



# Trickle Research – Microcap – Fall 2024

PRESENTATION



[www.purecyclewater.com](http://www.purecyclewater.com)



## Forward-Looking Statements

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.

Forward-Looking Statements

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# Introduction

## Overview of Pure Cycle Corporation

### *Company Mission*

At Pure Cycle Corporation, our mission is to deliver long-term shareholder value by providing exceptional water utility services and strategic land development, and quality homes for rent. We aim to create integrated communities that meets the needs of residents while ensuring efficient resource management using and reusing our valuable water supplies in Denver Colorado. Through our vertically integrated model, we are dedicated to enhancing operational efficiency and driving sustainable growth, delivering consistent returns to our investors.



# Diversification Strategies

- **Water – Provider** of water utility services, specializing in land development and single-family residential home rental (SFR) solutions.
- **Developer – Committed** to creating long-term value for shareholders through the development of integrated communities with comprehensive water utility management and high-quality rental homes.
- **Rental – Vertically-integrated** approach that streamlines operations, bringing our valuable water supplies to communities we develop and reserving lots on our communities for our rental home portfolio, each investment builds value in each of our business segments.



## Key Collaborations

Homebuilders  
Water Providers  
Land Owners

# WE OPERATE MULTIPLE COMPLIMENTARY SEGMENTS



## Water and Wastewater Resource Development Segment

- Own over 30K acre-feet of water rights (surface and ground water)
- 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
- Own and reuse our reclaimed water



## Land Development Segment

- Own highly-appreciated property in 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 (Equivalent of 1,800 residential units)
- Developing residential and commercial land for which we are the sole water and wastewater service provider

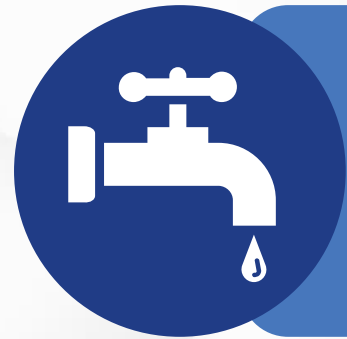


## Single-Family Home Rentals

- 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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# Segment Value Drivers



- Water Portfolio appreciation
- Stable and recurring revenue from Residential and commercial customers
- Asset-Intensive segment with tangible long-term value



- Value creation bringing water to land for development
- Efficient Lot Development at Profitable Margins
- Expansion of Water Customer Base
- Support for Single Family Rental Growth



- Steady cash flow from rentals
- Appreciating assets resilient to inflation
- Operational Scalability



# STRONG ASSET PORTFOLIO

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## WATER/WASTEWATER

- \$40m in Water Systems
- \$9.2m in Waste Water Systems
- \$14.6m Water Rights Portfolio

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- \$64m Total Water Assets

## LAND DEVELOPMENT

- \$5.2m of Land for Development
- \$3.7m developed land for sale
- \$1.4m other assets

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- \$10.3m Total Assets

## SINGLE FAMILY RENTALS

- \$5.4m in Construction Cost
- \$7.2m in Fair Market Value

## LIQUIDITY

- \$20.5m in Cash and ST Invest
- \$2.9m in Restricted Cash
- \$33.5m in Receivable from CAB

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- \$56.9m Total Liquidity
- \$6.9m in Total Debt

Our water rights portfolio can provide water to as many as 60,000 connections. This would allow ample room for growth within our current water system, which presently supports roughly 2,500 connections.

Land used for developing the 930 acre Sky Ranch Community which can accommodate up to 3,200 residential lots and up to 2M sq. ft. of commercial development 15 miles east of downtown Denver and 4 miles south of DIA

Pure Cycle contracts to build single family homes in its Sky Ranch Master Planned Community to hold for rentals. Lot development costs fully recovered (horizontal costs and tap fees) Each unit covers financing costs and provides positive cash flows Segment provides excellent asset appreciation positive cash flows.

Pure Cycle has a strong balance sheet with liquidity to support our business segments. Pure Cycle maintains a significant cash position as well as a receivable from the Sky Ranch CAB for approved reimbursements for public improvement that were paid for by Pure Cycle. The receivable bears interest at a rate of 6% per annum.

# LAND DEVELOPMENT





## History & Strategy

Pure Cycle Corporation has a strategic history of entering the land development industry, driven by its vision to enhance shareholder value and create integrated communities. Initially focused on water utility services, the company recognized the opportunity to expand its operations in the late 2010s as urban growth and housing demands increased.

In 2010, Pure Cycle acquired the land that eventually became Sky Ranch and engaged in partnerships that allowed it to develop residential projects alongside its water utility offerings. This vertical integration enabled the company to provide essential services directly to the communities it was developing

## Metrics of Completed Phases

Total Lot Sales

**\$70m**

Gross Margin

**79%**

## Overview of Sky Ranch

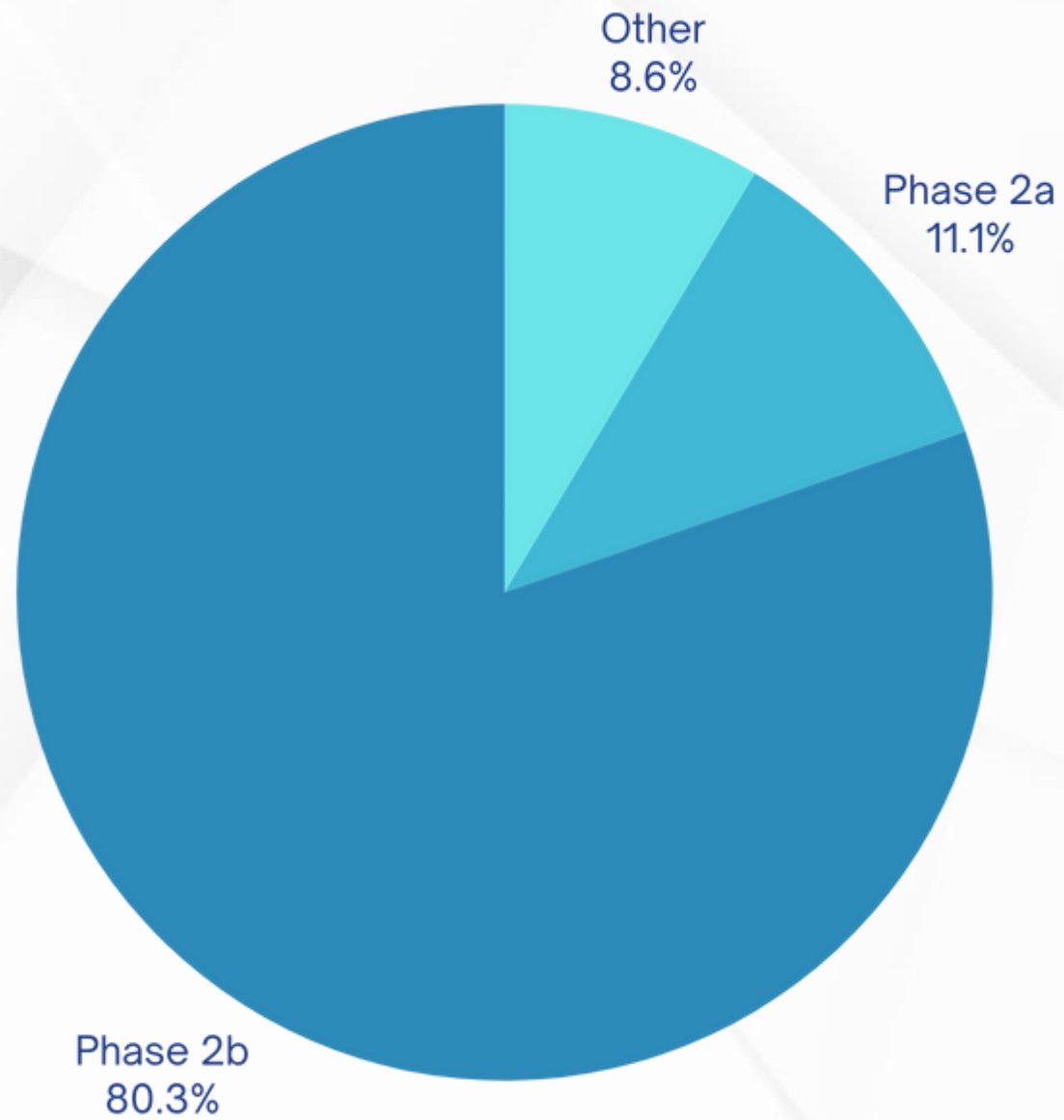
- 930 acre development
- Accommodates up to 3,200 residential lots
- Accommodates up to 2M sq. ft. of commercial development (1,800 SFE's)
- 15 miles east of downtown Denver and 4 miles south of DIA



**Status of ongoing projects**

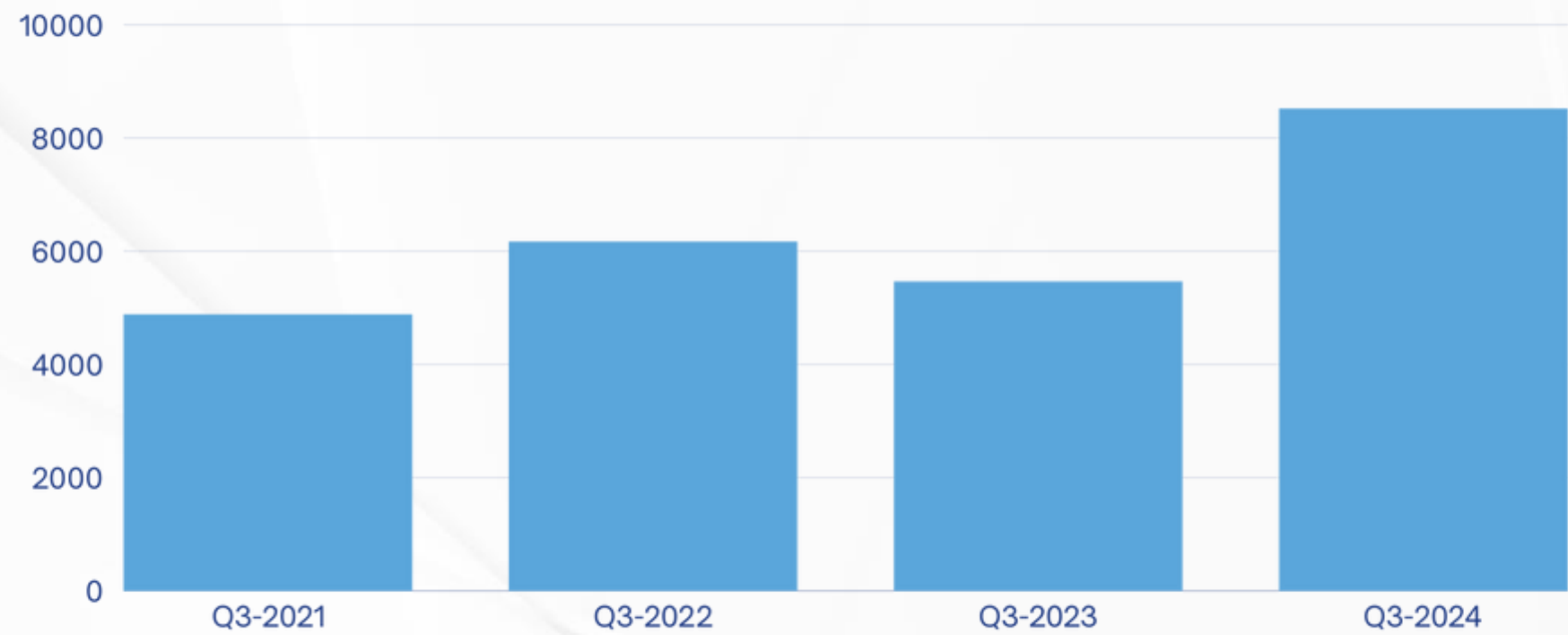
# Financial Performance

CURRENT YEAR % REVENUE BY PHASE



PHASE	LOTS	SFR LOTS	PROGRESS
Phase 1	505	4	100%
Phase 2a	219	10	98%
Phase 2b	194	17	70%
Phase 2c	188	40	22%
Phase 2d	180	26	0%
Total	1,286	97	= 1,383

LAND DEVELOPMENT REVENUE QOQ (000'S)



PHASE 2A

Land development is substantially complete. Out of 229 homes, 228 are finished and occupied.



2A

PHASE 2B

All paving is complete, and homebuilders have begun construction on homes. Land development is estimated to be completed by summer of 2025.



2B

PHASE 2C

Grading is finished, and utility work has begun. Land development is scheduled to be completed by the end of fiscal year 2025.



2C

PHASE 2D

Grading has begun and lots are expected to be available fall of 2025.



2D

PHASE 2A

Land development is substantially complete. Out of 229 homes, 228 are finished and occupied.



2A

PHASE 2C

Grading is finished, and utility work has begun. Land development is scheduled to be completed by the end of fiscal year 2025.



2C

PHASE 2B

All lots are complete, and homebuilders have begun construction on homes. Land development is estimated to be completed by summer of 2025.



2B

PHASE 2D

Grading has begun and lots are expected to be available fall of 2025.

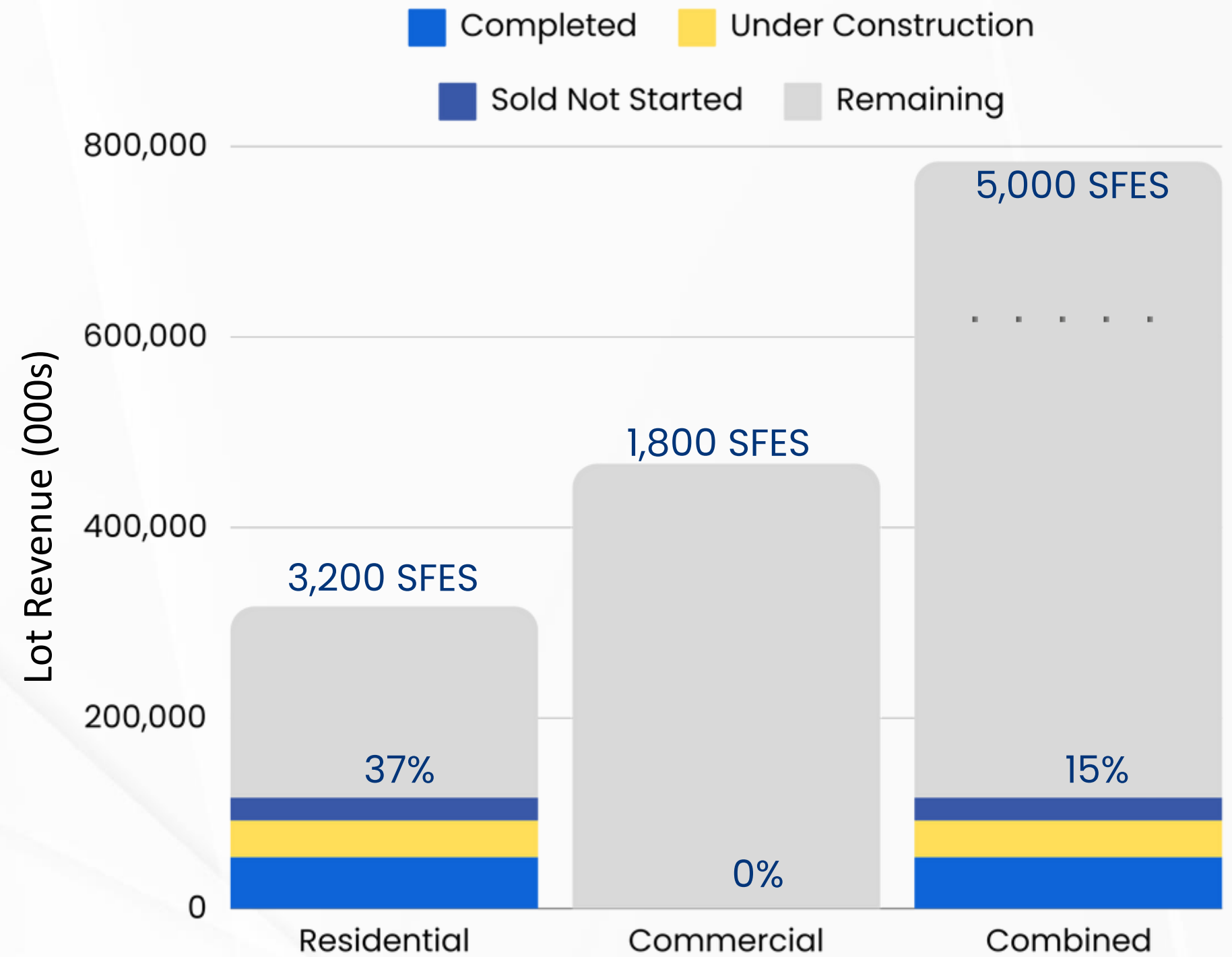


2D

# SKY RANCH CAPACITY PROJECTIONS

LAND DEVELOPMENT

With a book value of land at \$4.43 million and over \$600 million in development revenue poised to monetize in the next few years, exemplifies the understated value on the Company's balance sheet.



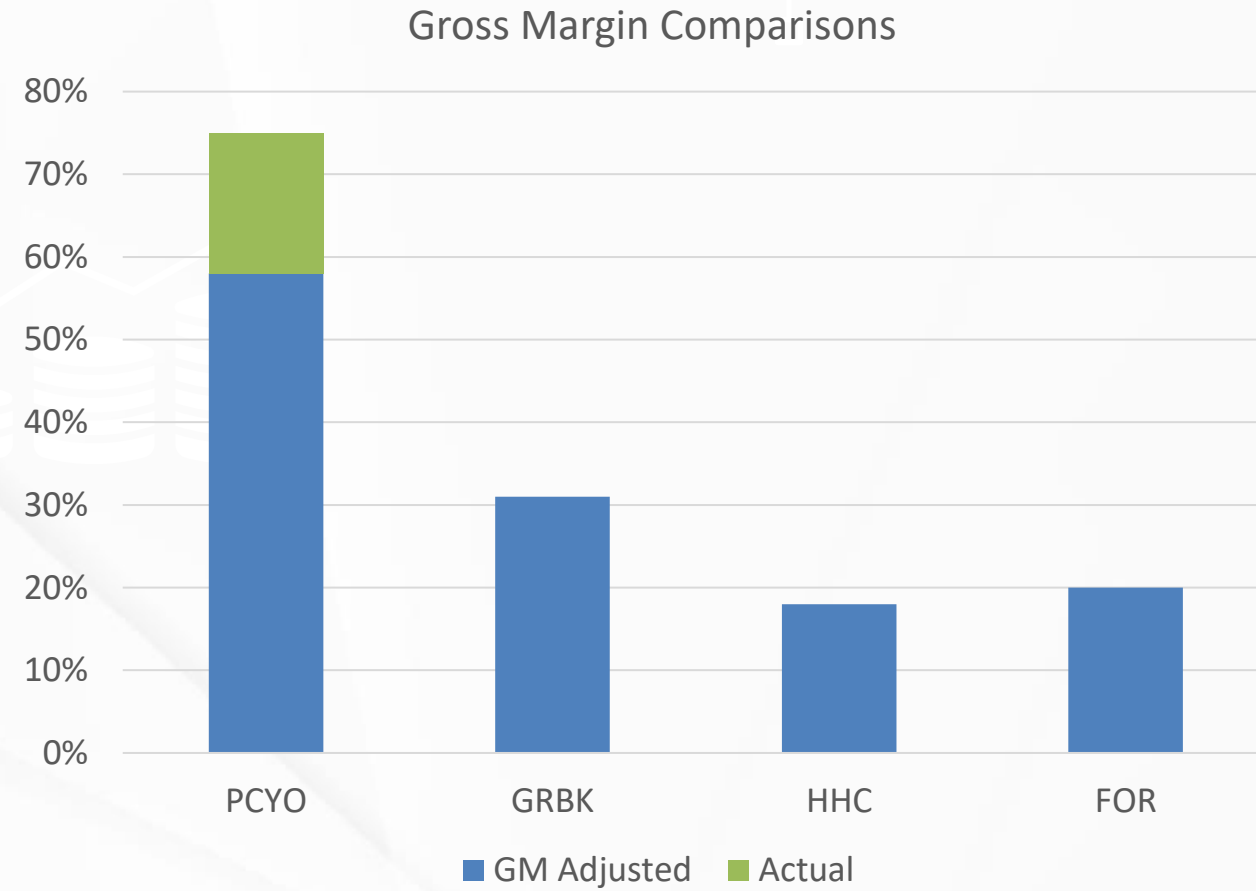
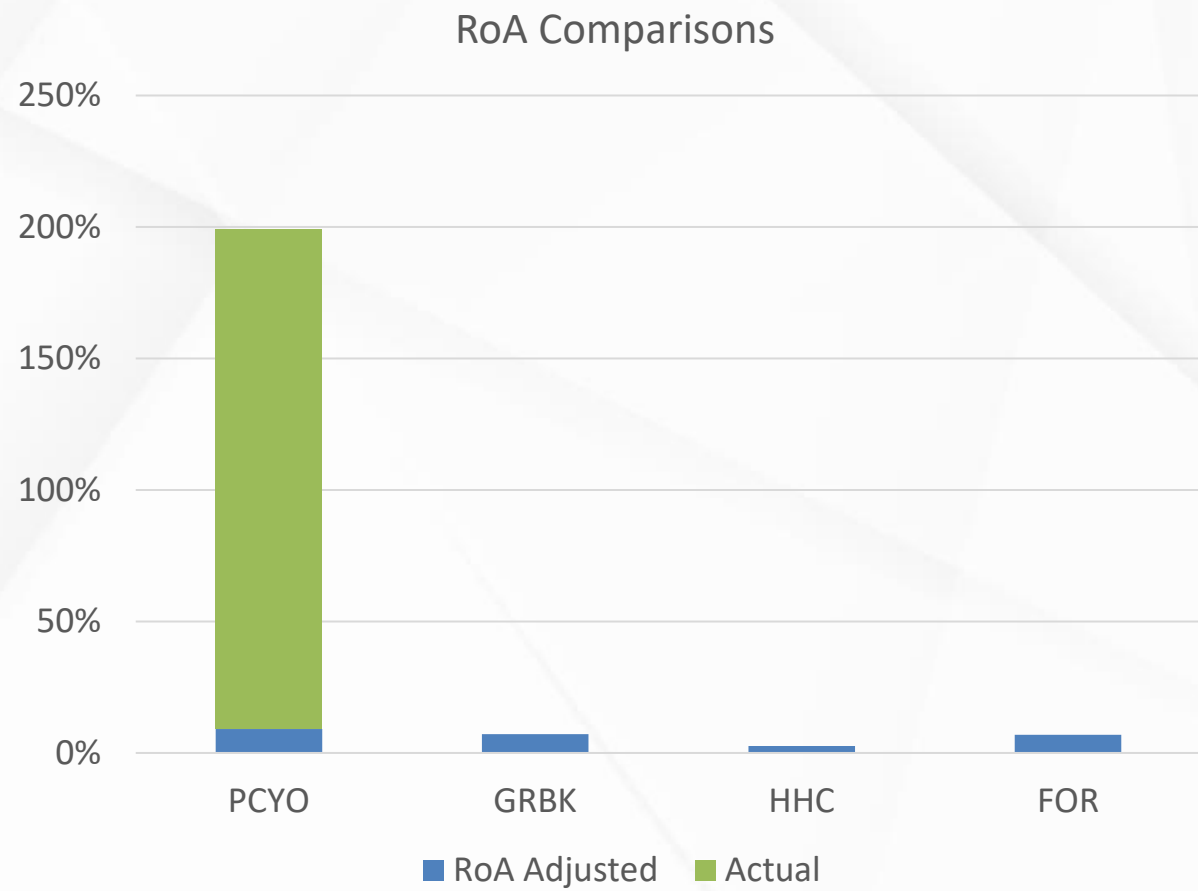
# Growth Strategy

- Steady development of residential and commercial lots through 2030
- Demonstrated leader in developing master planned communities strengthening strategic partnerships with national homebuilders
- Participation in existing services area and developments continue to move eastward (Lowry Ranch)
- Strategic land acquisitions in service area to continue to leverage synergies between company segments



# Sector Performance

Thanks to our well-timed purchase of Sky Ranch, our capital investment in the land remains significantly lower than that of our competitors. To enable a more comparable analysis and highlight our demonstrated efficiency in land development, as well as our future acquisition potential, the following graphics reflect the current market value of the Sky Ranch land rather than its original 2010 purchase price.



The metrics displayed in these graphics are derived from non-GAAP calculations and estimates  
 GRBK – Green Brick  
 HHC – Howard Hughes Company  
 For - Forestar Group

Update ROA and add time periods



# WATER UTILITIES



# Overview of Operations

Pure Cycle Corporation's water utility segment is a cornerstone of its operations, focusing on providing essential water services to residential, commercial, and agricultural customers. This segment is dedicated to delivering reliable and efficient water supply while ensuring compliance with environmental regulations and community needs. The company's integrated approach allows it to manage water resources effectively, supporting the growth of the communities it serves.

## **water rights ownership & infrastructure capabilities**

Total water assets

**\$65m**

Total system capacity

**60k Connections**

# WE PROVIDE RAW WATER TO O&G OPERATORS FOR DRILLING

WATER UTILITIES

With existing systems, we provide water to O&G operators.

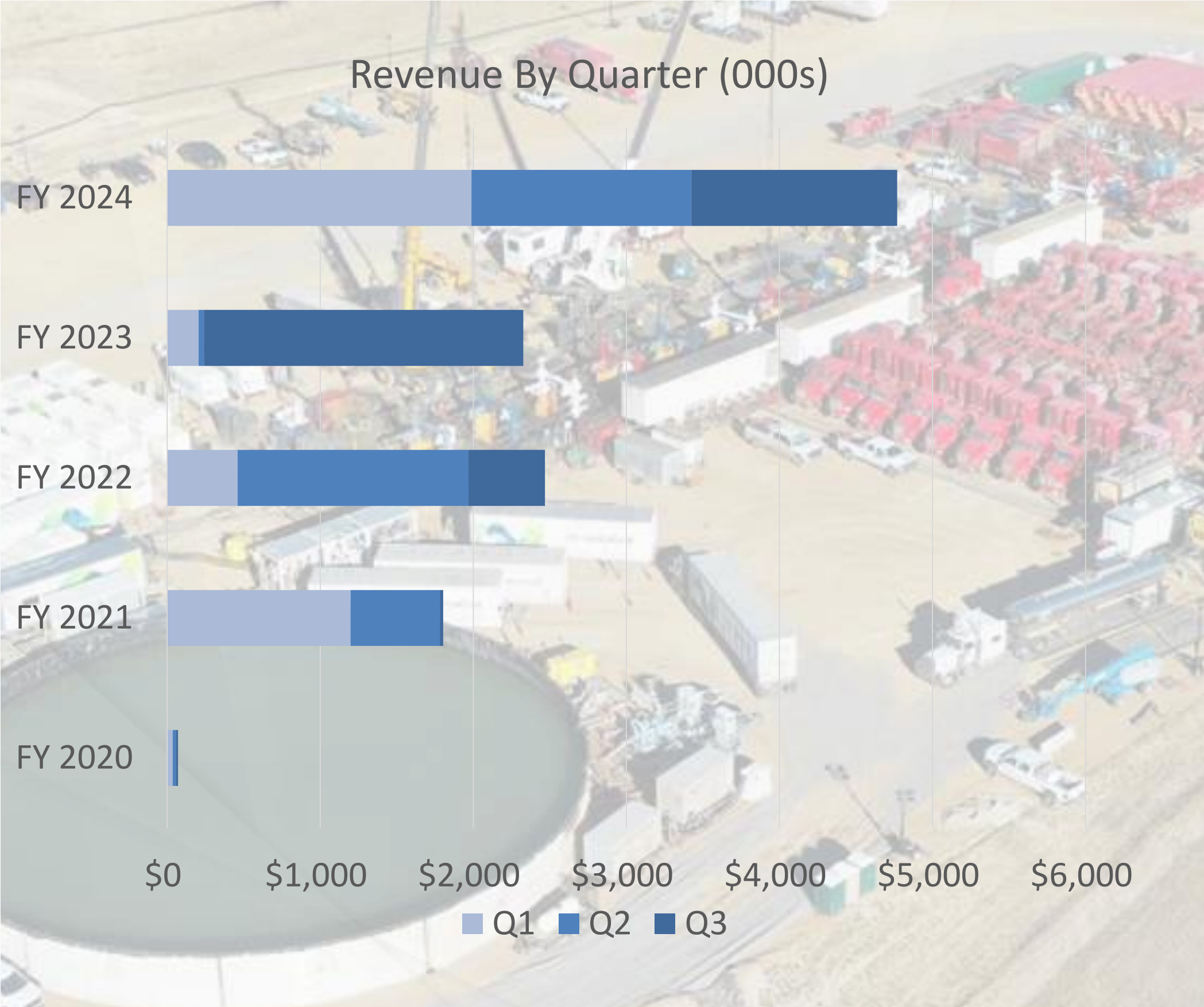
We have also made strategic investments in our system to further our ability to provide water when it is needed, where it is needed in the future.

> 150 WELLS  
DRILLED TO DATE

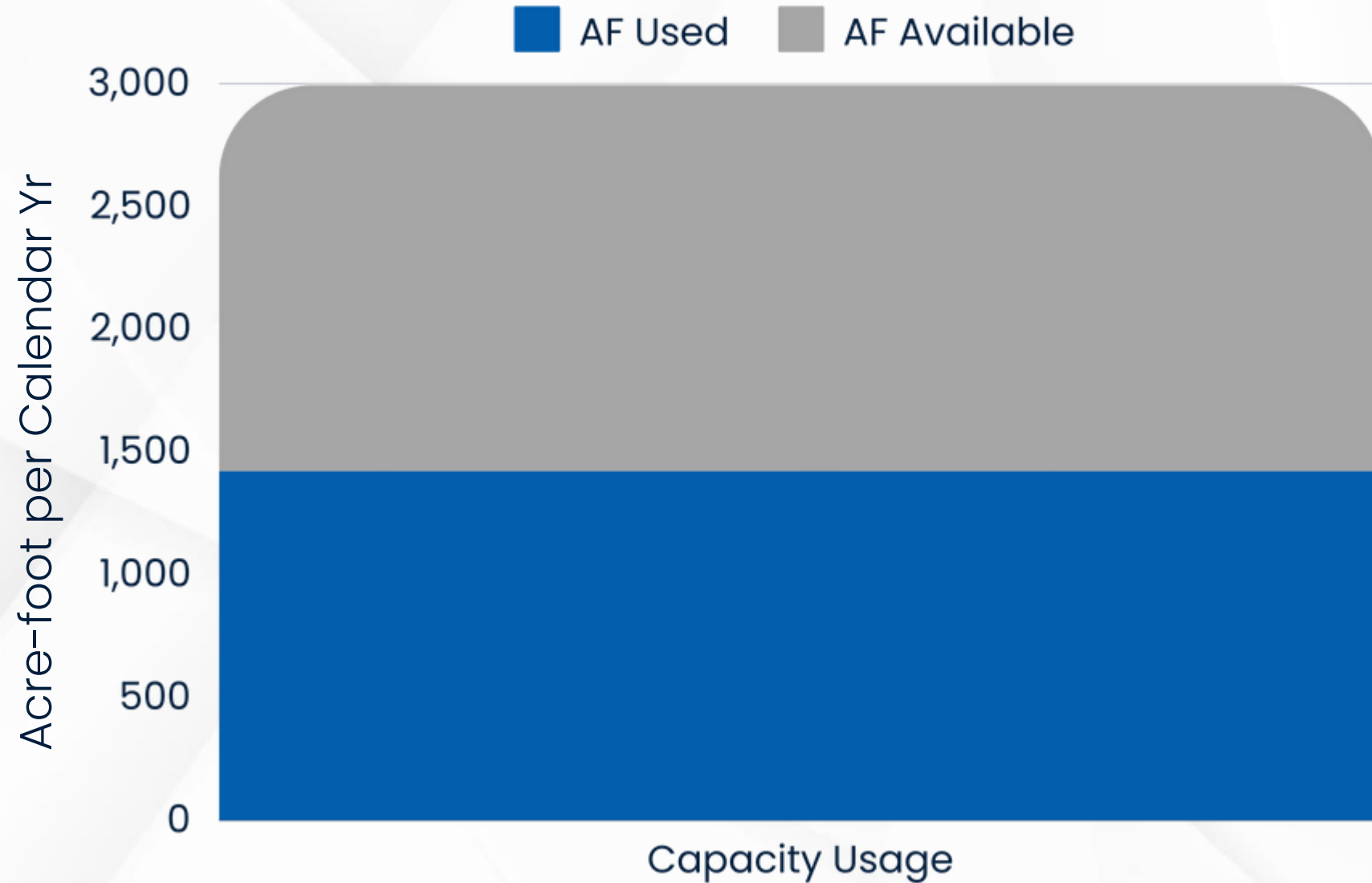
OIL RIG CAN DRILL 60  
WELLS PER YEAR

AVERAGE \$250,000  
OF WATER SALES PER  
WELL

WE CAN PROVIDE WATER TO  
MORE THAN 200 SQUARE  
MILES IN ADAMS &  
ARAPAHOE COUNTIES



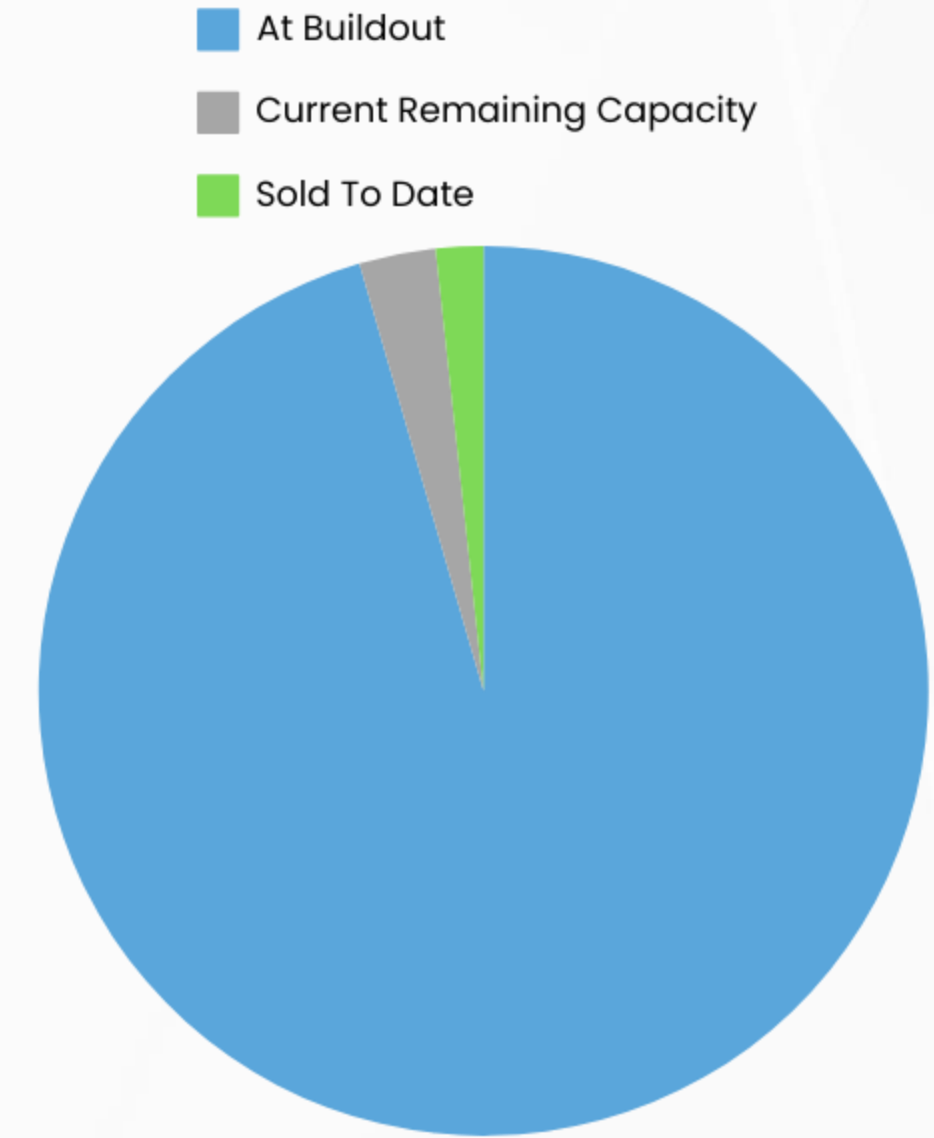
# CURRENT SYSTEM CAPACITY



For Nine Months ended  
5/31/2024

We continue to invest in our systems with a current book value of \$40.0 million which can produce over 3.4 million gallons of water per day

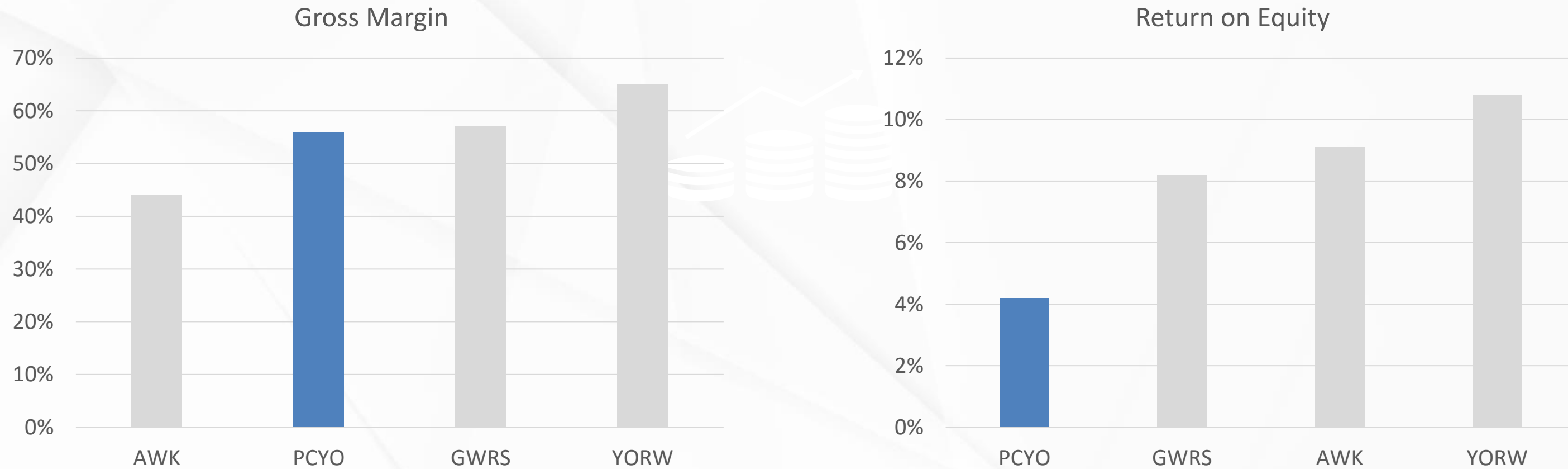
# TAP FEES - PORTFOLIO CAPACITY (60,000)



We estimate our portfolio can serve approximately 60,000 connections, generating approximately \$2.3 billion in revenues based on current rates. To date, we have added around 1,136 connections, representing less than 2% of our overall capacity

# Sector Performance

Pure Cycle’s water utilities gross margin of 56% aligns well with industry averages, reflecting efficient management and revenue generation. However, its return on equity (ROE) is lower than peers due to substantial infrastructure investments designed to support future growth up to 60,000 connections, of which only about **5% is currently utilized**. This setup allows Pure Cycle to expand at Sky Ranch without needing significant further water system investments, as the capacity for growth is already in place. This forward-planning supports long-term scalability with reduced incremental costs.



The metrics displayed in these graphics are derived from non-GAAP calculations and estimates  
 AWK – American Water Works  
 GWRS – Global Water Resource Inc  
 YORW – York Water Co

# Growth Strategy

- Expansion of service areas in next phases of land development
- Investment in water storage, treatment facilities & infrastructure upgrades
  - we have more developed water than we currently need



# SINGLE FAMILY RENTAL

# Overview of Operations

Pure Cycle Corporation entered the single-family rental (SFR) market as a strategic move to diversify and expand its revenue streams. As a company originally focused on water rights and infrastructure development, Pure Cycle realized the potential in the rapidly growing demand for rental properties, particularly single-family homes. Here are some reasons why they ventured into the SFR market:

- 1. Maximizing Land Development Opportunities:** By developing single-family homes for rent on these properties, the company can enhance the value of its landholdings and generate consistent income.
- 2. Recurring Revenue:** SFR properties provide a steady, recurring revenue stream. This aligns with Pure Cycle's strategy to balance its revenue mix
- 3. Leverage Market Demand:** The SFR market has been booming, driven by increased demand for rental housing from families who prefer single-family homes over apartments but may not be ready or able to purchase a home. This demand is especially strong in suburban and near-urban areas, where Pure Cycle has land.
- 4. Higher Return on Investment:** Developing rental properties on their land potentially offers higher returns than simply selling lots or developing for sale. This allows Pure Cycle to capitalize on both land appreciation and rental income.



# Market opportunity & trends

**Rising Home Prices and Affordability Challenges:** Denver's median home price is over **\$600,000**, up more than **40%** over the past five years.

**SFR Demand Increase:** Demand for single-family rentals in the Denver metro area grew by **over 12%** from 2022 to 2023, while demand for apartment rentals has been relatively stable.

**Family Housing Demand:** Family households, particularly those of millennials, increasingly favor renting single-family homes. SFRs represent approximately **40% of all rental units in Colorado**, which is high compared to the national average.

**Rental Vacancy Rates:** The vacancy rate for single-family rentals in Colorado is low, at around **3-4%** as of 2023, indicating strong demand relative to supply.

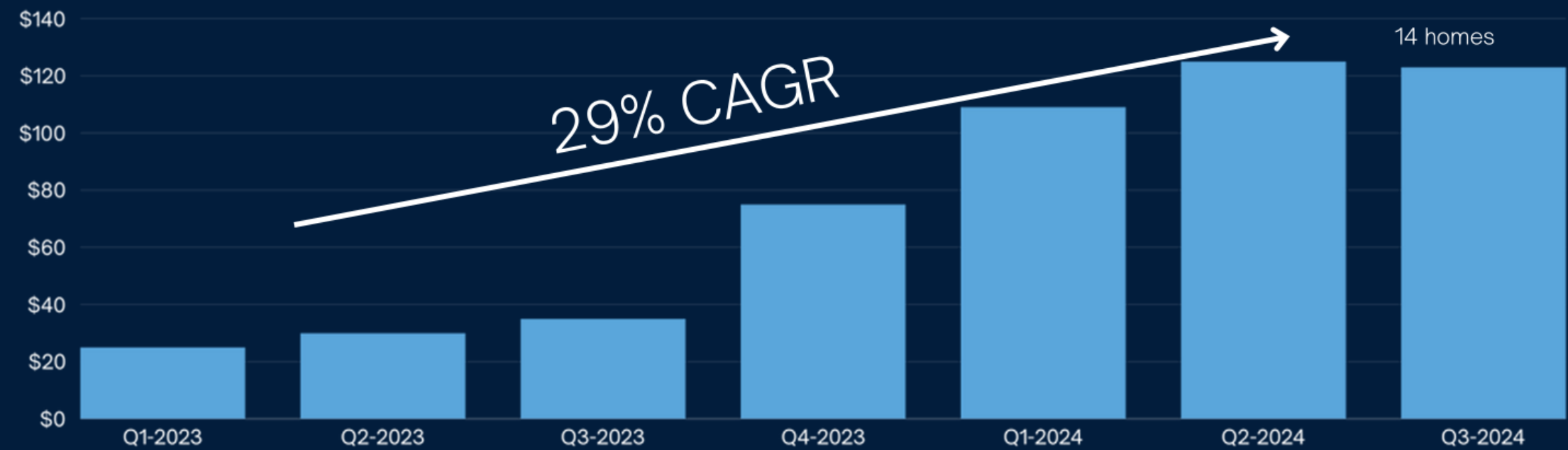


# SINGLE FAMILY RENTALS

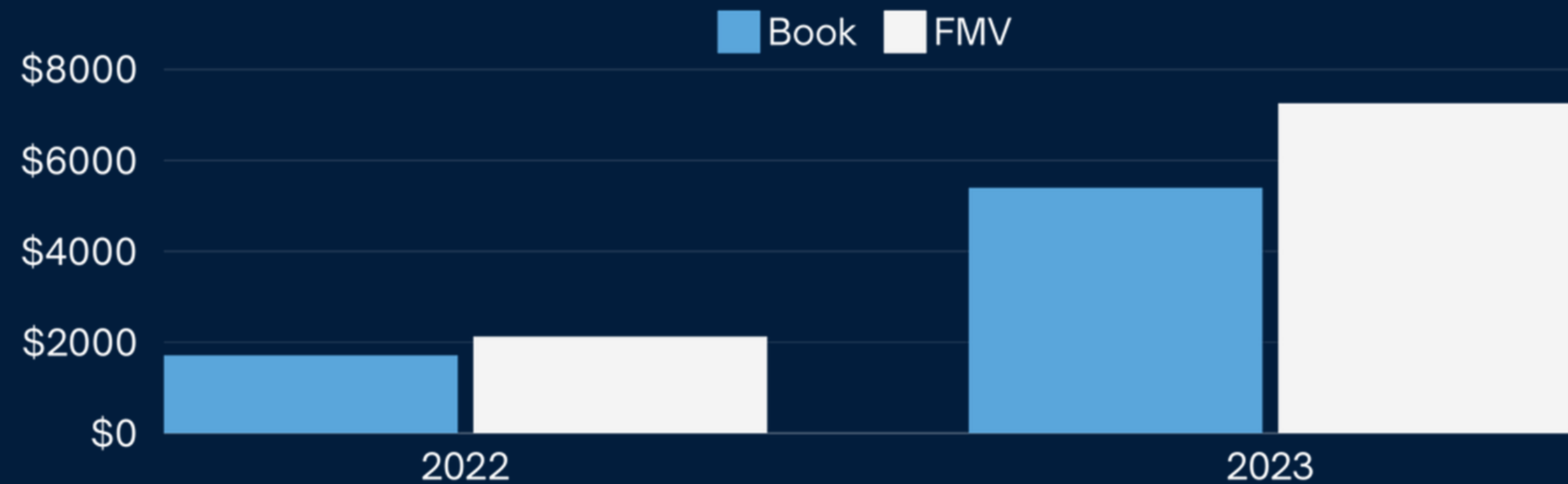
Quarterly Rent Revenue  
**\$125,000**

Homes Rented  
**14**

### RENT REVENUE Q/Q (000S)



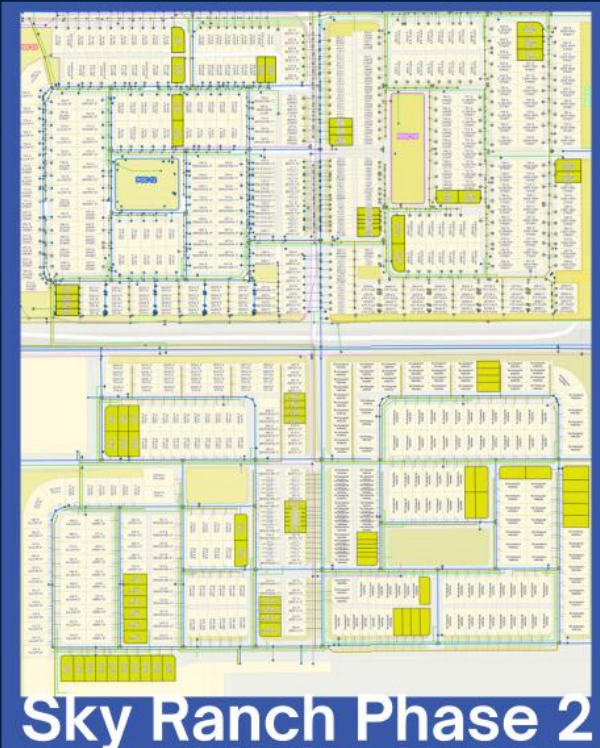
### BOOK ASSETS & FMV (000'S)



# SFR - Cumulative Pro Forma P&L by Phase (000s)

Based on actual results 14 completed homes

SFR Projections	Phase 1 (+4 Homes)	Phase 2a (+10 homes)	Phase 2b (+17 Homes)	Phase 2c (+40 Homes)	Phase 2d (+26 Homes)
Cumulative Homes	4	14	31	71	97
Rental income	131	459	1,017	2,263	3,116
Direct operating costs	48	168	372	828	1,140
Interest and depreciation expense	50	174	384	856	1,178
<b>Net operating income</b>	<b>\$33.60</b>	<b>\$117.60</b>	<b>\$260</b>	<b>\$580</b>	<b>\$798</b>
Add back non-cash items	37	129	285	635	874
<b>Cash flows before G&amp;A &amp; tax</b>	<b>\$70.40</b>	<b>\$246.40</b>	<b>\$546</b>	<b>\$1,214</b>	<b>\$1,672</b>



PROJECTED

# Growth Strategy

- Development of new rental properties –  
Working with our home builder partners to add new homes at the most cost efficient pricing.
- Property management efficiencies –  
Skilled and on-site team of construction professionals maintaining our portfolio of homes.
- Most of our growth is cash-funded –  
Strong balance sheet providing liquidity to purchase strategic acquisitions in land and water.



## Short Term Outlook (3-5 Years)

### Water Utilities

- Consistent tap sales over the remaining phases adding to the recurring customer base
- Annual tap fee increases at 3%.
- Strategic, competitive rate adjustments

### Land Development

- Steady lot sales over the next 5 years through the completion of Sky Ranch with opportunities expand portfolio
- Increasing lot margins as lot costs are expected to remain consistent through the remainder of Sky Ranch Development
- Most valuable commercial land yet to begin monetizing which will accelerate margins.

### Single Family Rentals

- Expansion of segment to over 200 homes in the next 5 years
- Increased efficiencies as segment continues to scale
- Sustained population growth, particularly in suburban areas, will drive continued demand for single-family rentals

## Long Term Outlook (5–10 Years)

### Water Utilities

- Targeting 3,500 to 4,000 total residential and commercial connections at Sky Ranch.
- Achieving greater operational efficiencies as the segment grows
- Building long-term, recurring revenue streams to enhance shareholder value.
- System expansion will serve additional areas (Lowry Ranch, Arapahoe County parcels)

### Land Development

- Completing the final phases of the Sky Ranch project.
- Expanding development into the Lowry Ranch as surrounding areas approach Pure Cycle's service region.
- Bringing online valuable commercial land at Interstate Interchange.

### Single Family Rentals

- Growing a diversified investment portfolio to generate long-term recurring revenue.
- Increasing operational efficiencies as the rental segment scales.
- Leveraging Colorado's strong economic growth and stable job market to support sustained rental demand and affordability.

# Questions

