

 EARNINGS PRESENTATION FOR THE QUARTER
ENDED NOVEMBER 30, 2022

PURE CYCLE CORPORATION



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 29,900+ acre-feet 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 can have around 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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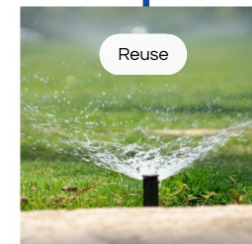
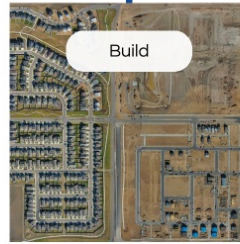
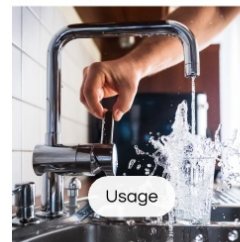
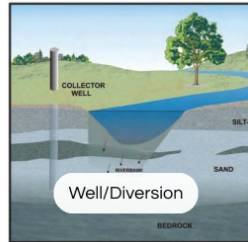
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Wholesale Water & Wastewater



Well/Diversion

- Vertically integrated in that we own, treat and sell water then collect, treat, and reuse wastewater
- Own and control 29,900+ acre feet of water
- Own rights to surface reservoir storage assets

Build

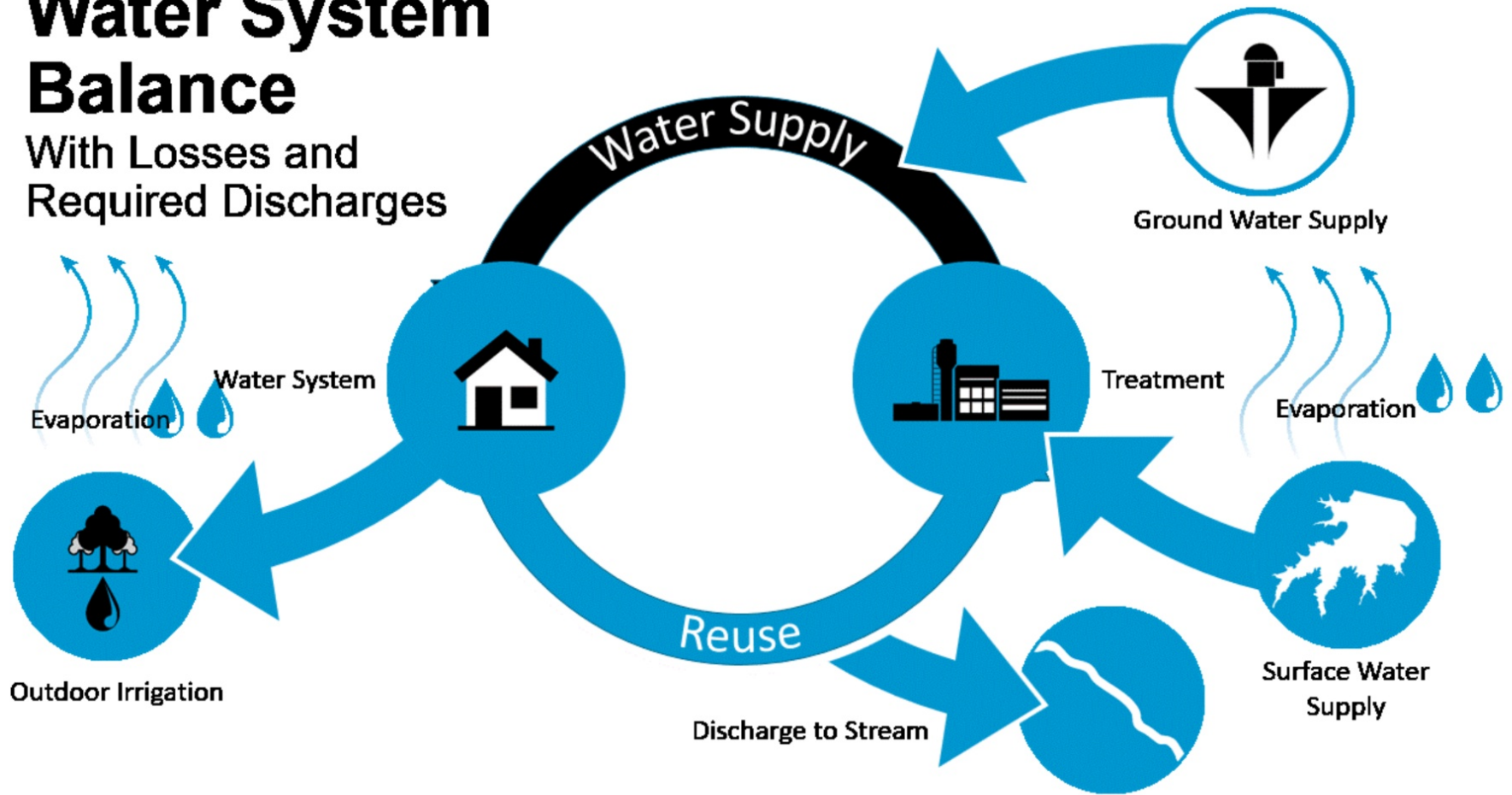
- Capacity to serve 60,000 taps
- Capital Capacity = \$2.0 billion
- One-Time Connection Fees:
- Water tap = \$28,308
- Sewer tap = \$4,944

Usage

- Base fee = \$32.74
- Consumption fee = Tiered
- 0-15k gal - \$4.63 per 1,000 gal
- 15k-30k gal - \$8.10 per 1,000 gal
- >30k gal - \$9.95 per 1,000 gal

Water System Balance

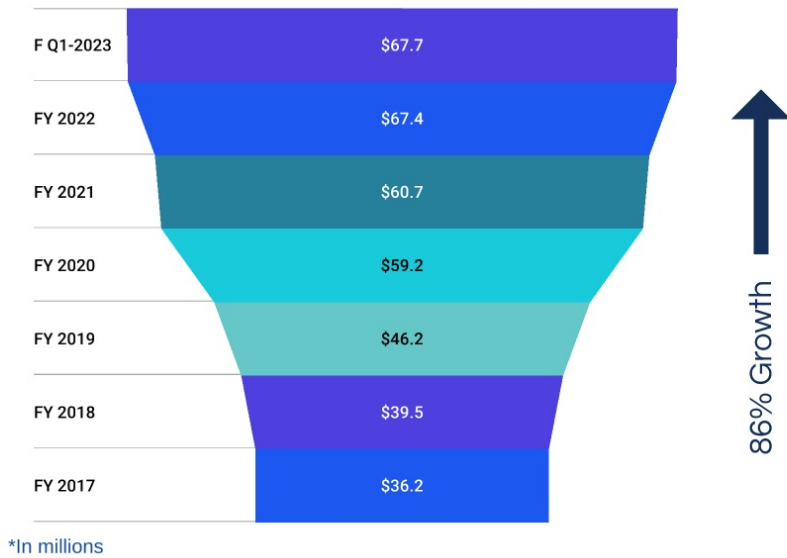
With Losses and Required Discharges



WATER INFRASTRUCTURE

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

Water Assets
(at cost)



Water Assets/Infrastructure Inventory

- 2 Wastewater reclamation facilities
- 20 miles of transmission pipeline
- 4 Alluvial wells
- 150 Acre-feet surface storage
- 2 million gallons of water storage
- 29,900+ Acre-feet of water rights
- 11 Groundwater wells
- 30+ miles of distribution pipeline

WATER AND WASTEWATER

Customers - 1,248

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

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 Residential

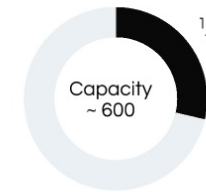
- **Sky Ranch Phase 1**
 - all taps sold for 509 homes (4 are our SFRs)
- **Sky Ranch Phase 2A**
 - 124 taps sold as of 11/30/2022 (10 are our SFRs)
- Elbert and Hwy 86 - more than 200 residents

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

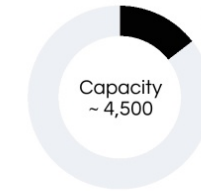
System Capacity

Wild Pointe



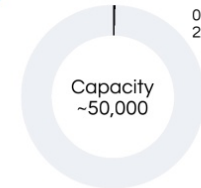
171 Residential
70 Commercial/Irr.

Sky Ranch



633 Residential
133 Commercial/Irr.

Lowry



0 Residential
242 Commercial/Irr.

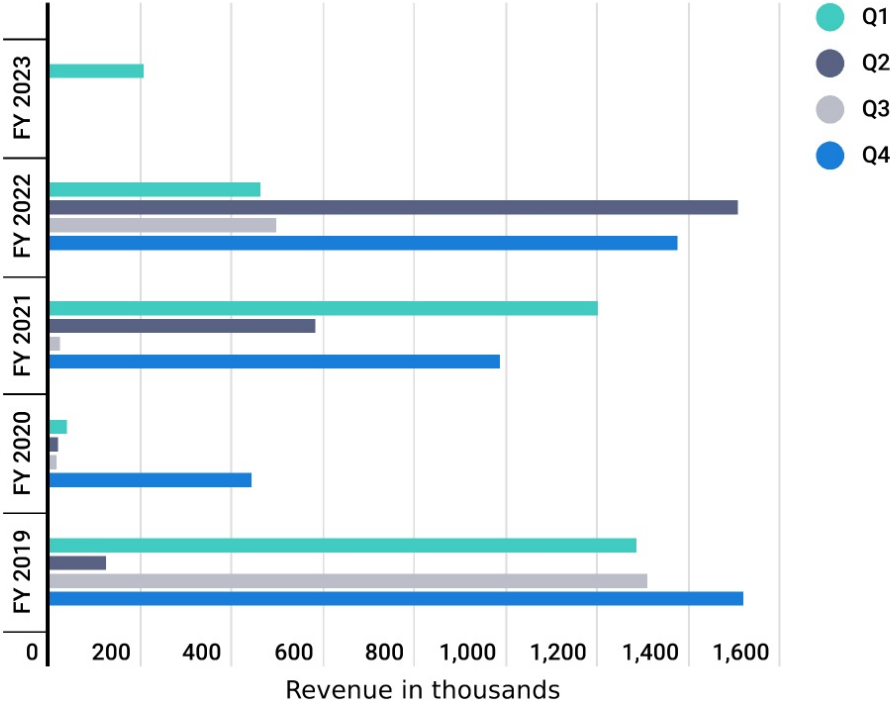
OIL & GAS

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
- Oil rig can drill 20 wells per year
- Average \$250,000 of water sales per well

More than 200 square miles in Adams & Arapahoe Counties



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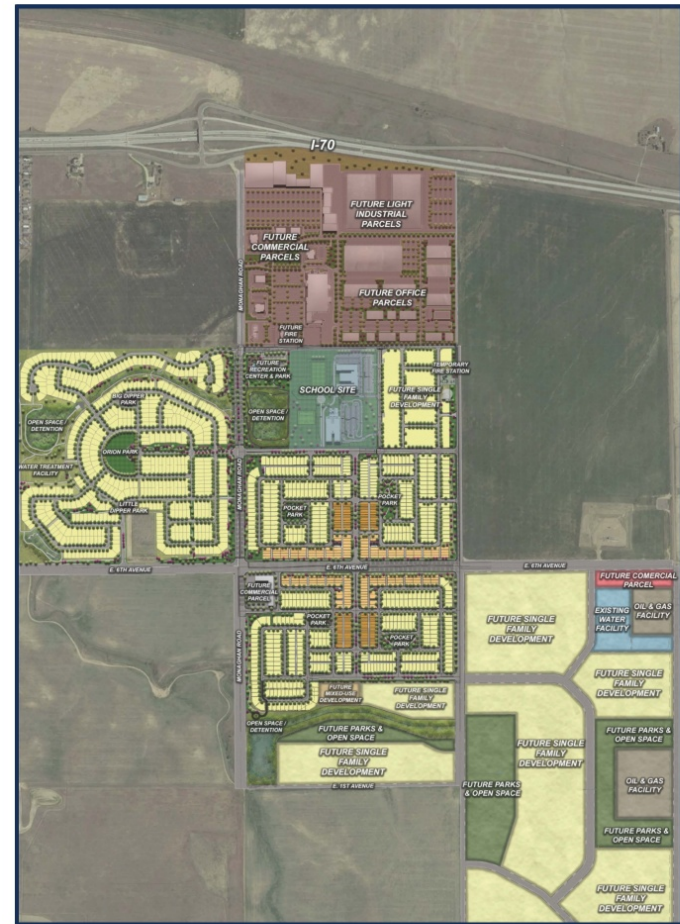
SINGLE FAMILY
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LAND DEVELOPMENT

- Developing the **930 acre** Sky Ranch
- Can accommodate up to **3,200** residential lots
- Can accommodate up to **2M sq. ft.** of commercial development (**1,800 SFE's**)
- **15 miles** east of downtown Denver and **4 miles** south of DIA



LAND DEVELOPMENT PHASE 1 & 2

Phase 1

Phase 1 - 509 lots

100% Complete - Completed 2022

Rental lots - 4 lots

Sky Ranch Academy

K-7 opening in **2023**

High School opening in **2025**

Phase 2

Phase 2A - 229 lots

78% complete - est. completion 2024

Phase 2B - 211 lots

15% complete - est. completion 2025

Phase 2C - 204 lots

0% complete - est. completion 2026

Phase 2D - 206 lots

0% complete - est. completion 2027

Rental lots - 46 lots

Total Lots - 1,359



PARTNERING HOMEBUILDERS



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)

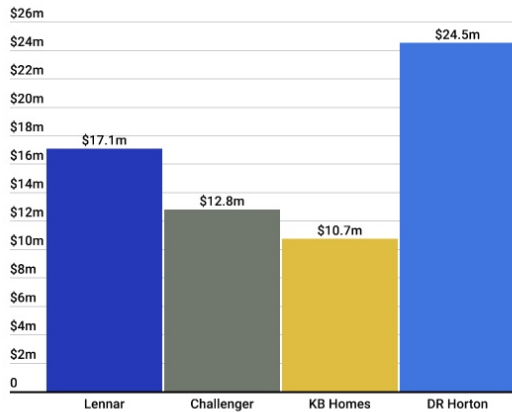
Lot Revenue**	\$	17.9m
Tap Revenue		5.1m
Total Lot Costs		(17.6m)
Reimbursable*		\$ 14.6m
GROSS PROCEEDS	\$	20.0m

Phase 2 (850 LOTS)

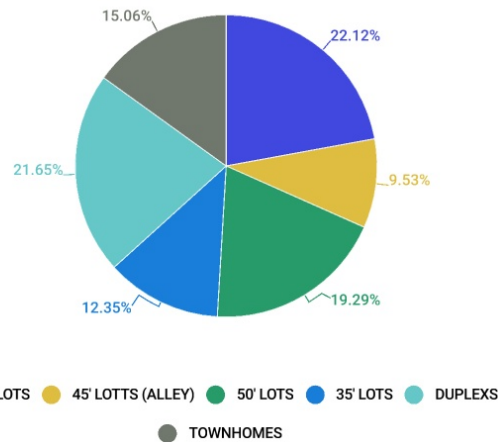
Lot Revenue **	\$	70.0m
Tap Revenue		20.9m
Total Lot Costs		(73.4m)
Reimbursable*		61.0m
GROSS PROCEEDS	\$	78.5m

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

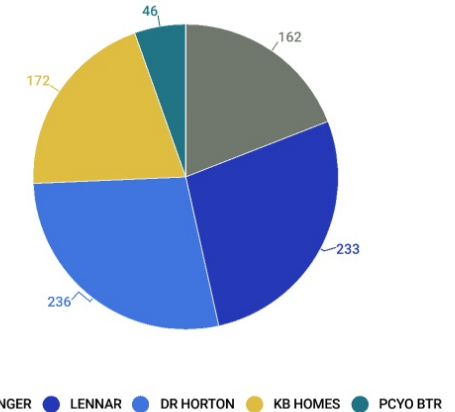
TOTAL LOT SALES BY BUILDER



TOTAL LOTS BY TYPE



TOTAL LOTS BY BUILDER



Market Conditions

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

Mortgage rates stabilizing - still at historical averages

Lot deliveries still trailing home starts

All homebuilders in Sky Ranch are top 15 nationally

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%
(70s - 9%, 80s - 13%, 90s - 8%, 2000s - 6%, 2010s - 4%)

Builder confidence down

Mortgage applications down

Labor and material cost up

Cancellations up

Traffic down

Home sales down

-
The BAD

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

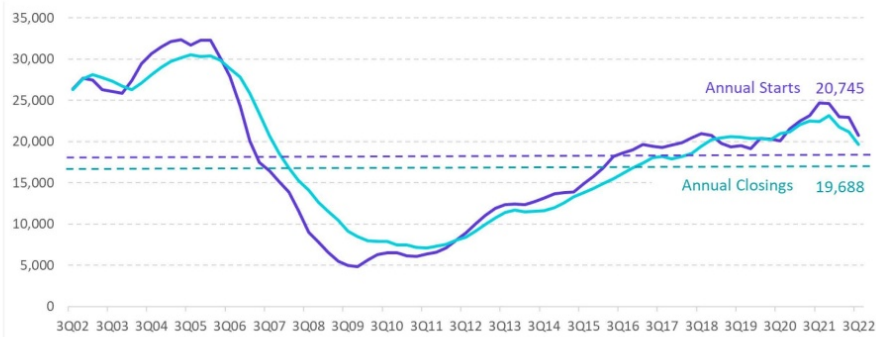
Land Development

Denver Housing Market

- Job growth has slowed but remains strong, resulting in need for housing as people move into the state for work
- Although rising - rates are not out of the norm
- Sales slowing - still in line with average for past years

Zonda.

11-County Front Range Starts Down YOY 16% Closings Down 12% but Both Remain Above Ten-Year Averages

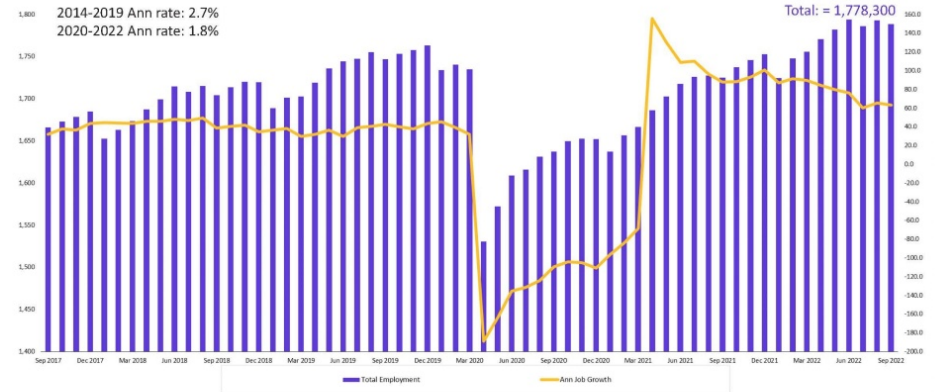


Market: Denver / 3Q22
COPYRIGHT 2022

Source: FreddieMac

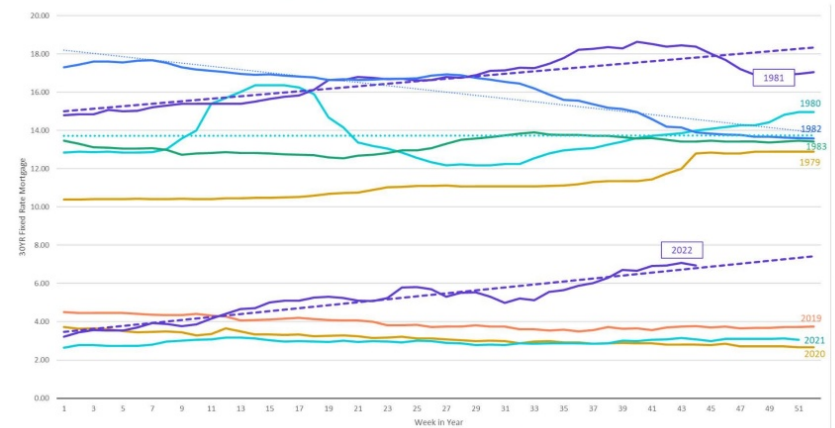
Zonda.

Denver Metro (incl Boulder) Ann Job Growth +63,300 YOY for 3.7% Ann Growth Rate



Zonda.

30-year Fixed Rate Mortgage Trends 79-83 & 19-22



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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 within our Sky Ranch development.

Pure Cycle is working with an experienced home builder to construct these houses, which Pure Cycle will own and maintain, taking on a new role as property manager.



Single Family Rentals

Phase 1 & 2

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

Price ranges in rental units from \$2,400 - \$3,000/month

Diverse product mix:
Duplex homes
35' alley load homes
45" detached homes!



*4th home completed 12/15/2023

14 Homes in Phase 1 & 2A

4 Homes Completed*

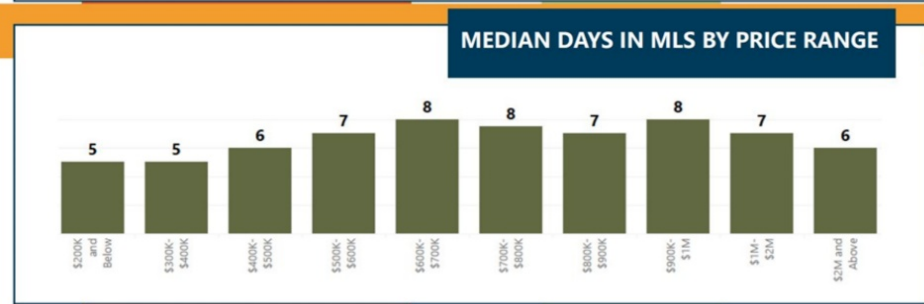
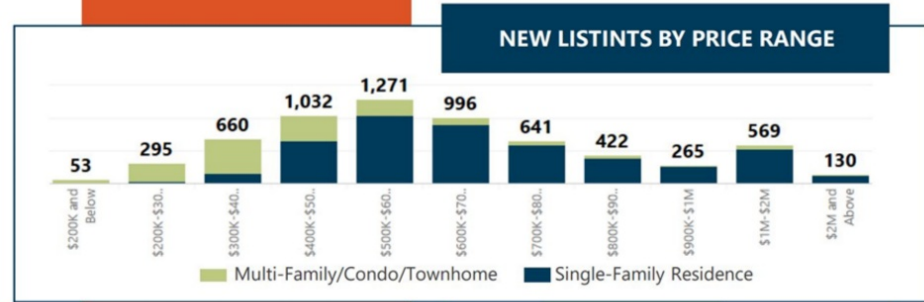
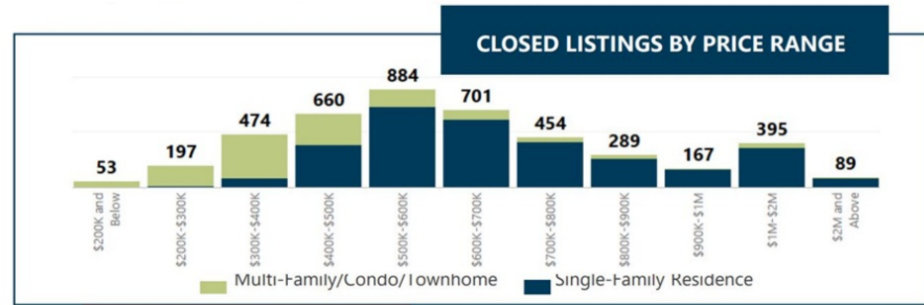
10 Under Construction

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
- Flexible work trends increasing demand for home rentals

Our Single Family Rentals

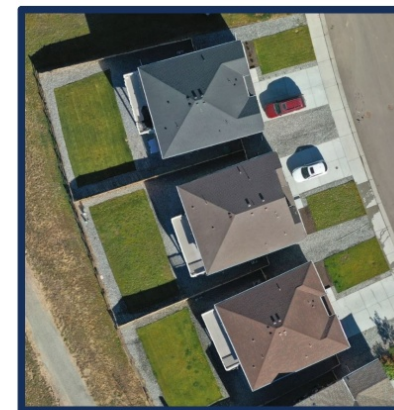
- Rented first 4 homes above the average market price (4th rented after 11/30/2022)
- All 4 homes rented within 14 days of listing
- 10 homes in Phase 2A under construction



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



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Financial Results

Quarter 1 Summary



WATER & WASTEWATER

- \$67.4 m in water assets (cost)
- 1,248 total taps served
- 67.5M gallons delivered in Q1 2023



LAND DEVELOPMENT

- Phase 2A 78% complete
- Phase 2B 15% complete - but delayed until spring 2023, no payments from builders yet
- \$17.2M in reimbursable public improvement receivable
- 80%+ gross margin for Phase 2



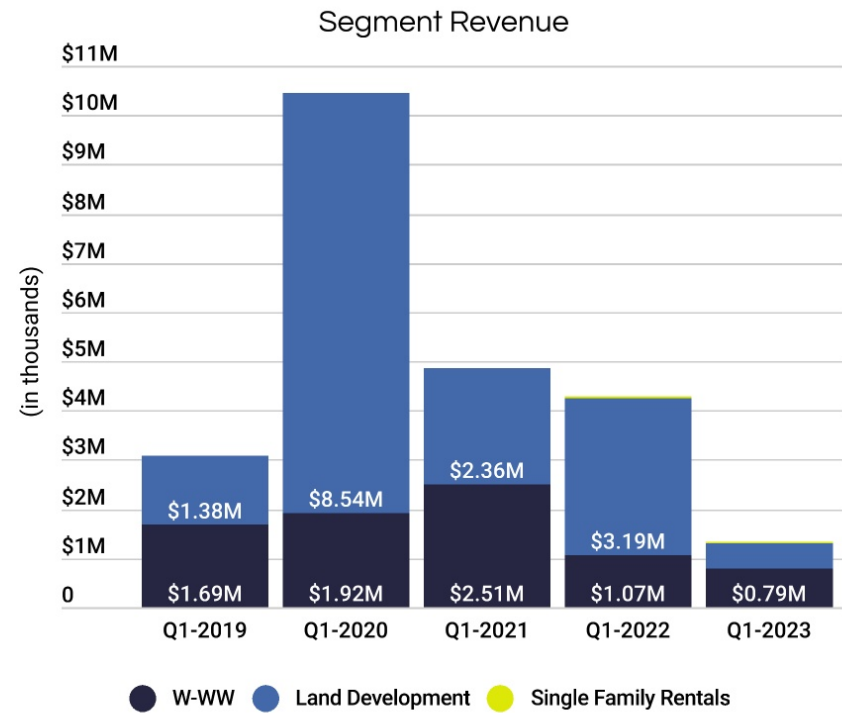
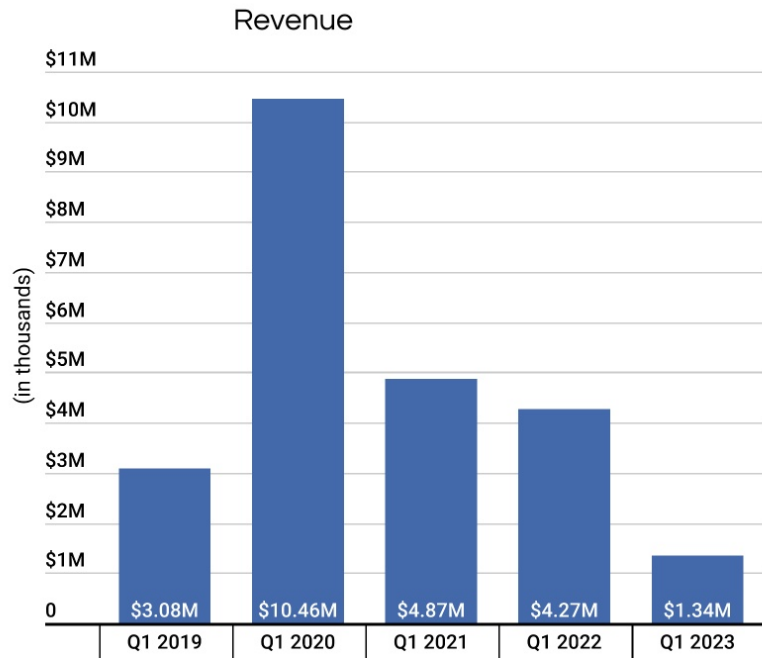
SINGLE FAMILY RENTALS

- \$1.0m in completed assets with an approximate market value of \$1.6m
- 11 homes under construction at 11/30/2022 with deliveries in FY 2023
- Average monthly rental rates in excess of \$2,800 per unit



Financial Results

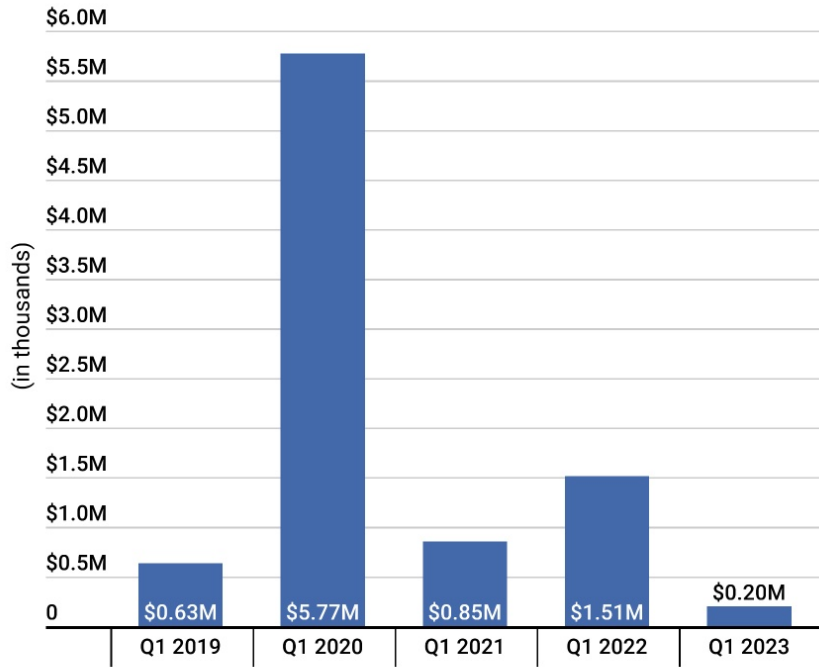
Fiscal Q1-2023



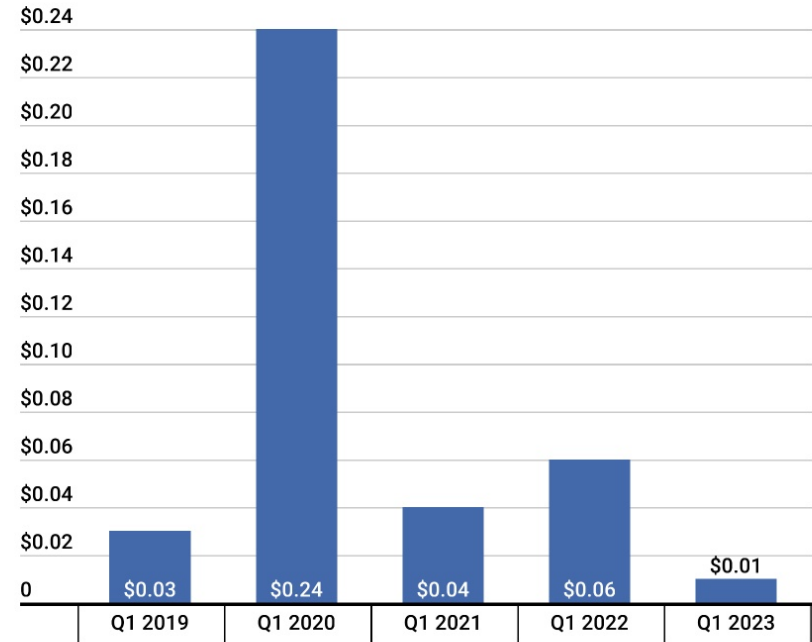
Financial Results

Fiscal Q1-2023

Net Income



Diluted EPS





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

- Annual Shareholders Meeting - **January 11, 2023**
- 10-Q Filing - **by January 17, 2023**
- Issuance of ESG Report - **Posted to website at end of November 2022**

BALANCE SHEET

(In thousands, except shares)

ASSETS:

Current assets:

Cash and cash equivalents
 Investments
 Trade accounts receivable, net
 Prepaid expenses and other assets

Total current assets

Restricted cash
 Investments in water and water systems, net
 Construction in progress
 Single-family rental units

Land and mineral rights:

Held for development
 Held for investment purposes

Other assets

Notes receivable – related parties, including accrued interest:

Reimbursable public improvements
 Other

Operating leases - right of use assets, less current portion

Total assets

LIABILITIES:

Current liabilities:

Accounts payable
 Accrued liabilities
 Accrued liabilities – related parties
 Income taxes payable
 Deferred lot sale revenues
 Deferred water sales revenues
 Debt, current portion

Total current liabilities

Participating interests in export water supply

Debt, less current portion

Deferred tax liability, net

Lease obligations - operating leases, less current portion

Total liabilities

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 \$.01 per share,

40.0 million authorized; 23,980,645 and 23,916,633 outstanding, respectively

Additional paid-in capital

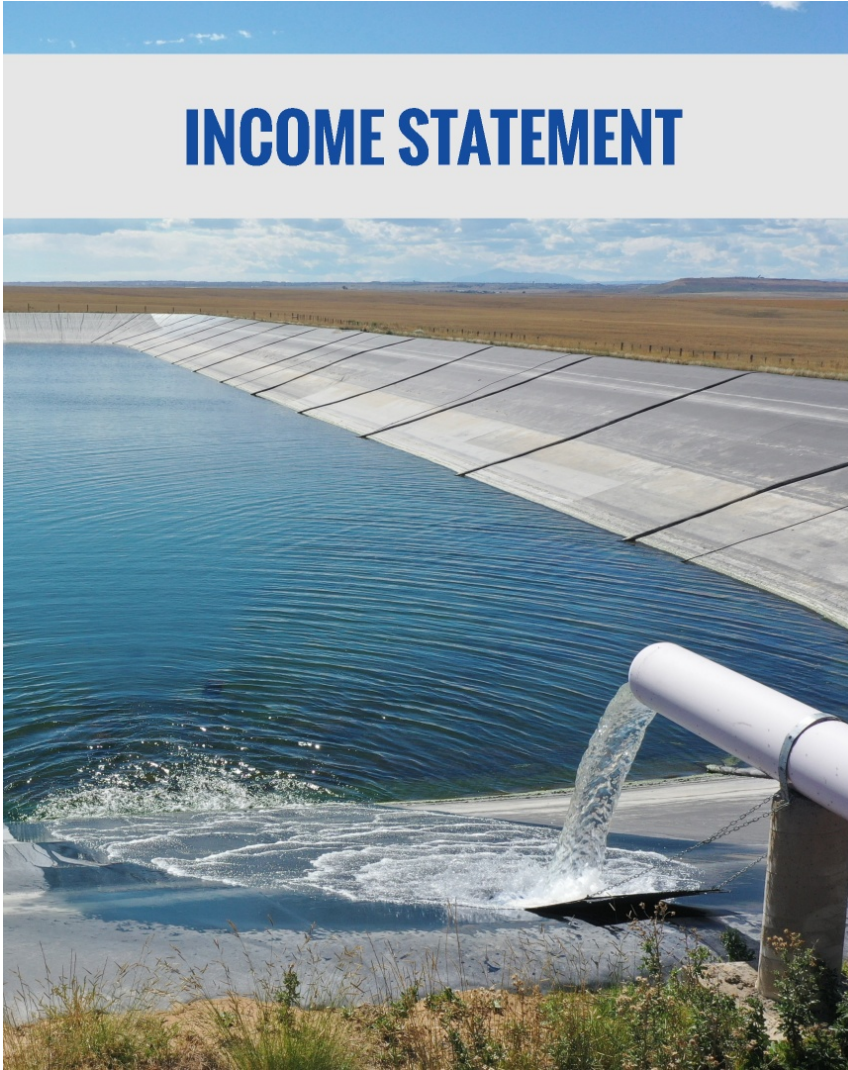
Accumulated deficit

Total shareholders' equity

Total liabilities and shareholders' equity

	November 30, 2022	August 31, 2022
	\$	\$
Cash and cash equivalents	16,843	34,894
Investments	15,000	—
Trade accounts receivable, net	1,240	2,425
Prepaid expenses and other assets	427	467
Total current assets	33,510	37,786
Restricted cash	2,328	2,328
Investments in water and water systems, net	58,711	58,763
Construction in progress	2,484	1,224
Single-family rental units	963	975
Land and mineral rights:		
Held for development	7,287	6,773
Held for investment purposes	451	451
Other assets	2,454	2,463
Notes receivable – related parties, including accrued interest:	—	—
Reimbursable public improvements	18,487	17,208
Other	1,242	1,120
Operating leases - right of use assets, less current portion	120	138
Total assets	\$ 128,037	\$ 129,229
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,039	\$ 849
Accrued liabilities	920	2,029
Accrued liabilities – related parties	653	560
Income taxes payable	2,645	2,530
Deferred lot sale revenues	3,889	4,275
Deferred water sales revenues	552	570
Debt, current portion	10	10
Total current liabilities	9,708	10,823
Participating interests in export water supply	—	323
Debt, less current portion	3,947	3,950
Deferred tax liability, net	1,090	1,075
Lease obligations - operating leases, less current portion	44	62
Total liabilities	14,789	16,233
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 \$.01 per share, 40.0 million authorized; 23,980,645 and 23,916,633 outstanding, respectively	80	80
Additional paid-in capital	174,243	174,150
Accumulated deficit	(61,075)	(61,234)
Total shareholders' equity	113,248	112,996
Total liabilities and shareholders' equity	\$ 128,037	\$ 129,229

INCOME STATEMENT



(In thousands, except share information)

Revenues:

Metered water usage from:

Municipal customers

Commercial customers

Wastewater treatment fees

Water and wastewater tap fees

Lot sales

Project management fees

Single-family rentals

Special facility projects and other

Total revenues

Expenses:

Water service operations

Wastewater service operations

Land development construction costs

Project management costs

Single-family rental costs

Depletion and depreciation

Other

Total cost of revenues

General and administrative expenses

Depreciation

Operating income

Other income:

Interest income - related party

Interest income on investments

Oil and gas royalty income, net

Oil and gas lease income, net

Other, net

Interest expense, net

Income from operations before income taxes

Income tax expense

Net income

Earnings per common share - basic and diluted

Basic

Diluted

Weighted average common shares outstanding:

Basic

Diluted

	Three Months Ended	
	November 30, 2022	November 30, 2021
Revenues:		
Metered water usage from:		
Municipal customers	\$ 121	\$ 147
Commercial customers	392	560
Wastewater treatment fees	63	55
Water and wastewater tap fees	150	261
Lot sales	513	2,945
Project management fees	8	248
Single-family rentals	25	8
Special facility projects and other	68	49
Total revenues	<u>1,340</u>	<u>4,273</u>
Expenses:		
Water service operations	479	289
Wastewater service operations	138	129
Land development construction costs	143	531
Project management costs	72	—
Single-family rental costs	10	3
Depletion and depreciation	378	354
Other	106	77
Total cost of revenues	<u>1,326</u>	<u>1,383</u>
General and administrative expenses	1,388	1,325
Depreciation	115	85
Operating income	<u>(1,489)</u>	<u>1,480</u>
Other income:		
Interest income - related party	247	361
Interest income on investments	228	1
Oil and gas royalty income, net	116	97
Oil and gas lease income, net	19	48
Other, net	1,218	11
Interest expense, net	(50)	(7)
Income from operations before income taxes	<u>289</u>	<u>1,991</u>
Income tax expense	130	477
Net income	<u>\$ 159</u>	<u>\$ 1,514</u>
Earnings per common share - basic and diluted		
Basic	<u>\$ 0.01</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding:		
Basic	<u>23,985,788</u>	<u>23,917,908</u>
Diluted	<u>24,087,893</u>	<u>24,219,236</u>



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: 24.0 million



Questions?

 EARNINGS PRESENTATION FOR THE QUARTER
ENDED NOVEMBER 30, 2022

PURE CYCLE CORPORATION



COMPANY
OVERVIEW

WATER &
WASTEWATER

LAND
DEVELOPMENT

SINGLE FAMILY
RENTALS

FINANCIAL
RESULTS

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