Pure Cycle Corporation Announces Financial Results for its Third Quarter Ended May 31, 2019

DENVER, CO / ACCESSWIRE / July 8, 2019 / Pure Cycle Corporation (NASDAQ Capital Market: PCYO) ("Pure Cycle" or the "Company") today reported financial results for its third quarter and nine months ended May 31, 2019.

Third Quarter and Nine Months Ended May 31, 2019 Highlights:

- Revenue during the third quarter and nine months ended May 31, 2019, was $5.2 million and $10.9 million, respectively
- Operating income during the third quarter and nine months ended May 31, 2019, was $1.2 million and $1.4 million, respectively
- Net income during the third quarter and nine months ended May 31, 2019, was $1.3 million and $1.8 million, respectively
- Fully diluted earnings per share during the third quarter and nine months ended May 31, 2019, was $0.05 and $0.07, respectively
- Closed the sale of 75 finished lots, receiving approximately $3 million in proceeds and continue to make progress on finishing additional lots

"We are pleased to report our results for our three and nine months ended May 31, 2019. The first nine months of our fiscal year 2019 was highlighted with record revenues for our Company," commented Mark Harding, President of Pure Cycle Corporation. "We are pleased to have closed the sale of 75 finished lots, receiving approximately $3 million in proceeds, which represent final payment from 50 lots under our lot development agreements and full payment for 25 finished lots under our finished lot agreement. We expect to close an additional 75 finished lots this July for an additional $3.4 million, which will represent final payment from 50 lots under our lot development agreements and full payment for 25 finished lots under our finished lot agreement. In addition to our lot closings, we have received proceeds from the sale of 57 water and wastewater taps to date for a combined total of $1.8 million. Our three home builder customers have over 20 homes under construction, and home sales from our home builder customers continue to exceed forecasts," continued Mr. Harding.

Mr. Harding also reported that the Sky Ranch Community Authority Board, a political subdivision and a public corporation of the State of Colorado responsible for the construction, design and financing of Sky Ranch (the "CAB"), is exploring the possibility of a bond offering, perhaps as early as the end of this calendar year, dependent upon market and other conditions. The offering would be intended to satisfy some or all of the CAB's obligations to

reimburse Pure Cycle for its construction of infrastructure and other improvements at Sky Ranch, including roads, curbs and gutters, park amenities, street and traffic signs, water and sanitary sewer mains, storm water management facilities and lot and grading improvements. As of May 31, 2019, those reimbursable costs aggregated to approximately $13.7 million."

The following table summarizes results of operations for the quarters and fiscal year to date ended May 31, 2019 and 2018:

	Period Ended May 31, In 000's (except per share)			
	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
Revenue				
Water sales	$ 1,442	$ 1,212	$ 3,095	$ 3,017
Tap fees (water and wastewater)	1,034	–	1,756	50
Land development	2,708	–	6,036	–
Total revenue	5,184	1,212	10,887	3,067
Cost of revenues				
Water service operations	$ (674)	$ (595)	$ (1,629)	$ (1,370)
Land development construction costs	(2,588)	–	(5,716)	–
Total costs of revenue	(3,262)	(595)	(7,345)	(1,370)
Gross profit	1,922	617	3,542	1,697
Operating expenses:				
General and administrative	(665)	(636)	(1,864)	(1,816)
Other	(98)	(69)	(276)	(183)
Income (loss) from operations	1,159	(88)	1,402	(302)
Other income (expenses):				
Oil and gas royalties and lease income, net	51	75	155	190
Other loss	(3)	(2)	(5)	(6)
Interest income	54	69	247	176
Net income before taxes	1,261	54	1,799	58
Taxes	–	–	–	–
Net income	$ 1,261	$ 54	$ 1,799	$ 58
Income per share	$ 0.05	*	$ 0.07	*

* *Denotes less than $0.01 per share*

Revenues increased approximately 328% and 255% during the three and nine months ended May 31, 2019, compared to the three and nine months ended May 31, 2018, respectively. The increases were primarily attributable to revenue recognized from lot sales and tap fees related to Sky Ranch. Revenue from water sales increased for both the three and nine months ended May 31, 2019, compared to the three and nine months ended May 31, 2018, due to higher industrial water revenue for fracking. Costs of revenues increased approximately 448% and 436% during the three and nine months ended May 31, 2019,

compared to the three and nine months ended May 31, 2018, respectively, due primarily to costs incurred from land development.

During the three months and nine months ended May 31, 2019, net income increased approximately 2,210% and 2,994% during the period, compared to the three months and nine months ended May 31, 2018, respectively. The increase was primarily attributed to revenue from land development, higher water and wastewater tap fees and higher industrial water revenues related to fracking.

Our summarized financial position as of May 31, 2019, and August 31, 2018, is as follows:

	May 31, 2019 000's	August 31, 2018 000's	$ Change 000's
Assets			
Cash, cash equivalents and marketable securities	$ 9,770	$ 20,283	$ (10,513)
Other current assets	15,922	7,635	8,287
Total current assets	25,692	27,918	(2,226)
Long-term investments	–	190	(190)
Investments in water and water systems, net	43,615	36,722	6,893
Land and mineral interests	4,822	4,660	162
Other long-term assets	2,711	2,417	294
Total assets	$ 76,840	$ 71,907	$ 4,933
Liabilities and Shareholders' Equity			
Current liabilities	$ 4,917	$ 2,054	$ 2,863
Other long-term liabilities	352	400	(48)
Total liabilities	5,269	2,454	2,815
Total shareholders' equity	71,571	69,453	2,118
Total liabilities and shareholders' equity	$ 76,840	$ 71,907	$ 4,933

Cash, cash equivalents and marketable securities as of May 31, 2019, decreased 52% compared to the amount at our fiscal year ended August 31, 2018, primarily due to the funding of the Sky Ranch development and other capital investment projects. Development costs are recorded in inventories in other current assets until charged to cost of revenue over time based on inputs of costs to total costs. Current liabilities increased due to deferred revenue as a result of the Company collecting its third milestone payment from one builder at Sky Ranch for the finished lot phase of the development project and higher Sky Ranch development expenses in accrued liabilities.

Company Information

Pure Cycle owns land and water assets in the Denver, Colorado metropolitan area. Pure Cycle provides water and wastewater services to customers located in the Denver metropolitan area, including the design, construction, operation and maintenance of

water and wastewater systems.

Additional information including our recent press releases and Annual Reports are available at www.purecyclewater.com, or you may contact our President, Mark W. Harding, at 303-292-3456 or at info@purecyclewater.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are all statements, other than statements of historical facts, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future, such as statements about the following: the closing of additional finished lots and anticipated payments from such closings; home sales by our home builder customers continuing to exceed forecasts; and a possible bond offering by the CAB, the timing of such offering and the use of proceeds from such offering. The words “anticipate,” “likely,” “may,” “should,” “could,” “will,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation: the timing of oil and natural gas development in the areas where we sell our water; the market price of oil and natural gas; weather; home mortgage interest rates and other factors impacting the housing market and home sales; market conditions for debt offerings; the risk factors discussed in Part I, Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended August 31, 2018, and in Part II, Item 1A of our Quarterly Report on Form 10 Q for the fiscal quarter ended May 31, 2019; and those factors discussed from time to time in our press releases, public statement and documents filed or furnished with the U.S. Securities and Exchange Commission. Except as required by law, we disclaim any obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

SOURCE: Pure Cycle Corporation

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