Pure Cycle Reports Results for Three and Six Months Ended February 28, 2022

DENVER, CO / ACCESSWIRE / April 11, 2022 / "We are excited to announce the completion of another strong quarter. For our water resource segment, we had our highest water deliveries in history thanks to a strong oil and gas market, while our land development segment continues developing our Master Planned Community Sky Ranch – which is thriving in this hot housing market" commented Mark Harding, CEO of Pure Cycle. "We finalized the sale of a school site to National Heritage Academy which will build and operate the Sky Ranch Academy. The school will serve students from K-12th grades, with an initial opening of the K-8th school in August 2023 and we couldn't be happier with the progress that has been made and we are excited for what the school will do for the community" continued Mr. Harding.

Highlights

- Revenues of $4.7 million and $8.9 million for the three and six months ended February 28, 2022
- Pre-tax income of $2.2 million and $4.2 million for the three and six months ended February 28, 2022
- EBITDA of $2.6 million and $5.1 million for the three and six months ended February 28, 2022
- Homebuilders in the second development phase have begun construction on model homes
- 500 of 505 lots in the initial phase of Sky Ranch have purchased water taps and we are now receiving applications for taps in the second phase with 2 sold to date. Total tap fees to date at Sky Ranch are equal to $15.1 million
- Delivered an all-time high of 137 million gallons of water during Q2 2022, with 125 million gallons of water sold to oil and gas operators which generated $1.6 million in revenues

Denver, Colorado, April 11, 2022 – Pure Cycle Corporation (NASDAQ Capital Market:PCYO) is reporting net income of $1.7 million and $3.2 million for the three and six months ended February 28, 2022. This was generated from revenues of $4.7 million and $8.9 million. Pure Cycle continues construction on the first subphase of the second development phase of the Sky Ranch Master Planned Community, which is just over 57% complete.

"As we see certain areas of our land development segment impacted by supply chain issues in the industry, we are fortunate to have the ability to capitalize on the positive effects the economy is having on water segment related to oil and gas," commented Mr. Harding. "Even with the delays we are seeing in raw materials, we aggressively sought to pre-order much of the materials providing confidence in our ability to close and deliver the final lots in phase 2

as projected and proceed onward to the next phase," concluded Mr. Harding.

Financial Summary

Revenue – For the three and six months ended February 28, 2022, we sold 27 and 36 water and wastewater taps for $0.9 million and $1.2 million. We have five tap fees remaining to be sold in the first development phase of Sky Ranch. For the same period, we reported total revenues of $4.7 million and $8.9 million with $2.8 million and $3.9 million being generated in our water and wastewater resource development segment and $1.8 million and $5.0 million generated by our land development segment. Our single-family rental business rented the three completed homes starting November 1, 2021, began construction of the fourth unit and started negotiations with builders on the next ten.

Profitability – We continue to be profitable quarter over quarter with net income of $1.7 million and $3.2 million for the three and six months ended February 28, 2022. This equates to $0.07 and $0.13 of earnings per fully diluted share.

Working Capital – As of February 28, 2022, our working capital (which is current assets less current liabilities) was $21.0 million, which includes cash of $5.2 million.

"As our economy adjusts to new inflationary pressures we believe our long-standing land, water and more recently rental housing assets will grow adding substantial shareholder value We continue to drive lot sales which we anticipate continuing to grow through the remainder of fiscal 2022," commented Mr. Kevin McNeill, CFO of Pure Cycle. "Completing the sale of the school site, the successful launch of our single-family rentals, and record quarterly water sales, has us excited to see how this business will grow in the coming years," concluded Mr. McNeill.

Operational Summary

Water and wastewater resource development – Water usage increased for both the three and six months ended February 28, 2022 compared to 2021, primarily due to new Sky Ranch customers and an all-time high delivery of water to oil and gas operators. We delivered 4.2 million gallons and 21.6 million gallons of water to Sky Ranch customers for the three and six months ended February 28, 2022, and we delivered 124.0 million gallons and 150.9 million gallons to oil and gas operators for use in drilling. As we continue to deliver lots in our land development segment our monthly recurring water sales continue to strengthen as we add customers to our water and wastewater systems year over year. Water and wastewater tap sales declined in Q2 2022 as compared to Q2 2021, due to timing of closings at Sky Ranch. Tap sales are driven by building permit applications and are not contractually established with the builders; we have started to receive initial building permit applications on the second development phase with the summer building season just starting. Water deliveries were at an all-time high in Q2 2022 mostly due to deliveries made to oil and gas operators.

Land development – Lot sales revenue increased for both the three and six months ended February 28, 2022, as compared to 2021, due to lot deliveries made on the second development phase at Sky Ranch. The price per lot for delivered lots in the second development phase increased on average 40% over the first phase. Revenue for three of the four builder contracts in the second development phase are recognized over time with progress measured under the percent of completion method; therefore, revenue will fluctuate due to timing of construction activities throughout the second phase.

Single Family Rentals – In fiscal 2021 we began construction on three homes that were completed and put into service on November 1, 2021. All three homes were rented effective November 1, 2021, under non-cancellable one year lease agreements. The revenues presented in the consolidated financial statements are for rental fees on all three homes since November 2021, which will be recorded monthly throughout the terms of the leases. During Q1-2022 we contracted for the construction of the fourth rental home, which began construction in March 2022, and we expect it to be completed and ready for rental near the start of our fiscal 2023. In addition, we began negotiating contracts for construction of the next ten rental homes located in the second development phase, for which we expect to start construction during the summer of 2022.

The following table presents our unaudited results of operations for the three and six months ended February 28, 2022, and 2021:

The following table presents our consolidated financial position as of February 28, 2022, and August 31, 2021:

Q2 2022 EARNINGS CALL

Pure Cycle will host a conference call on Tuesday, April 12, 2022, at 8:30AM Eastern (6:30AM Mountain) to discuss the financial results and answer questions. Call details are presented below. We will post a detailed slide presentation, which provides an overview of Pure Cycle and presents summary financial results on our website which can be accessed at www.purecyclewater.com.

When: 8:30AM Eastern (6:30AM Mountain) on April 12, 2022

Call in number: 888-506-0062 (access code: 954376)

International call in number: 973-528-0011 (access code: 954376)

Replay number: 877-481-4010 | 919-882-2331 (passcode: 45002)

Replay available until: April 26, 2022 at 8:30AM ET

Event link: https://www.webcaster4.com/Webcast/Page/2247/45002

Company Information

Pure Cycle continues to diversify its operations, grow its balance sheet, and drive recurring revenues. We operate in three distinct lines of business, each of which complement one another. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider. In 2017, we launched our land development business which develops master planned communities on land we own and to which we provide water and wastewater services. In 2021, we launched our newest line of business, the rental of single-family homes located at Sky Ranch, which provides long-term recurring revenues, furthers our land development operations, and adds more customers to our water resource business.

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. Be sure to follow Pure Cycle on Twitter @purecyclecorp.

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 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, 2021; 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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