



PURE CYCLE CORPORATION

EARNINGS PRESENTATION FOR THE YEAR ENDED AUGUST 31, 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.

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
- 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



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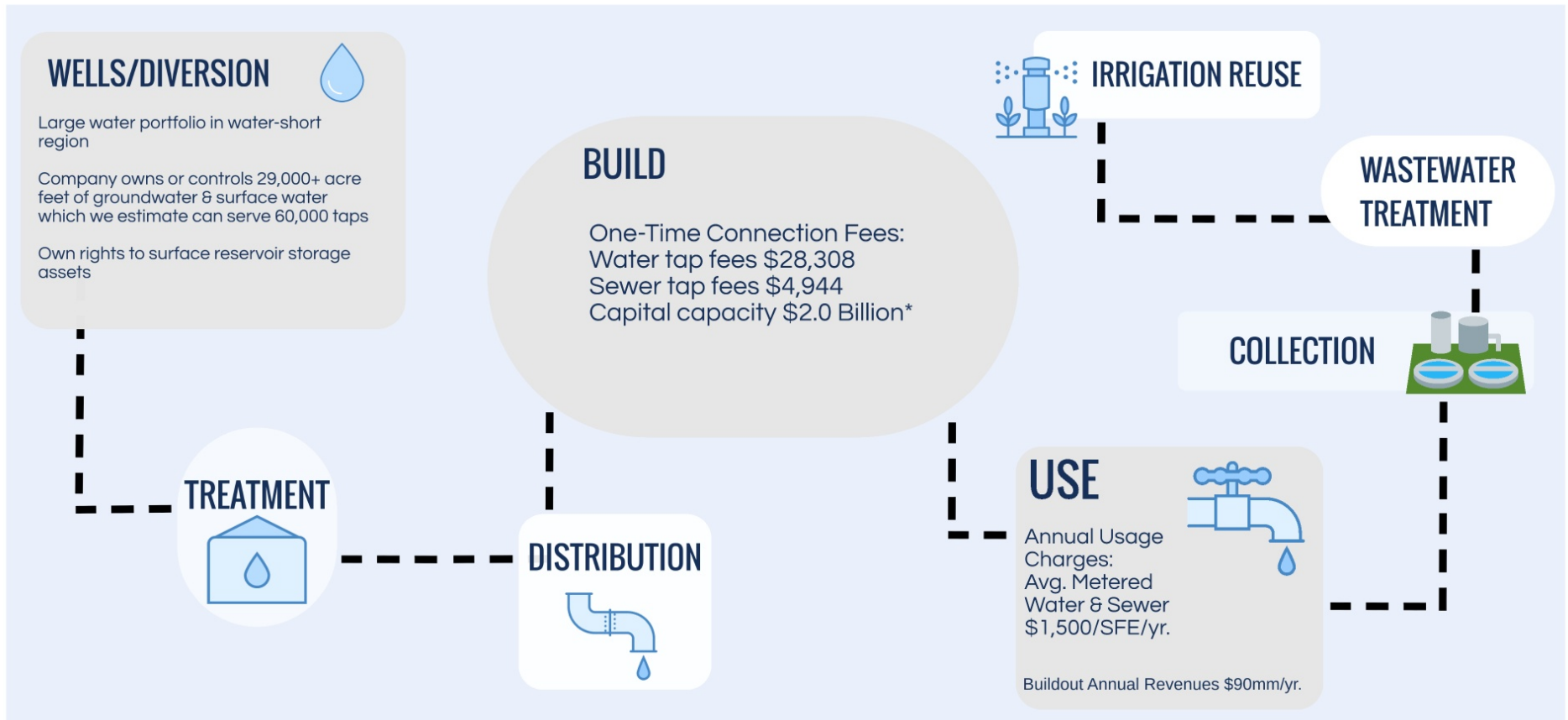
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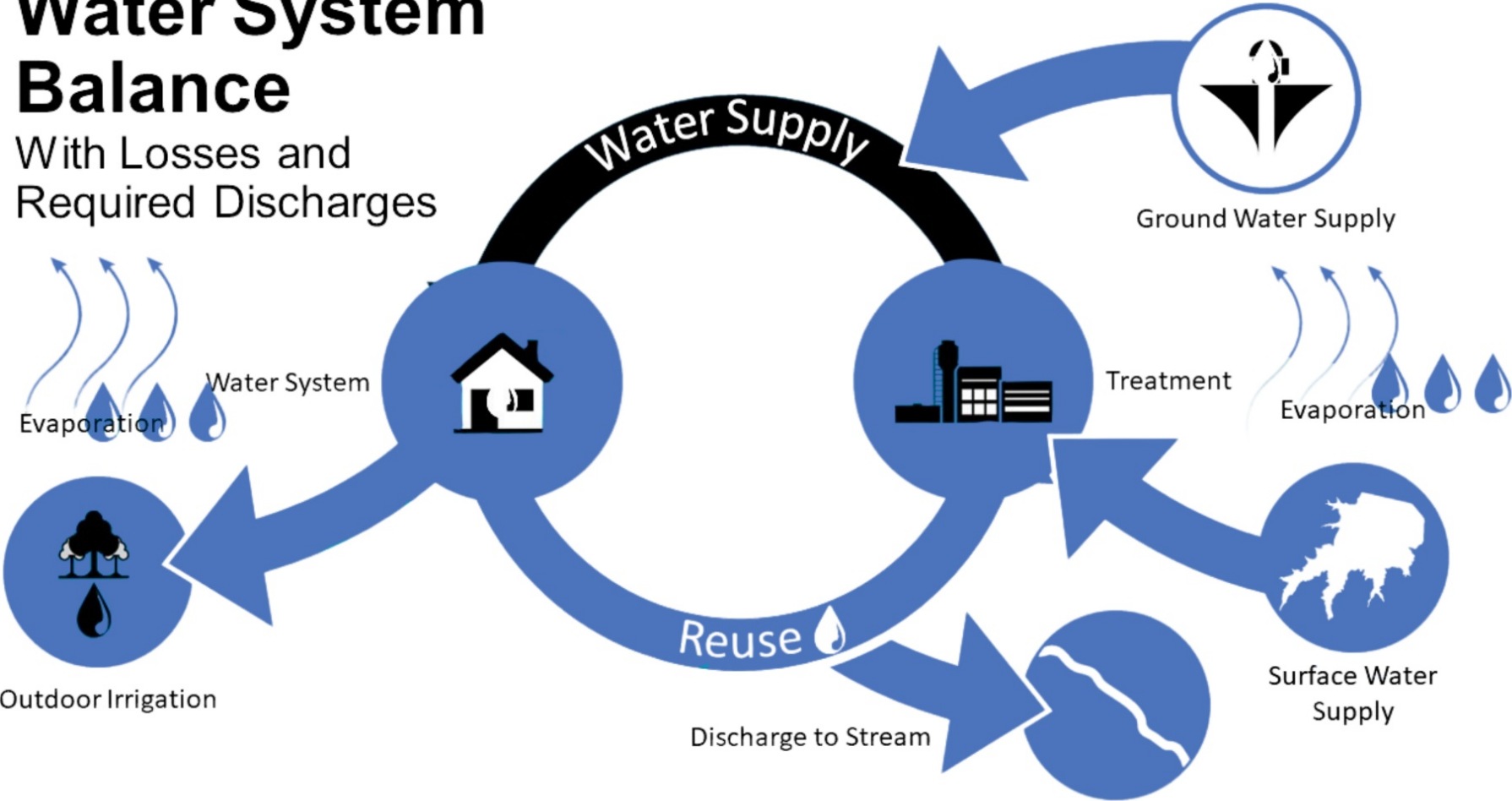
Wholesale Water & Wastewater

Principal business interests are to deliver wholesale water and wastewater service



Water System Balance

With Losses and Required Discharges



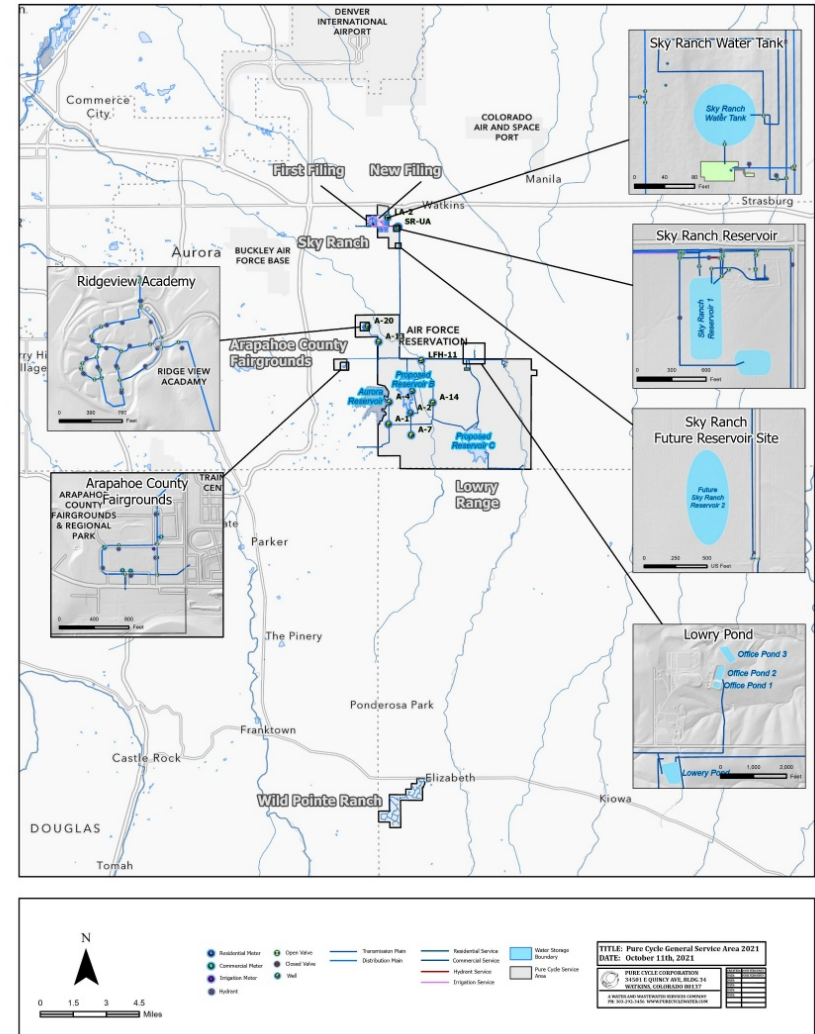
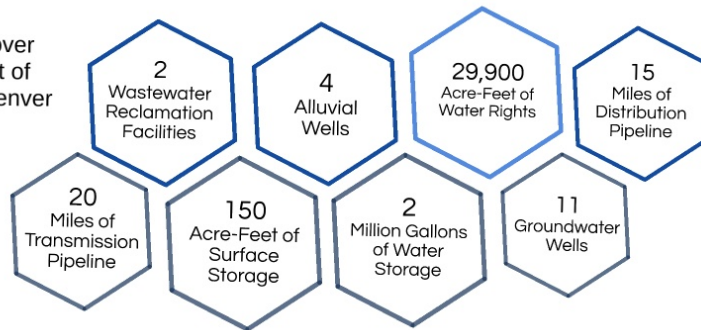
Water Infrastructure

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

Water Assets (at cost)



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



Water Services

Growth from...

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

Existing Residential

- **Sky Ranch Phase 1**
 - all taps sold for 509 homes
- **Sky Ranch Phase 2**
 - 113 taps sold as of 8/31/2022
- Elbert and Hwy 86 - more than 180 residents

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 CAB

Existing Commercial

- Elbert and Hwy 86 commercial customers include a Walmart, carwash, and fitness center
- 3 parks and additional irrigated space for Sky Ranch CAB
- more irrigated space to come in Phase 2A in 2023
- Largest commercial customers are oil and operators - record sales to these customers in 2022

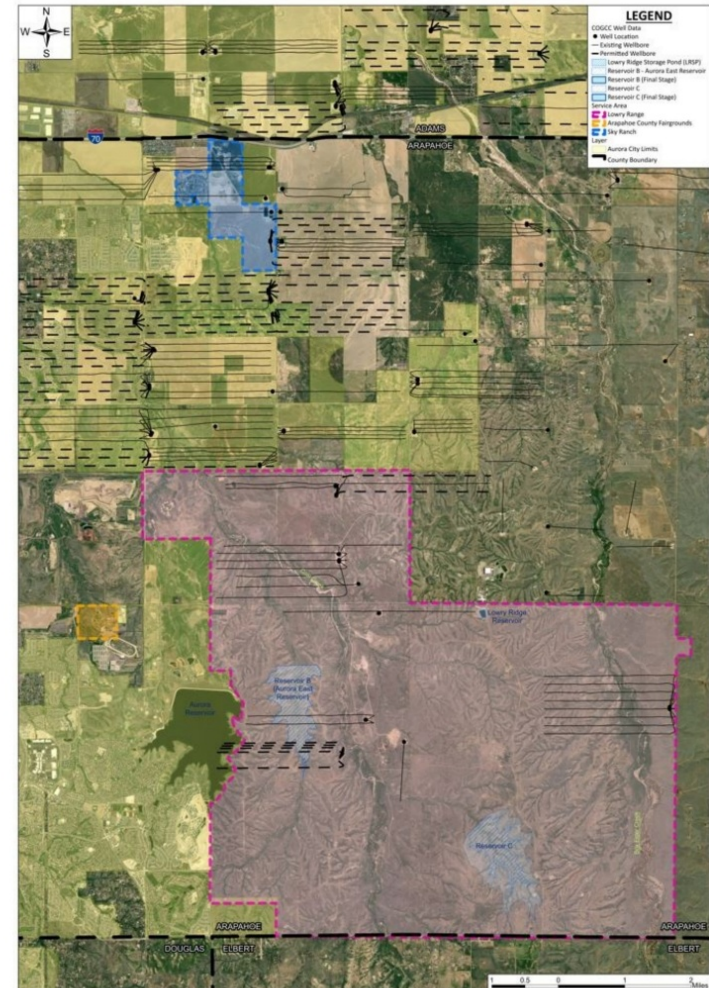
OIL & GAS

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
- Thousands of wells possible
- Average \$250,000 per well

More than 200 square miles in Adams & Arapahoe Counties





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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

100% complete

- All lots delivered (509)
- As of 8/31/2022 all lots delivered with homes built or in final stages of construction
- Estimated that homes will be fully sold out by the end of 2022
- All 505 taps sold (4 units remain with PCYO for SFR)
- 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

Phase 2A - 76% complete



PARTNERING HOMEBUILDERS

D-R-HORTON
America's Builder

CHALLENGER
HOMES

LENNAR

kb
HOME

- Approximately 850 lots in total
 - 804 lots under contract with home builders
 - 46 lots reserved for rental business with an additional 100 potential plats
- All 229 finished lots in Phase 2A delivered by August 31, 2022
- New charter school directly north of this phase under construction - opening August 2023
- Estimated lot revenues of \$70 million (\$28M for Phase 2A)
- Estimated tap fees of \$20.9 million (\$5.6M for Phase 2A)
- Estimated \$61.1 million of reimbursable costs with \$15 million accrued to date
- Estimated \$73.4 million in total development costs

SKY RANCH PHASE 2

Financial and Quantitative Data

Phase 2A (229 LOTS)

Lot Revenue**	\$	18.4m
Tap Revenue		5.6m
Total Lot Costs		(20.1m)
Reimbursable*		16.7m
GROSS PROCEEDS	\$	20.6m

Phase 2B (211 LOTS)

Lot Revenue**	\$	17.0m
Tap Revenue		5.2m
Total Lot Costs		(18.3m)
Reimbursable*		15.2m
GROSS PROCEEDS	\$	19.1m

Phase 2C (204 LOTS)

Lot Revenue**	\$	16.7m
Tap Revenue		5.0m
Total Lot Costs		(17.4m)
Reimbursable*		14.5m
GROSS PROCEEDS	\$	18.8m

Phase 2D (206 LOTS)

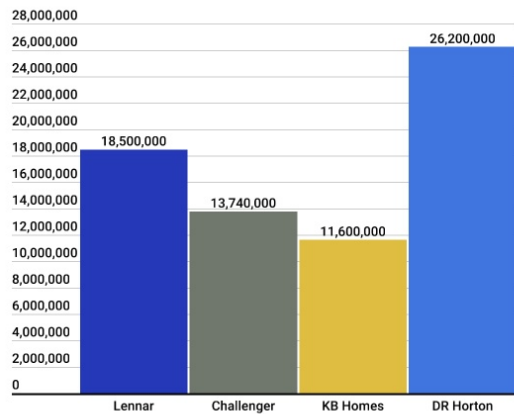
Lot Revenue**	\$	17.9m
Tap Revenue		5.1m
Total Lot Costs		(17.6m)
Reimbursable*		\$ 14.6m
GROSS PROCEEDS	\$	20.0m

Phase 2 (850 LOTS)

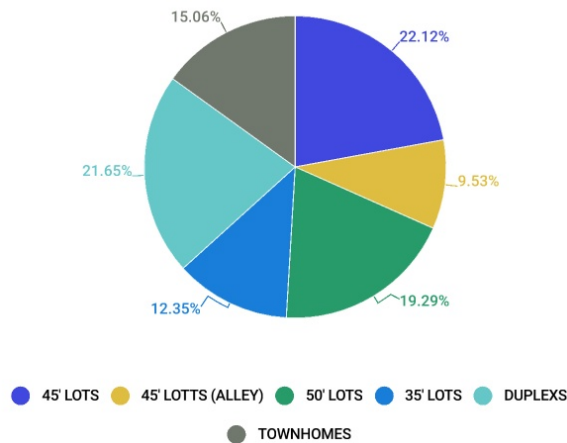
Lot Revenue **	\$	70.0m
Tap Revenue		20.9m
Total Lot Costs		(73.4m)
Reimbursable*		61.0m
GROSS PROCEEDS	\$	78.5m

*Reimbursable costs are public improvements reimbursable from the Sky Ranch Community Authority Board
 ** Lot revenue does not include potential price escalators

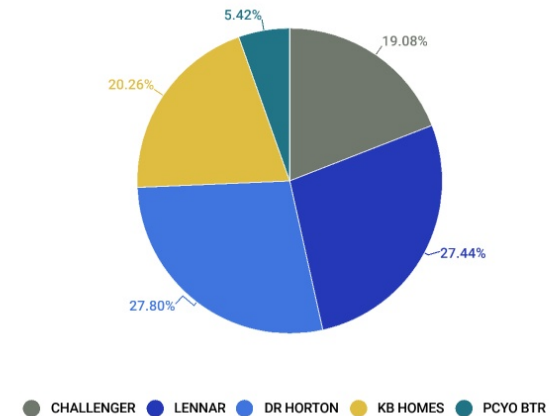
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER



Sky Ranch Academy

- Sold 32 acres to National Heritage Academy for \$1.6 million, and made cash-in-lieu payment to Bennett School District for \$1.6 million
- Located at the center of our Sky Ranch Community
- Groundbreaking on June 24, 2022
- School Opening Dates:

Grades K-7 opening August 2023
for 2023-2024 school year

Grades 9-10 opening August
2025



Market Conditions

Pent-up demand for new home sales
2005/2006 - 1.4M
2021/2022 - 600K

Short-term mortgage options
2:1 buy downs

Low unemployment

House price appreciation

Lower average days on market (June/Jan.)
Typical - 60/90
Current - 30/60

+
The GOOD

Interest Rates
Abrupt uptick in 2022 - 3% to 7%

Historically: 70s - 9%, 80s - 13%, 90s - 8%, 2000s - 6%, 2010s - 4%

Contracting Market
Home sales down 17% year over year

Sept. mortgage applications down 40% year over year

Builder confidence down 10th month in a row

-
The BAD

Material and Labor Costs
Avg. 2-6% increase per year over last 20 yrs

Up around 20% since last year

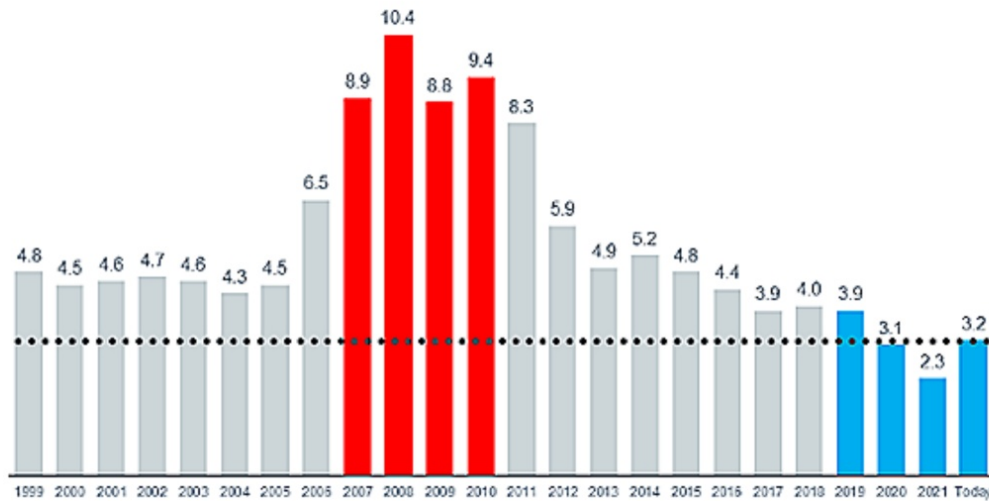
Up over 40% since pandemic

Recalibrate: **CORRECTION, NOT COLLAPSE**
Recalibration for Sky Ranch - timing on lot deliveries

Housing Statistics

Supply of Homes Is Nothing Like Last Time

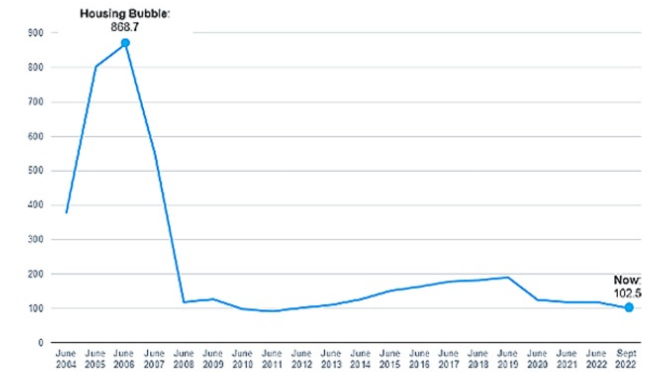
Annual Average of Months' Supply of Homes for Sale, 1999-2022



Source: NAR

Lending Standards Still Under Control

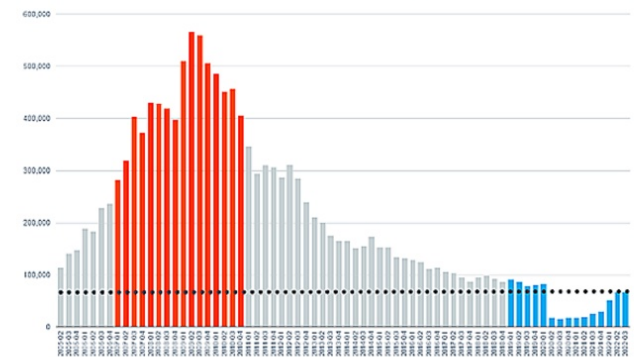
Historic Data for the Mortgage Credit Availability Index (MCAI)



Source: MBA

Foreclosure Starts: Then and Now

Lenders Started the Process on 67,249 U.S. Properties in Q3 2022



Source: ATTOM Data



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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 an experience home builder 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**

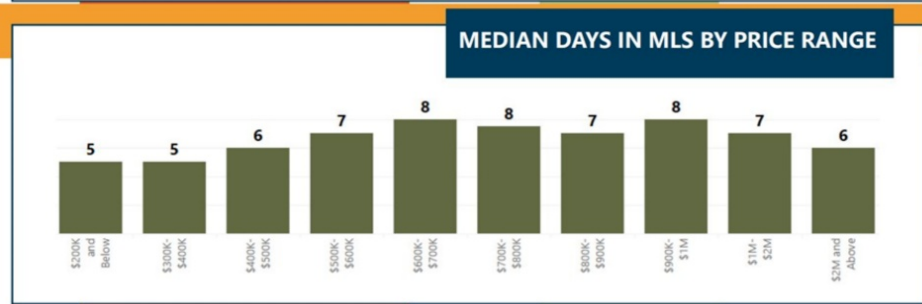
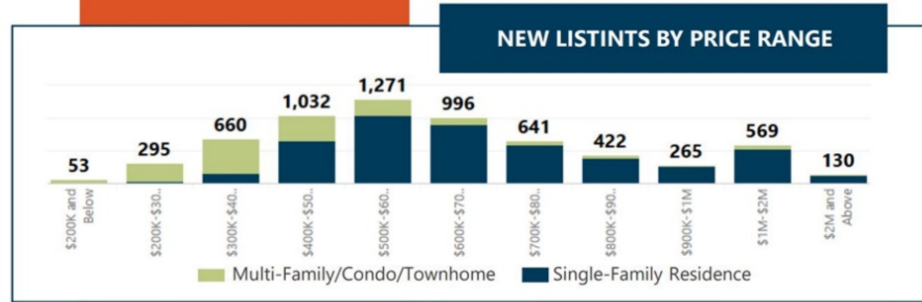
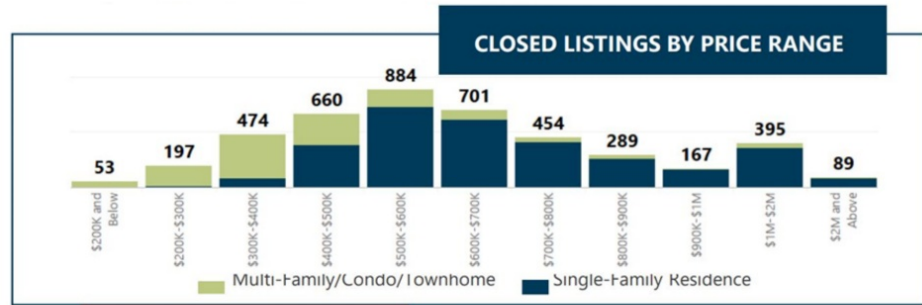
Progress

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 than other types of rental units

Our Single Family Rentals

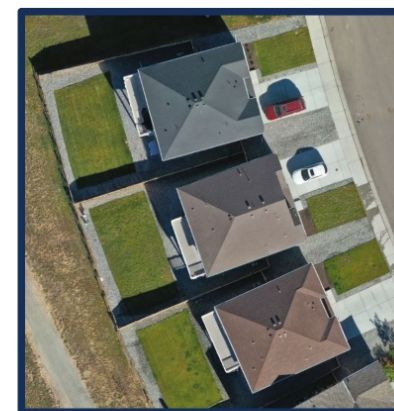
- Rented first 3 homes above the average market price
- All 3 homes rented within 14 days of listing
- 4th home in Phase 1 under construction
- 10 homes in Phase 2A under construction



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 50 homes/yr
Rental Income	\$ 82	\$ 98	\$ 33	\$ 459	\$ 1,640
Operating Costs	30	36	12	168	600
G&A, Interest and Depreciation Expense	31	37	12	174	620
Net operating income	\$ 21	\$ 25	\$ 8	\$ 118	\$ 420
Add back non-cash items	23	28	9	129	460
Cash flows from operations	\$ 44	\$ 53	\$ 18	\$ 246	\$ 880

*ten months ended 8/31/2022



PHASE 1 - 4 RENTAL HOMES

March 2021



May 2021



June 2021



November 2021



August 2022



Capitalized costs	\$1.7M
Financed costs	\$1.0M
Fair market value	\$2.2M

- Initial Three Homes Financed with our Bank
- Flexible debt usage up to 70% of appraised value
- Low cost capital (3.75 - 4.25%)
- 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 to be delivered in November 2022!

PHASE 2A - 10 RENTAL HOMES

- More diverse product mix with:
 - 4 - duplex homes
 - 4 - 35' alley load homes
 - 2 - 45' detached homes
- Price ranges in rental units from \$2,400 - \$3,000/month





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Our Year in Review!



WATER & WASTEWATER

- \$67.4 m in water assets (cost)
- Acquired 370 acre-feet of Lost Creek Water (for \$3.7M with \$3M financed)
- 404.9 million gallons delivered in 2022



LAND DEVELOPMENT

- Phase 1 100% Complete, Phase 2A 76% complete
- \$24.1M in reimbursable public improvement payments received in 2022
- 85% gross margin on lots sales



SINGLE FAMILY RENTALS

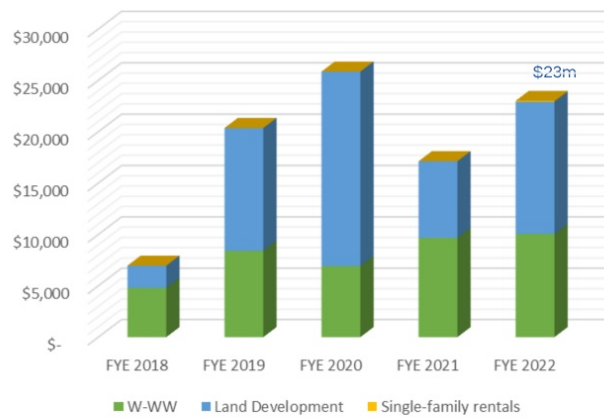
- \$1m in completed assets with an approximate market value of \$1.6m
- \$1M of financing for first 3 lots
- Fully occupied
- 11 lots under construction



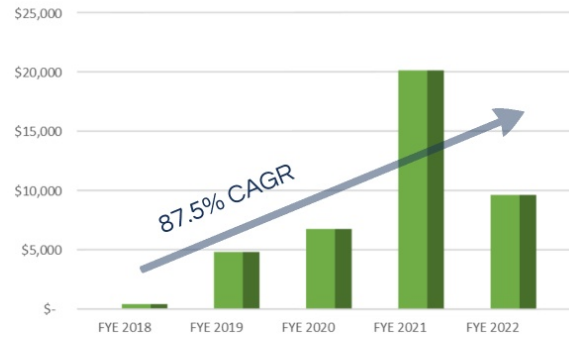
5 YEAR PERFORMANCE

Shareholder Value

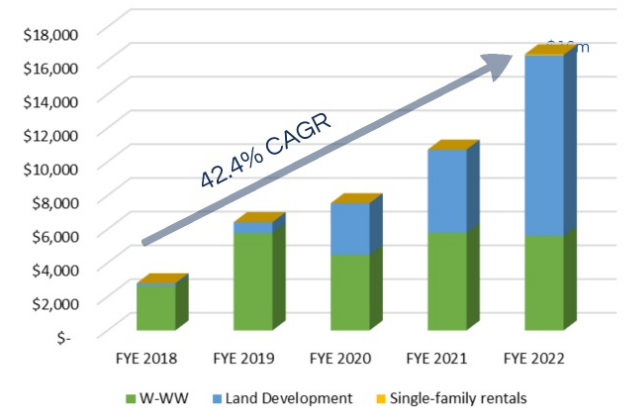
Revenue (thousands)



Net Income (thousands)



Margin (thousands)



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

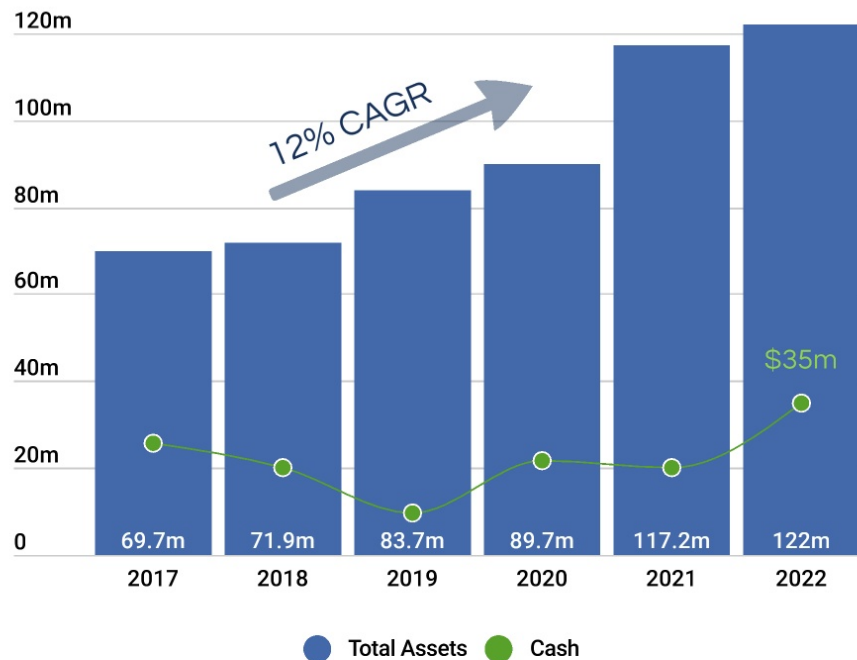
5 Year Asset Growth



Strong asset growth of **75%** over the last five years driven by strategic investments and operational excellence.



The compound annual growth rate of **11.85%** (CAGR) represents the company's ability to utilize its assets to generate returns



Environmental, Social & Governance

ESG

- Employment of an ESG Initiatives Specialist
- Development of an ESG Policy - first annual ESG Report to be issued in November 2022
- Added an ESG page on company website
- Implemented an ESG strategy that involves:
 - Adherence to an ESG framework for data disclosure guidance
 - Implementation of an ESG data management software to assess, track, and report ESG metrics



E

- Updated Environmental Policy
- Began assessing, tracking, and disclosing: energy management/usage, network efficiency, water usage and wastewater collection data



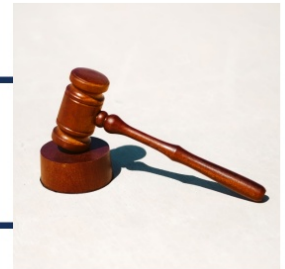
S

- Updated Human Rights Policy - improved a subset of "S" score by 6 points
- Developed a Labor, Health & Safety Policy - disclosed OSHA work-related incident data
- Began tracking and assessing employee satisfaction and water affordability/access
- Developed a staff diversity matrix



G

- Updated governance policies
- Developed a board diversity matrix required by NASDAQ - to be included in our 2022 Proxy to be mailed in December 2022



BALANCE SHEET

(In thousands, except shares)

ASSETS:

Current assets:

Cash and cash equivalents	\$ 34,894	\$ 20,117
Trade accounts receivable, net	2,425	1,532
Prepaid expenses and other assets	467	458
Land under development	—	608
Notes receivable - related party, reimbursable public improvements	—	16,000

Total current assets	37,786	38,715
Restricted cash	2,328	2,327
Investments in water and water systems, net	58,763	53,786
Construction in progress	1,224	3,304
Single-family rental units	975	—
Land and mineral rights:		
Held for development	6,773	5,924
Held for investment purposes	451	451
Other assets	2,463	2,591
Notes receivable – related parties, including accrued interest:		
Reimbursable public improvements	17,208	8,794
Other	1,120	1,163
Operating leases - right of use assets, less current portion	138	122
Total assets	\$ 129,229	\$ 117,177

LIABILITIES:

Current liabilities:

Accounts payable	\$ 849	\$ 1,787
Accrued liabilities	2,029	1,224
Accrued liabilities – related parties	560	2,881
Income taxes payable	2,530	4,163
Deferred lot sale revenues	4,275	1,995
Deferred water sales revenues	570	410
Debt, current portion	10	—
Total current liabilities	10,823	12,460
Participating interests in export water supply	323	325
Debt, less current portion	3,950	—
Deferred tax liability, net	1,075	1,615
Lease obligations - operating leases, less current portion	62	37
Total liabilities	16,233	14,437

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; 23,980,645 and 23,916,633 outstanding, respectively	80	80
Additional paid-in capital	174,150	173,513
Accumulated deficit	(61,234)	(70,853)
Total shareholders' equity	112,996	102,740
Total liabilities and shareholders' equity	\$ 129,229	\$ 117,177

INCOME STATEMENT

(In thousands, except share information)

	Year Ended	
	August 31, 2022	August 31, 2021
Revenues:		
Metered water usage from:		
Municipal customers	\$ 440	\$ 339
Commercial customers	4,107	3,299
Wastewater treatment fees	248	199
Water and wastewater tap fees	4,922	5,163
Lot sales	12,187	5,840
Project management fees	683	1,629
Single-family rentals	82	—
Special facility projects and other	334	656
Total revenues	<u>23,003</u>	<u>17,125</u>
Expenses:		
Water service operations	1,910	1,546
Wastewater service operations	501	370
Land development construction costs	1,990	2,535
Project management costs	176	—
Single-family rental costs	23	—
Depletion and depreciation	1,740	1,457
Other	289	494
Total cost of revenues	<u>6,629</u>	<u>6,402</u>
General and administrative expenses	5,893	5,139
Depreciation	385	315
Operating income	<u>10,096</u>	<u>5,269</u>
Other income:		
Interest income - related party	1,937	2,955
Recognition of public improvement reimbursables - related party	—	17,262
Reimbursement of construction costs - related party	—	485
Oil and gas royalty income, net	498	324
Oil and gas lease income, net	171	196
Other, net	93	99
Interest expense, net	(90)	—
Income from operations before income taxes	<u>12,705</u>	<u>26,590</u>
Income tax expense	<u>3,086</u>	<u>6,480</u>
Net income	<u>\$ 9,619</u>	<u>\$ 20,110</u>
Earnings per common share - basic and diluted		
Basic	<u>\$ 0.40</u>	<u>\$ 0.84</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.83</u>
Weighted average common shares outstanding:		
Basic	<u>23,953,740</u>	<u>23,890,792</u>
Diluted	<u>24,155,990</u>	<u>24,110,918</u>



SHARE REPURCHASE AUTHORIZATION / 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.

Important Upcoming Dates

- Mailing of Proxy Statement and Cards - **December 2, 2022**
- Annual Shareholders Meeting - **January 11, 2022**
- Issuance of ESG Report - **end of November 2022**



LEADERSHIP AND BOARD OF DIRECTORS

Mark W. Harding

President and CEO

Kevin B. McNeill

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

34501 E. Quincy Ave, BLDG 65, Suite A, Watkins, CO 80137

CONTACT INFO

info@purecyclewater.com
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: 23.8 million

Questions?



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