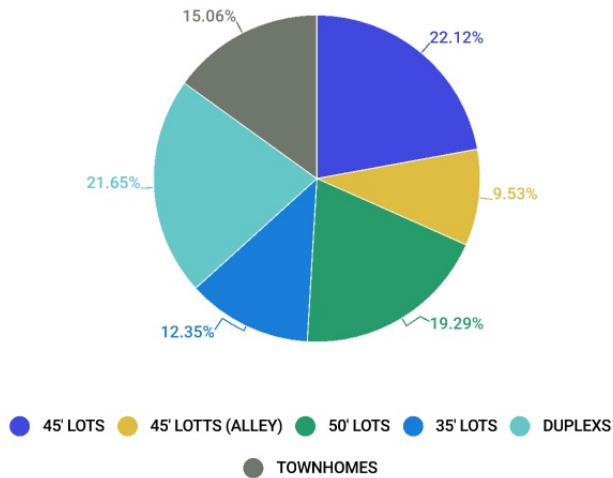
Phase 2 (850 LOTS)		
Lot Revenue	\$	70.0m
Tap Revenue		20.9m
Total Lot Costs		(73.4m)
Reimbursable*		61.0m
<b>GROSS PROCEEDS</b>	<b>\$</b>	<b>78.5m</b>

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

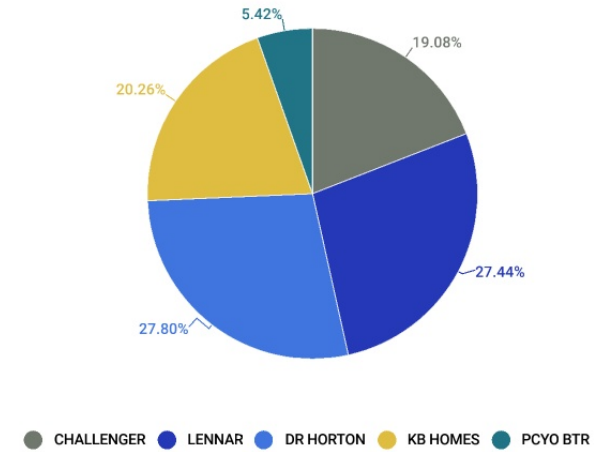
### TOTAL LOT SALES BY BUILDER



### TOTAL LOTS BY TYPE



### TOTAL LOTS BY BUILDER



# 1st SUB-PHASE OF 2nd DEVELOPMENT PHASE

## LOT CLOSING DASHBOARD

**Takedown 1** *COMPLETE*

DATE	8/25/2021
AMOUNT	\$ 3,846,000
BUILDERS	3
LDA PHASE	Platted Lots

**Takedown 2** *COMPLETE*

DATE	11/30/2021
AMOUNT	\$ 3,695,000
BUILDERS	3
LDA PHASE	Wet Utilities

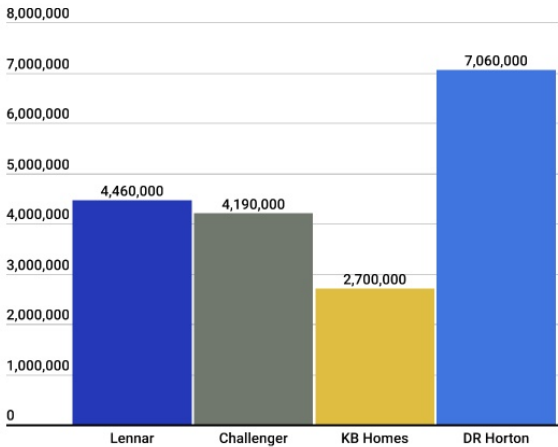
**Takedown 3** *PROJECTED*

DATE	7/31/2022
AMOUNT	\$ 10,850,000
BUILDERS	4
LDA PHASE	Finished Lots

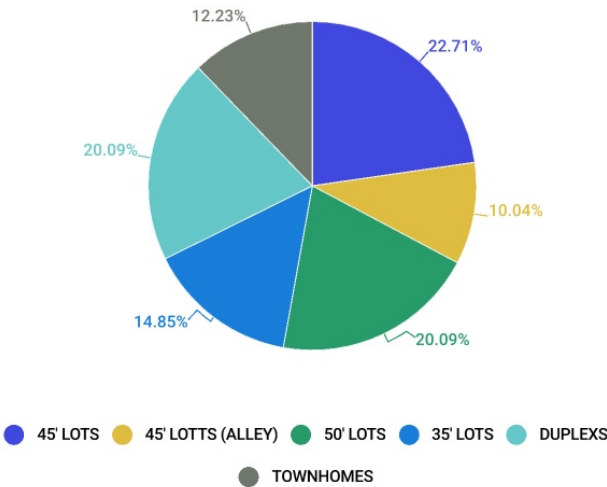
**Total** *PROJECTED*

**\$ 18,417,000**

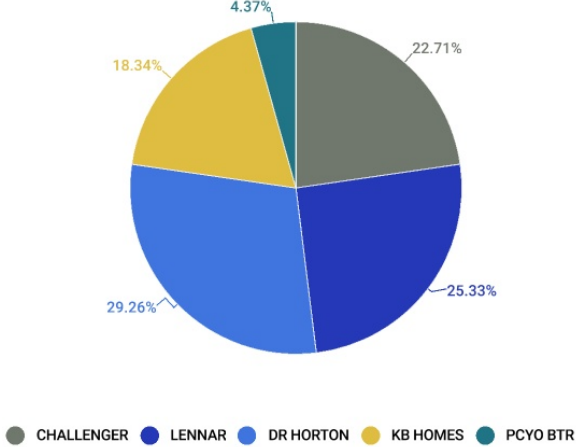
**LOT SALES BY BUILDER**



**LOTS BY TYPE**



**LOTS BY BUILDER**





# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

## Single-Family Rentals

We have contracted for 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, taking on a new role as property manager.

"The single-family rental 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

Phase 1 Progress

## Market Watch

- Steady increase in lease price while other rental types fell
- Detached and Townhomes, are more affordable per square foot and per bedroom
- Detached homes spend less days on market on average then other types rental units

## Our Single Family Rentals

- Rented first 3 homes above the average market price
- All 3 homes rented within 14 days of listing
- 4th home in Phase 1 under construction
- 10 homes in phase 2 completing home designs and file building permits this summer

### Denver Premier Leasing Agents

## RENTAL MARKET REPORT

September 2021



■ Detached ■ Townhomes ■ Condominiums ■ Multi-Family ■ Apartments ■ All

Denver Metro Counties: Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park, Weld

© 2021 Rental Listing Data Compliments of RE COLORADO®

## Pro Forma Income/house

	<b>Pro Forma Single house Monthly</b>	<b>Pro forma Single house Annualized</b>
Rental Income	\$ 2,820	\$ 33,840
Operations, repairs and maintenance	150	1,800
Property taxes and insurance	400	4,800
Interest expense	950	11,400
	<b>\$ 1,320</b>	<b>\$ 15,840</b>

## Assumptions

- Rental income is the average actual monthly lease rates on the three initial homes
- 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

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

Annualized  
Average  
Estimated  
Rental Revenue  
per Home of  
\$34K

Annualized  
Average  
estimated cash  
flow per Home  
of \$16K

Annualized  
Estimated  
Capitalization  
Rate <sup>1</sup>  
5% <sup>1</sup>

# PHASE 1 - 4 RENTAL HOMES

March 2021



Approval to start date

May 2021



Utilities complete & vertical construction in progress!

June 2021



Final stages of framing

November 2021



3 Units fully occupied!

Capitalized costs	\$368K
Financed costs	\$333K
Fair market value	\$547K

- Flexible debt usage, up to 70% of appraised value
- Low cost capital (3.75%)
- House appraisal value estimated at \$547,000 based on homes sold in Sky Ranch per NMLS
- Annual appreciation estimated at 4% per year
- 4th rental home started March 2022!





# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

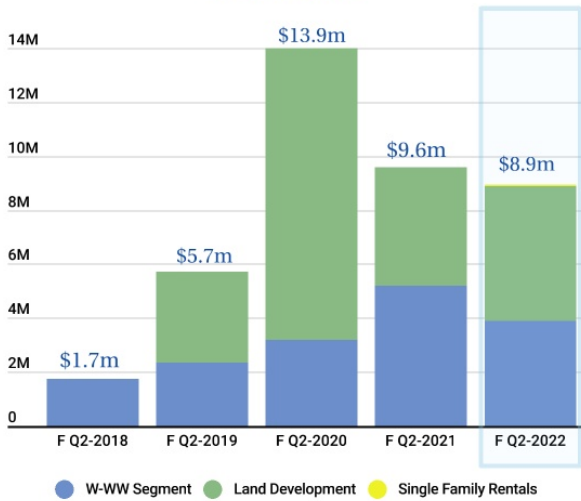
SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development

# SIX MONTHS ENDED FEBRUARY 28, 2022

## REVENUE



## OPERATING INCOME



## NET INCOME



## WATER & WASTEWATER



- \$53.3m in water assets (net)
- 834 total customers
- 27 residential customers added in Q2-2022
- 137 million gallons delivered in Q2-2022

## LAND DEVELOPMENT



- Phase 2 Subphase 1 57.6% complete
- \$33m in reimbursable public improvements
- 83% gross margin on lots sales

## SINGLE FAMILY RENTALS



- \$1m in assets with an approximate market value of \$1.6m
- Fully occupied
- 4th lot under construction
- 10 new lots under development

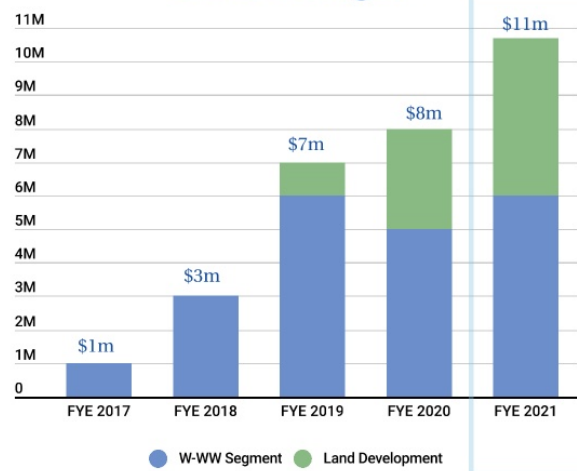
# 5 YEAR PERFORMANCE

## Shareholder Value

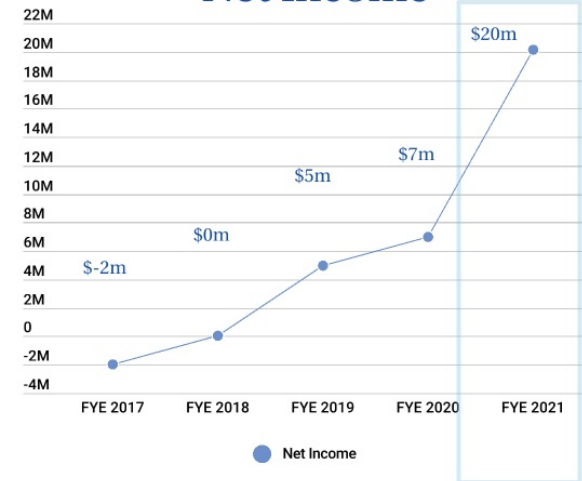
### Revenue



### Gross Margin



### Net Income\*



\*2021 net income positively impacted by recognition of \$16.4m of reimbursables (net of \$5.3m of tax)

## CAPITAL ALLOCATION PRIORITIES

### Investing in Business Segments



- Land
- Water & Wastewater
- Single Family Rentals

### M & A Growth



- Land
- Water
- Sustained pipeline of acquisitions

### Shareholder Return



- Corporate execution
- land/water acquisitions
- Share repurchase
- Dividend

# BALANCE SHEET

## PURE CYCLE CORPORATION CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)

	February 28, 2022	August 31, 2021
	(unaudited)	
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,215	\$ 20,117
Trade accounts receivable, net	2,038	1,532
Prepaid expenses and other assets	975	458
Land under development	1,080	608
Notes receivable - reimbursable public improvements - related party	16,000	16,000
Total current assets	25,308	38,715
Restricted cash	2,328	2,327
Investments in water and water systems, net	53,250	53,786
Construction in progress	2,731	3,304
Single-family rental units	997	—
Land and mineral rights:		
Held for development	7,872	5,924
Held for investment purposes	451	451
Other assets	2,494	2,591
Notes receivable – related parties, including accrued interest:		
Reimbursable public improvements	16,963	8,794
Other	884	1,163
Operating leases - right of use assets, less current portion	83	122
Total assets	\$ 113,361	\$ 117,177
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 873	\$ 1,787
Accrued liabilities	1,005	1,224
Accrued liabilities – related parties	668	2,881
Income taxes payable	87	4,163
Deferred lot sale revenues	1,203	1,995
Deferred water sales revenues	439	410
Debt, current portion	12	—
Total current liabilities	4,287	12,460
Participating interests in export water supply	324	325
Debt, less current portion	988	—
Deferred tax liability, net	1,410	1,615
Lease obligations - operating leases, less current portion	—	37
Total liabilities	7,009	14,437
<b>Commitments and contingencies</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
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 \$.01 per share, 40.0 million authorized; 23,958,522 and 23,916,633 outstanding, respectively	80	80
Additional paid-in capital	173,918	173,513
Accumulated deficit	(67,646)	(70,853)
Total shareholders' equity	106,352	102,740
Total liabilities and shareholders' equity	\$ 113,361	\$ 117,177

# INCOME STATEMENT

## PURE CYCLE CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(In thousands, except share information)	Three Months Ended		Six Months Ended	
	February 28, 2022	February 28, 2021	February 28, 2022	February 28, 2021
<b>Revenues:</b>				
Metered water usage from:				
Municipal customers	\$ 83	\$ 74	\$ 404	\$ 241
Commercial customers	1,527	583	1,913	1,782
Wastewater treatment fees	64	51	119	93
Water and wastewater tap fees	913	1,583	1,174	2,666
Lot sales	1,629	515	4,574	2,871
Project management fees	200	1,548	448	1,548
Single-family rentals	26	—	34	—
Special facility projects and other	222	385	270	406
<b>Total revenues</b>	<b>4,664</b>	<b>4,739</b>	<b>8,936</b>	<b>9,607</b>
<b>Expenses:</b>				
Water service operations	570	213	859	758
Wastewater service operations	99	64	228	156
Land development construction costs	295	269	826	1,988
Project management costs	46	—	46	—
Single-family rental costs	4	—	7	—
Depletion and depreciation	352	354	706	719
Other	141	363	219	387
<b>Total cost of revenues</b>	<b>1,507</b>	<b>1,263</b>	<b>2,891</b>	<b>4,008</b>
General and administrative expenses	1,552	1,342	2,876	2,428
Depreciation	97	76	182	160
<b>Operating income</b>	<b>1,508</b>	<b>2,058</b>	<b>2,987</b>	<b>3,011</b>
<b>Other income:</b>				
Interest income - related party	525	1,448	888	1,463
Recognition of public improvement reimbursables - related party	—	18,894	—	18,894
Reimbursement of construction costs - related party	—	485	—	485
Oil and gas royalty income, net	110	76	207	151
Oil and gas lease income, net	48	48	96	100
Other	14	10	25	20
Interest expense, net	(11)	—	(18)	—
<b>Income from operations before income taxes</b>	<b>2,194</b>	<b>23,019</b>	<b>4,185</b>	<b>24,124</b>
Income tax expense	501	5,667	978	5,927
<b>Net income</b>	<b>\$ 1,693</b>	<b>\$ 17,352</b>	<b>\$ 3,207</b>	<b>\$ 18,197</b>
<b>Earnings per common share - basic and diluted</b>				
Basic	\$ 0.07	\$ 0.73	\$ 0.13	\$ 0.76
Diluted	\$ 0.07	\$ 0.72	\$ 0.13	\$ 0.76
<b>Weighted average common shares outstanding:</b>				
Basic	23,944,141	23,881,655	23,931,307	23,874,198
Diluted	24,184,161	24,092,349	24,194,579	24,064,414



## LEADERSHIP AND BOARD OF DIRECTORS

**Mark W. Harding**

*President and CEO*

**Kevin B. McNeill**

*Vice President and CFO*

**Patrick J. Beirne**

*Chairman of the Board*

**Peter C. Howell**

*Director and Chairman of  
the Audit Committee*

**Jeffrey G. Sheets**

*Director*

**Wanda J. Abel**

*Director and Chairman of the  
Nominating and Governance  
Committee*

**Daniel R. Kozlowski**

*Director and Chairman of  
the Compensation  
Committee*

**Fredrick A. Fendel III.**

*Director*

## CONTACT AND COMPANY INFORMATION

# Questions?

### CORPORATE HEADQUARTERS

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

### CONTACT INFO

info@purecyclewater.com

303-292-3456

www.purecyclewater.com

Follow us on twitter  
@PureCycleCorp 

### STOCK INFO

Ticker symbol (NASDAQ Capital  
Market): PCYO

Shares outstanding: 23.9 million





# PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2022

NASDAQ: PCYO  
www.purecyclewater.com  
@PureCycleCorp

COMPANY  
OVERVIEW

WATER &  
WASTEWATER

LAND  
DEVELOPMENT

SINGLE FAMILY  
RENTALS

FINANCIAL  
RESULTS

Presented by Mark Harding, CEO | Kevin McNeill, CFO | Dirk Lashnits, VP Land Development