Pure Cycle Reports Record Profits for 2020

"The increasing monetization of Pure Cycle's long held, valuable land and water assets continued in fiscal 2020, spurred by the success of the initial development at Sky Ranch," commented Mark W. Harding, Pure Cycle's CEO. "While we have utilized just a fraction of our water rights and land holdings thus far, the cash flow generation and profitability potential of our business model became evident this year. We look forward to the continued improving returns on future Sky Ranch phases and the addition of more customers to our water and wastewater resource segment." continued Mr. Harding.

Highlights

- ***Fiscal 2020 Net Income Was $6.8 Million on Revenues of $25.9 Million***
- ***Cash, Cash Equivalents and Investments Increased 126% – And We Remain Debt Free***
- ***Successful Initial Phases at Sky Ranch, by the End of Our Fiscal Year-End We Had Delivered 483 Finished Lots and Received $35.1 Million of the Total $36.7 Million of Lot Sale Proceeds***
- ***In the Past Two Fiscal Years We Sold Over $9.2 Million in Water and Wastewater Taps***
- ***After Our Fiscal Year-End We Signed Contracts With Four Builders for the Next Phases of Development at Sky Ranch***

DENVER, CO / ACCESSWIRE / November 10, 2020 / Pure Cycle Corporation (NASDAQ:PCYO) today reported net income of $6.8 million for fiscal 2020, compared to $4.8 million for fiscal 2019. Driving this growth was $18.9 million of recognized lot sales and $5.6 million of water and wastewater tap fees. Pure Cycle also reported net investments in water and water rights of $55.1 million as of August 31, 2020, which is a $4.8 million or 9.6% increase over 2019. This reflects Pure Cycle's continued expansion of its valuable water resources in a water-short region.

"Our initial development at Sky Ranch, our master-planned community in the high-profile and quickly expanding I-70 corridor, is nearing completion. I am excited to report we have accomplished this nearly two-years ahead of our original schedule and on-budget. Both accomplishments are a testament to our dedicated and driven team members at Pure Cycle," commented Mr. Harding. "This provided significant growth not only to our land development segment, but equally as important to our water and wastewater resource development segment, both in adding customers and further monetizing our extremely valuable water portfolio," concluded Mr. Harding.

The table below presents Pure Cycle's summarized consolidated financial position as of

August 31, 2020 and 2019, with details of significant changes presented below the table (in thousands):

ASSETS:	2020	2019	$ Change	% Change
Current Assets:				
Cash, cash equivalents and investments	$ 21,797	$ 9,667	$ 12,131	125.5 %
Land development inventories	481	11,613	(11,132)	(95.9) %
All other current assets	3,712	2,258	1,455	64.4 %
Total current assets	25,991	23,538	2,453	10.4 %
Investments in water and water systems, net	55,087	50,270	4,816	9.6 %
All other long-term assets	8,683	9,913	(1,230)	(12.4) %
Total assets	$ 89,761	$ 83,721	$ 6,040	7.2 %
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	$ 2,783	$ 3,599	$ (816)	(22.7) %
All other current liabilities	3,436	4,698	(1,262)	(26.9) %
Total current liabilities	6,219	8,297	(2,079)	(25.1) %
All long-term liabilities	1,499	693	806	116.2 %
Total liabilities	7,717	8,990	(1,273)	(14.2) %
Total shareholders' equity	82,044	74,731	7,313	9.8 %
Total liabilities and shareholders' equity	$ 89,761	$ 83,721	$ 6,040	7.2 %

Cash, cash equivalents, and investments increased 125.5% primarily due to initial phase lot sale proceeds (partially offset by construction costs) at Sky Ranch, and receipt of water and wastewater tap sales predominately at Sky Ranch. Development costs are capitalized until charged to cost of revenue over time based on a percent completion accounting methodology.

Investments in water and water systems, which represents Pure Cycle's continued expansion of its valuable water portfolio, increased 9.6% primarily related to construction of infrastructure to extend services to Sky Ranch and increase our overall system capacities.

Shareholders' equity increased 9.8% primarily due to net income.

The following table provides summarized consolidated results of operations for the years ended August 31, 2020 and 2019, with details of significant changes presented below the table:

	2020	2019	$ Change	% Change

Municipal water usage revenues	$ 524,000	$ 318,200	$ 205,800	65 %
Oil and gas water usage revenues	512,800	4,238,400	(3,725,600)	(88 %)
Total metered water usage revenues	1,036,800	4,556,600	(3,519,800)	(77 %)
Water delivery operating costs incurred (excluding depreciation and depletion)	(804,100)	(1,502,400)	698,300	46 %
Gross margin for delivering water	$ 232,700	$ 3,054,200	$ (2,821,500)	(92 %)
Gross margin % for delivering water	22 %	67 %		
Wastewater treatment revenues	$ 95,800	$ 35,800	$ 60,000	168 %
Operating costs to treat wastewater	(200,000)	(28,000)	(172,000)	614 %
Gross margin for treating wastewater	$ (104,200)	$ 7,800	$ (112,000)	(1,436 %)
Gross margin % for treating wastewater	(109 %)	22 %		
Lot sales revenue	$ 18,934,400	$ 11,956,000	$ 6,978,400	58 %
Lot development construction costs incurred	(15,869,600)	(11,305,000)	(4,564,600)	40 %
Gross margin on selling lots	$ 3,064,800	$ 651,000	$ 2,413,800	371 %
Gross margin % on selling lots	16 %	5 %		
Water and wastewater tap revenue	$ 5,641,000	$ 3,642,500	$ 1,998,500	55 %
Total revenue	$ 25,855,200	$ 20,361,500	$ 5,493,700	27 %
General and administrative expenses	$ 4,249,300	$ 3,106,500	$ 1,142,800	37 %
Non-cash mineral rights impairment charge	$ 1,425,500	$ –	$ 1,425,500	100 %
Other income (predominately reimbursables)	$ 7,405,800	$ 529,300	$ 6,876,500	1,299 %
Net income	$ 6,750,400	$ 4,811,100	$ 1,939,300	40 %
Earnings per fully diluted share	$ 0.28	$ 0.20	$ 0.08	40 %

Although total metered water usage revenues dropped, Pure Cycle experienced increased municipal water usage which is driven by water sold at our Sky Ranch community as builders continue to sell homes. As of August 31, 2020, the builders have sold 315 homes in Sky Ranch, which at current sales rates they will sell the remaining 191 homes in the initial development phase by the end of calendar 2021.

Lot sales revenue increased 58.4% due to the increases in construction activities (revenue is recognized under the percentage of completion method as construction progresses) at Sky Ranch. This relates to the 506 lots being developed and sold in the initial phases at Sky Ranch. The gross margin on our lot development activities increased from 5% to 16% mainly due to the partial reimbursements we received for public improvements at Sky Ranch. Pure Cycle delivered all the contracted finished lots by November 2020, resulting in Pure Cycle receiving a total of $36.7 million in lot sale proceeds.

Water and wastewater tap fees increased 54.9% as the homebuilders purchased taps and connected homes at Sky Ranch to our expanding system and resources. Pure Cycle received a total of $9.6 million in water and wastewater tap fees from the initial phases for the two years presented, with the expectation of receiving another $5.2 million in tap fees by the end of calendar 2021.

General and administrative expenses increased 36.8% primarily related to the costs associated with additional staffing due to the continued development of Sky Ranch as well as

stock-based compensation provided to employees due to the successful execution of the initial development at Sky Ranch and to the board of directors for their annual services.

As of August 31, 2020, we determined the carrying value of our mineral rights located in the Arkansas River Valley in southeastern Colorado were not recoverable and recorded a non-cash impairment charge for the full carrying value.

Other income increased substantially, due primarily to the receipt of $10.5 million representing the partial reimbursement for advances we made to the Sky Ranch Community Authority Board, the entity responsible for the construction, design and financing of the public improvements at Sky Ranch, for public improvements at Sky Ranch. Of the amount we received, $4.2 million reduced the remaining capitalized expenditures and $6.3 million was recognized as Other income. We have an additional $18.5 million in expenses incurred that are reimbursable, that were paid to the Sky Ranch Community Authority Board. During our fiscal 2020 they issued $13.2 million of bonds for reimbursement of construction of public improvements.

Building on the success of the initial development at Sky Ranch, after our fiscal year-end we entered into contracts with four home builders (KB Home, Meritage Homes, Melody Homes and Challenger Homes) for the next development phases. Pure Cycle expects construction on the next phases to begin by the end of calendar 2020. Due to our strong performance in the initial phases at Sky Ranch project, we were able to realize a 30% increase in our lot prices from $75,000 for a 50′ lot in the initial phases to $97,000 for the same 50′ lot in the next phases.

Earnings Call Information

Pure Cycle will host a conference call on Tuesday, November 10, 2020, at 4 PM Eastern (2 PM Mountain) to discuss the financial results and answer questions. Call details are presented below. For the earnings call, Pure Cycle will post a detailed slide presentation on its website (www.purecyclewater.com), which provides an overview of Pure Cycle and presents summary financial results for the year ended August 31, 2020.

When:	4:00 PM Eastern (2 PM Mountain) on November 10, 2020
Call-in number:	1-877-407-8033 (no pass codes required)
International call-in number:	+1 201-689-8033 (no pass codes required)
Replay available until:	Tuesday, November 24, 2020, 4:00 PM ET
Replay call in number:	1-877-481-4010, replay pass code: 38547
Event link:	https://www.webcaster4.com/Webcast/Page/2247/38547

Company Information

Pure Cycle is a diversified land and water resource development company. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider that, in addition to developing wholesale water and wastewater resources, also develops

master-planned communities to which we provide water and wastewater services.

Additional information including our recent press releases and SEC filings are available at www.purecyclewater.com, or you may contact our President, Mark W. Harding, or our CFO, Kevin B. McNeill, 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: timing of development of the second filing at Sky Ranch; and tap sales and home sales by our home builder customers. 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: home mortgage interest rates and other factors impacting the housing market and home sales; 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, 2020; 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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https://www.accesswire.com/615671/Pure-Cycle-Reports-Record-Profits-for-2020