S&P Global
Market Intelligence

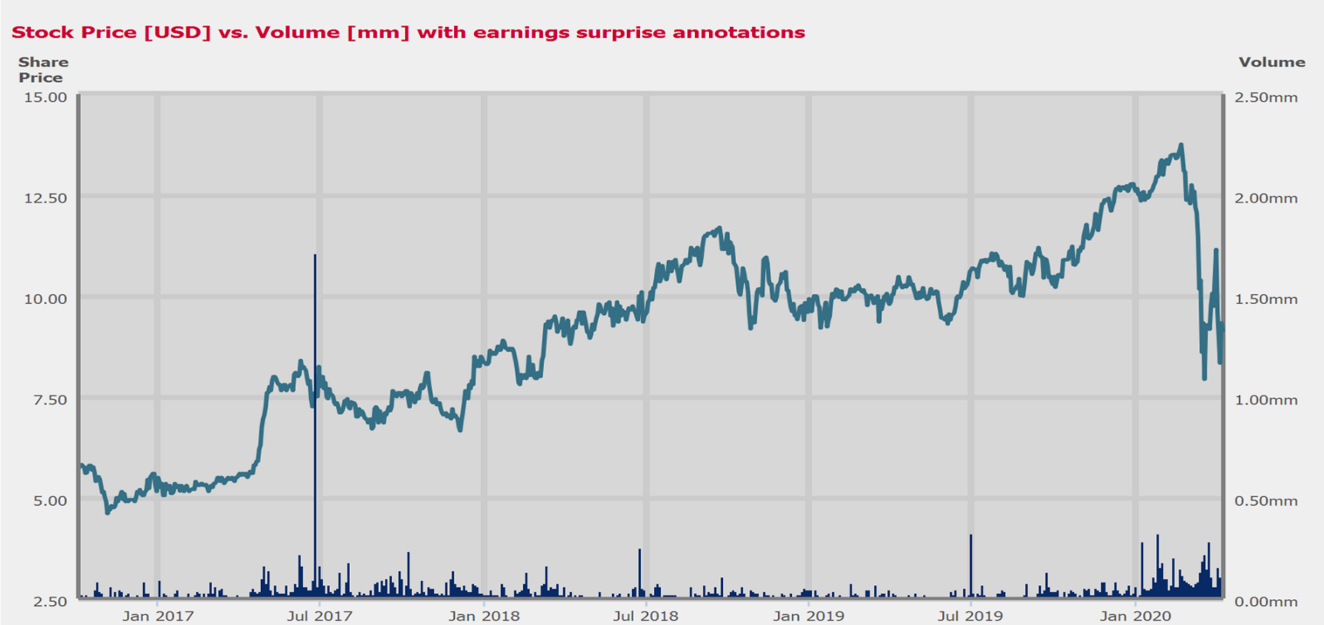
Pure Cycle Corporation NasdaqCM:PCYO FQ2 2020 Earnings Call Transcripts

Tuesday, April 07, 2020 8:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2017-
	CONSENSUS
EPS Normalized	(0.02)
Revenue (mm)	0.12

Currency: USD
Consensus as of Dec-12-2016 2:53 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2017	(0.02)	(0.01)	NM

Table of Contents

Call Participants	....	3
Presentation	....	4
Question and Answer	....	9

Call Participants

EXECUTIVES

Mark W. Harding
President, CEO & Director

ANALYSTS

Unknown Analyst

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Presentation

Operator

Greetings and welcome to the Pure Cycle Corporation 2020 Second Quarter and 6-Month Financial Conference. [Operator Instructions] It is now my pleasure to introduce you to your speaker, Mark Harding. Mr. Harding, you may begin.

Mark W. Harding
President, CEO & Director

Thank you, and I'd like to welcome you all to our second quarter call. Some housekeeping measures. We do have a slide deck for this. So if you want to log in to our website, it should be on the front landing page. It'll just say second quarter presentation. If you don't see it there, then you can surf over to the Investors section, and there'll be a link there as well. So that'll allow you to follow along with the presentation and the prepared remarks.

I'm going to beg forgiveness for those of you who are new to the company. Probably just jump into sort of the quarter end without giving kind of the overview -- typical overview of the company. We've got some excellent resources on our website if you're new to the company and want to get a little bit more color about sort of how we do things and how we got to where we are. There's a couple of podcasts on there that will give you that presentation.

But with that, let me go ahead and start the call here. And the first thing I need to do is while I said I was going to go through the presentation quickly, I got to get through at least the second slide, which is to get the lawyers out of the room, saying that this is our safe harbor statement, and really, these are our forward-leading statements not intended to be policy or direction or guidance to our investors.

So with that, I'm going to roll -- scroll you guys down to Slide 6 and really start by giving you all an update into our land development segment and give you kind of an update of the activity that we've had.

As you all know, we've got a very large master plan community located in the I-70 corridor here in the Denver metropolitan area. We've embarked on our first phase of that, which includes a little over 500 lots. We have 3 national homebuilders that are under contract for all of our homes -- all our lots on that. We have Richmond America, Taylor Morrison and KB, and all 3 of them are very active in building homes out there.

We have -- of the 506 lots, I think we've delivered about 380 of the 506 lots. So there's really just 2 more takedowns. I think Richmond has taken down all of their lots. Taylor Morrison has one more takedown requirement -- one more takedown of lots, which will be about 49 lots. And then I think KB has another 50 lots, and they're going to be, plus or minus, maybe a little bit more than 50 lots. I think they've got maybe 2 more takedown schedules.

The really nice thing about our project here is all 3 of our builders have accelerated their takedowns from their original contract schedules, mostly due to, really, the success that this project has had. We've had a great entry into the market, mostly because of our price point. Our price point is an entry-level price point. Our homes start in sort of the kind of [3 40, 3 50] range. That's -- as sad as that may sound, that's the starter home in the Denver market. But we have a real mix of homeowners out there. We have had our first, sort of share -- our homeowner community meeting and got a chance to meet with a number of those folks. We have about 7 -- a little more than 70 people occupying houses out there. And the first community meeting was a huge success. I think we had more than 42 homes represented -- families from 42 homes represented. I will throw a shout out there to KB who gave us one of their model homes for the meeting place there, and they gave us some things to snack on there. So I give them a shout out and thank them for that. But the project is going great.

In addition to the actual occupied homes, we probably got, I'd say, 120, 130 homes under construction. So I'd say we're right close to 200 homes either built or under construction. We've got -- I'm going to --

let me pull that back -- about 180 building permits issued. So you can't get started on a home until you've actually got a building permit.

We have paid tap fees. So in addition to selling lots, as many of you know, we are a water utility, and we keep that track of that metric as well. We've got about 217 water and wastewater taps purchased from our homebuilders. And then how this is likely to roll out for the rest of this first phase, we'll deliver the remaining 127 lots through calendar year-end. So there's -- of those 3 or 4 more closings, those are staggered throughout the rest of the year. So you'll see announcements as we get those closed. I'll likely send out a press release for each of those announcements to let everybody know how those are progressing through.

I'll move to the next slide, Slide 7, that will kind of give you both a visual as well as a numerical representation of the progress since Q1. So you can see we are having a tremendous start, and then we're really just getting into the building season. So we've got a number of new homes. I'd say 70 residents as we were describing, and I think home builders are averaging about 6 homes per month per builder. So that absorption has been very exciting over the winter. We'll see how that continues to progress in this new environment that we're in. And we'll talk a little bit more about that later in the presentation.

Move to Slide 8. Slide 8 will really kind of give you a view of the rest of the project. 1,000 -- that's about 935 acres in total. So this first 155 acres is really just the first entry into that. And as you can see, I want to highlight really the next residential component of that. The next phase incorporates 480 acres, and there's much more than just the residential component. We have a large commercial component, which is going to be up along the interstate. So we have about a half a mile of frontage along the interstate, and we have our own interchange that's existing right at the exit to the property. But we're going to focus in on kind of the next residential component of that, and we have a very broad product mix in our next residential component.

If you flip to the next page, that will kind of give you kind of a land plan layout. And really, the mix is going to be more than -- we have kind of -- in our first phase, we just had 2 product mixes, a 45-foot and a 50-foot lot. Those are pretty homogeneous that did allow the builders to be able to take a wide variety of homes on those sites, but it was still a pretty typical stand-alone detach single-family house. In the next phase, we'll have a little bit more density on the per acre on that. We'll have some smaller lots, a 32-foot single family, 45s and 50s like the first phase. We'll have some paired product out there, which means we'll have some duplexes and then some townhome product where we'll have clusters. And so it relatively does speak to a much larger customer base, a much more diversified product offering amongst the number of builders that we're looking at.

We'll likely phase this in -- so this will be our second phase, but we'll probably have 4 micro phases here. As you can kind of see, we've set that up where you can see each phase is somewhere in the 230 to 260 lot deliveries. And so it allows us to be able to manage our construction costs, so we don't get too far out over our skis, and we want to make sure that builders are absorbing and paying for all those full costs of developing those lots before we move on to the next increment.

I think we did a very good job of efficiently delivering the first 500 lots in our first phase. And so we don't want to stray too far away from that model because I think that was very good, not only for our builders so that they didn't have to inventory too much as well as the company, so we didn't have to inventory too much in terms of the development cost. So we can do a lot of those land, like the earthwork. Maybe we carve that up into 2 phases, but we can carve up the utilities and the roads, curves and gutters into 4 phases so that we're much more real time in delivering those. So that's I know important to our shareholders because they want to make sure that we're using our capital wisely. We're not putting too much into our work in progress, or WIP, on that without having our builders kind of there with us payment progresses.

I think our contracts are going to look very similar in the second phase as they looked in the first phase where we're going to get maybe 1/3, 1/3, 1/3 delivery schedule where we'll get paid a portion of the lot cost -- of finished lot costs as we plot the property and then a progress payment as we deliver wet utilities and then a final progress payment as we deliver the final lot -- final finished lot.

Pricing is probably going to be a little bit stronger. I would like to be able to disclose that pricing to you. I think we know -- I have a pretty good idea about that. But until we get our contracts finalized with each of our builders, I'm going to keep that in our pocket, and we'll look forward to giving you that guidance as that becomes available to us.

Let's move on to Page 10. So Page 10, as you know, we also supply water and wastewater services. And one of the biggest activities that we have in the water segment is supplying water to the oil and gas industry when the oil and gas industry existed. They seem to have taken a hiatus this year just mostly due to the price of oil. We did have some repositioning of the assets in the field. So our largest operator, ConocoPhillips, had sold their position in this field to a group called -- a private company called Crestone Peak Resources. You can Google them and find out a little bit more about them. But they're almost exclusively owned by Canadian pension funds. So they operate a little bit differently than maybe a public E&P company. They really do have a long-term focus. I've been very impressed with their management and their leadership. In point of the transition, how they've handled the transition, the communication channels that we have with them, about how they look to take a look at the field and then also what's going on in the current market, with oil in the mid-20s now, which is a significant improvement than it was maybe 6 or 7 days ago, but looking at oil in the low 20s, it certainly puts a lot of pressure on E&P companies' ability to really invest into a field right now. And so I think most of their activity is on hold for 2020 in terms of new exploration. One of the things that they did have as a carryover from ConocoPhillips is they have 13 wells that Conoco had drilled and completed on the drilling side, but they hadn't fracked those wells. So if you look at some of the low-hanging fruit and they look at this as to say based on -- we'll make a sort of a month-to-month assessment based on the price of oil as to how we want to pick up and the timing of completing those wells so that they can get those in production and really a very modest investment to bring on production or at least complete those wells and hold those leases by production. So there's a little bit of opportunity for us to have some activity on that, but I don't have a lot of guidance on that because they don't have a lot of guidance just yet.

Moving to the next slide, Slide 11. Let me give you some of the financial metrics, our water assets. So our assets are going up -- continue to go up from year-end last year as well as do our cash and investments. So you always want to own companies that have increasing assets as well as increasing cash position. That usually means that they're making money. And this is one of those areas where we find ourselves in a very unique position where we're very strong and very highly appreciating asset base and a very strong and not making very much money, but a lot of liquidity within the company.

I'm sorry, let me take that -- that could be misinterpreted. We are making a lot of money. Our cash is not making a lot of money right now.

Let me roll to the next slide, Slide 12. That gives you kind of the metrics on the P&L. Operating revenues, that's a 6-month number, $14 million over what was last year. So we're a little bit ahead of where we were this month -- this time last year. And then growth in income from continuing operations on the share basis, $0.25 a share. And then profitability, if you take a look at the net income after-tax, we are -- we have used up all our tax credits. So now I end up having to send some of those dollars to help support that $2 trillion benefit package that Washington has sent out. But we're now happy to be reporting a very good margin after-tax profit.

Page 13 will give you kind of a breakdown on where that money is coming from. So if you look at the land development segment, a little over $10.8 million on lot sales. The tap fee revenue is about $2.8 million. So we're getting a good monetization of the equity value that we have in our water system. What has fallen off is obviously fracking water revenues. So very nominal revenue for this fiscal year in the fracking revenue. We really haven't had a single frac in this fiscal year. That revenue that you see there, that $57,000 is sort of incidental water that would be going to a pad site for any construction activity in the pad side water compaction or a number of things like that.

And then we also have some oil and gas minerals. And what you see is kind of a substantial tick up in our oil and gas royalties, and that was because Conoco had drilled and completed another 4-well pad site on some of our land. And if you remember, we have 2 sections where we carry forward net mineral interest on that. This is in the smaller portion of that. We have 1/8th pooling in -- where these 4 wells are. And then in the other pooling interest, we have 3/8 of that. So this is even in the smaller well pooling. So it gives you kind of an impact on the fact that this is a very oil-rich field and -- but for the price of oil being in the 20s, would be being developed on a pretty aggressive basis. And so there will be cycles in that. This too will end in terms of the pricing war that we have currently in the oil sector, and we will continue to be able to monetize that in terms of our mineral estate as well as the opportunity to share our water assets and sell water for fracking revenue.

Next slide, balance sheet impact. So that gives you a kind of a period-over-period balance sheet impact. And then on the Slide 15, sort of the P&L. One of the non-GAAP measures there that I think is good to keep track of is our sort of our EBITDA -- our non-GAAP EBITDA there. So you got $8.7 million for the 6 months ending. So when you look at sort of trending on how's the company doing with its assets, your investment into these assets over those many years has really started to really benefit our shareholders and really provide value to that.

So with that, I do want to spend a little bit of time talking about sort of our unique -- the world that we're in sort of today and talk about some of our response to the virus impacts. Water and wastewater are essential services. So we're one of those exempt industries, and our employees are exempt. So our day-to-day operations are pretty much -- pretty normal. I would say, our field crews are pretty, I'd say, standard. We have the typical folks that are going to be in and out of a flu season. We are very particular about if somebody is sick. We want them to stay home. We give them -- the company -- as an employee-centric company, we have a very generous PTO policy. So we want to make sure that, one, they take care of their health, but then they also make sure that we take care of all of our coworkers' health as well. But that said, we do have to be on site. We do have to make sure that the water keeps flowing and wastewater keeps being processed.

Our office personnel, probably 80-20 mix, where we have 80% of the people still commuting to the office. We try to stick to our offices and maintain our distances from each other just to have best practices and make sure that we have continued healthy professionals here. But we do have some folks that have a type of job responsibility where they can commute from home, and they do a very efficient job and are very productive of being able to do that. Some of our engineers and accounting staff can do some of that stuff remotely.

Our builders continue to complete the houses that they have under contract. They have said that their walkthroughs, the on-site traffic is down substantially, and that's really primarily because Colorado, like I think most states in the U.S., are on sort of a stay-at-home period where other than essential activities, they're sort of discouraging that essential activities. That said, the construction industry itself is classified as essential. So while they may not have a lot of construction, they do have a lot of contracts and a lot of homes that are in the pipeline, and there's -- there continues to be a lot of activity on site. So those homes that had started construction or that they have contracts for, they continue to start new starts. They continue to complete those homes because they have specific delivery time lines on that, and we have to support that. So our field crews are out there setting meters, making sure that we have inspections on water and sewer lines and all that activity.

What else? I think I did mention the oil and gas activity. That has been deferred for 2020. But again, there are 13 wells that are sort of that low-hanging fruit, and we'll see how the -- our new partner looks to capitalize on being able to invest in those new activities and -- I'm sorry, those existing wells to frac those and bring those things on to market.

If you take a look at our Phase 2. We are in conversation with as many as 7 different builders. We don't think we have room for all 7 builders, but we have -- we've sort of put it in front of 7 national homebuilders, and all 7 want to be in the project, and we're trying to balance out each individual builder with what their product specialties are. So some builders specialize on paired products. Some builders have townhome products. Some builders have alley load product and some builders don't. And so we want to figure out and really find a market segmentation for each of the builders to be able to get them to have some value proposition of doing what they do well, segment out the different types of players that we have on the site and really looking to finalize those agreements within the next 90 days. Our opportunity would be to be able to be under construction and be in the ground sometime late this year. I would say, I keep saying September, October, but because of where we're at with our current market conditions, I'm looking for maybe November, December time frame. So we'll see how this continues on. But still being in a position where we can deliver lots for -- that sometime in 2021 time frame, and then they can start constructing on some of their model homes and then be really opportunistic by selling some of what their product is. So some of the builders that we have in our first phase have a strong interest in being in our second phase as well as some new builders. So looking at how that traffic is going to go through the winter of '21 as well, so they can continue to build through the seasons on that.

So with that, what I'd like to do is turn it back over to the moderator, maybe open it up to some questions. I know you all probably have a lot of questions about how we're handling all of the activity and sort of what this current market conditions might impact on the company.
So with that, I'll turn it back over.

Question and Answer

Operator

[Operator Instructions] Our first question comes from [Elliot Knight] of [Knight Advisors].

Unknown Analyst

You haven't said anything on the call about the commercial. You've got 160 acres that you highlight there. Could you tell us what your plans are there and what the time table -- what timetable do you anticipate?

Mark W. Harding
President, CEO & Director

Great question. So while I'm very excited about the residential component of that, and that's kind of where a lot of my attention has been occupied just solidifying those contracts with the builders. You're right, we have a very large commercial component to this property. And commercial usually lags residential development. I would say we've gotten a significantly more interest this year than last year on our commercial piece but not really to the point where we have found the right opportunity yet. A lot of the interest, I would say, 70% of the calls and the serious calls on it have been people that want to put it under contract and then they want to market to somebody who's actually going to develop. And we have the flexibility to be able to go from our position to a direct user rather than having an intermediary in there, not that we're going to be building it or not that we think that we have for -- significant value independent of somebody that would say, I want to buy 5 acres and then I want to bring a deal to Walmart or to Kroger. Certainly, those are the opportunities to do that. And if they have that type of structure, that's where we are interested.

We look at commercial where it has opportunities for both retail and commercial. So you'll have a lot of employment base. It'll have a lot of product offerings where you can get -- you'll have the typical Walmarts, Targets, big-box stores, Home Depots, the fast casuals, on the restaurant side, sort of a mixed use of really all different types of retail and commercial uses out there. And so we're looking at kind of the right model. And each time we kind of configure our land plan, we're looking at some of the demographics that we have on that and what those demographics can bring to the type of retail or commercial player that's there. But I would say that still -- if I scale this on saying, on a 1 to 10, where I've got people building, 10 would be, I've got people building commercial installations out there and 1 being somebody made a call to us on it. I'd say we're at a 3, 4 range on that. So I think we're still pretty early on that. I would expect that to pick up probably in the next 18 months as we get closer to the 500 homes that are under -- that are occupied, and we get a lot more traffic out at Sky Ranch where they can kind of monitor rooftops and fences counts out there for getting a lifetime or getting a fitness center out there or getting a buck store out there. So we look at it as we like to hold that a little bit longer than maybe most developers would so that we are participating more in the end value of that, not necessarily building the value on it, but participating more on the end value by just being patient with it.

Unknown Analyst

So we're there now. How far do they have to drive to a supermarket, to a Home Depot, to a theater?

Mark W. Harding
President, CEO & Director

So it will be -- it's almost triangulated, and it's almost about 10 miles in 3 different directions. There'll be 10 miles to the west, or I'll call it, 8 miles to the west, 10 miles to the south and 11 miles to the east to find those types of installations. So we're very well located on that. And really, there's not much opportunity on land other than ours because they don't have the interchange that would give you that accessibility and that kind of the transportation network to the site itself.

Unknown Analyst

Which makes our commercial all the more attractive.

Mark W. Harding
President, CEO & Director

It does. And it has several things. I mean, one, you do benefit a lot in the value of commercial real estate. And we also benefit from the value of a commercial water user out of that. So we see value not only in the land. We see value in taps. We see value in selling water. But then there's a tremendous value here in Colorado for reimbursables. And I know I've talked about that in the past. But when you take a look at how Colorado is incentivized, our commercial real estate generates 4x the equivalent AV that a residential AV has. And so it does allow us to really capitalize on our full reimbursables. And we did do a bond offering. I talked about that in our last call, which really encompassed about 35% of the reimbursables that we accrued for the first phase, but that was valuing all of that residential. So when you look at it, we'll have -- we should have surplus revenue when you add in the commercial component. So that will become a very important component for us to help realize and help monetize some of those accrued reimbursables.

Operator

[Operator Instructions] Our next question comes from Bill Miller with J.M. Hartwell.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Things sounds they're going really well. If you looked out 3 years, let's say, I want to know how -- what percentage of your revenue at that time will be recurring. And not the tap sales or land sales or whatever. But what percentage will be recurring at that point?

Mark W. Harding
President, CEO & Director

So what I would say is that really drills down into kind of the water connections, the monthly -- month-over-month, year-over-year connections that we have into the system. Today, we stand somewhere around -- pretty close to 500 water connections and then I think maybe 180 sewer connections. And the reason we've got a disconnect between the water and the sewer connections is we have a lot of irrigation connections. So we have more water that doesn't create sewer than water that is in a house creating sewer. Those will catch up as we get more of the single family residents, but we'll still have more water connections than we'll have sewer connections. But within 3 years, I think we're built out on at least the first phase of the 500. So adding -- that would probably add another 400 connections. So we'll more than -- I would say just in the first phase of Sky Ranch, we'll more than double the size and the connections that we have there.

We continue to do well on our acquisition down at Wild Pointe. So that continues to build out. So year-over-year, I think we're up almost 70% from when we bought that in terms of the number of connections that are adding. We're getting close to build out on the residential component of that. There's still a little bit of [tattle] left in that on the commercial side. So that will continue to build out. We'll add more connections.

So that gives you kind of an indication, we could be in the 1,000 to 1,200 range on that and then continuing to grow. And what we'll likely see, Bill, and I know we've talked about this, but we'll likely see -- we'll have multiple phases going on at Sky Ranch. And then as other properties that we don't necessarily own, but that we extend our utilities to continue to add and grow to the system, that really builds into sort of the capacity of our water portfolio. And so we want to have multiple projects going on at the same time that add capacity to our system in that. And so that's where you're going to see -- if you look at our capacity of our portfolio serving 60,000 connections, and we're serving 500 today, we'll have a bell curve on that well where that will continue to grow slower on the front end, then you get up to some very high numbers for a number of years, and then it'll trail off as we get to some of the build-out scenarios on our portfolio. But to get out 60,000 connections, that still probably 30 years out, but I think we still look very good in the short run.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Are there any other easy pickings on the acquisition front?

Mark W. Harding
President, CEO & Director

I was hoping somebody would ask me, what am I going to do with all our cash?

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Yes. Well, that's the point, isn't it?

Mark W. Harding
President, CEO & Director

Yes, it is. It is, honestly. And I know we've talked about this in the past in terms of our philosophical view of how we manage our cash. And if I'm at $3.5 million a year in my overhead, and I've got $25 million, $30 million of cash, that's a little bit long on the cash side to be sitting on the balance sheet. It's a high quality problem, and I'm not going to make any money investing at T-bills. Right now, I've got to give money up than invest that in T-bills on the short stuff. So we're looking to be opportunistic here. We're looking for acquisitions that may have otherwise not been available to us or added pricing that might be a little bit more advantageous, much like when we acquired Sky Ranch. I'm looking for land interest that don't have water to them where we can pick that land interest up. I'm looking for water systems that are going to be stressed in this market condition and may need somebody to come in and help make some improvements to them -- that have the liquidity to make some improvements in them. So the acquisition costs are going to be a little bit more favorable for us. And opportunities where we can extend infrastructure to areas that give us more connections and more customers. So I know that's been my mantra that we've got our nets out there, but this is an opportunity where when you get this kind of stress into the system, that those usually present good opportunities. And so we'll take a look at those. We still want to be disciplined about our metrics and take a look at -- whether I get excited about it or not, I think my Board is very, very disciplined and very acclimated to throttling back some of my enthusiasm at times, but they're also looking for opportunities and -- to maybe risk on with some of that stuff and be opportunistic with this current condition. We'll see.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

If there was ever a time to be aggressive about the whole thing, aren't we approaching that at the moment?

Mark W. Harding
President, CEO & Director

I tend to indicate -- I tend to agree with you on that. I think the proof of being the putting to see what happens and how this current market condition impacts businesses, property owners, entrepreneurs, the whole 9 yards are going to -- it's going to have a very significant trickle down effect. And you just got to know that the liquidity will get a premium today. And so us having a very healthy balance sheet, we have a very solid liquid balance sheet that we can pounce on deals and solve other people's problems. And some -- it's not necessarily a win, lose relationship because current market conditions are what they are. I would say that when we acquired Sky Ranch, we were in a very similar situation. And having the access that we had then and having sort of a longer time horizon to be able to make sure that we can get those assets and not impact the shareholder value and really use those assets to create more shareholder value by adding water to it and increasing the value that way and then adding infrastructure on the utility side where we acquired some utilities in the past as well, all of those are great opportunities for us.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Well, your record is superb, not only with Sky Ranch, but with the acreage you bought down on the Arkansas River. So I hope the Board isn't being throttle on your -- or constraint on your activity now. Now is the time when you should have somebody devoted to looking at these things. If not you, you have somebody else who is -- whose assignment is to go out and scout for these opportunities?

Mark W. Harding
President, CEO & Director

Well, Bill, you just gave me another wild softball there. So that gives me an opportunity to introduce Kevin McNeill who's -- we welcome back to the company. He was our Controller about a decade ago, but he's going to be our new CFO, and that's exactly his charge is to get out there and start combing the landscape and see what opportunities are going to be available to us and put some metrics to it and see if we can generate some action there. So that -- it's exactly a great time for Kevin to come back to us on that, a lot of activity, and there's going to be plenty of deals that we can comb through.

So while I think I still have a little bit of game, and I appreciate your kind words there, I might give you my wife's phone number so that you can give me a slug. But yes -- I mean we really -- we are taking it very seriously, and we are staffing up to be able to be aggressive on that.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Great. I'm glad to hear that because you'll get paid ultimately for recurring revenues.

Mark W. Harding
President, CEO & Director

You are very astute on that and never fail to point that out for me.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

Well, pointing out the obvious is a skill I have.

Mark W. Harding
President, CEO & Director

Well, thanks for kicking in and stay healthy.

William Miller;JM Hartwell LP;Principal/Portfolio Manager

You, too. Great job.

Operator

Our next question comes from [Bill Cunningham].

Unknown Analyst

I have actually a question on what's going on with the actual contracts being signed. My most recent article on Seeking Alpha talked about what Richmond American is reporting. It's great that they report in real time what's happening with contract signings. And I've been monitoring carefully recently because I expected to see potentially cancellations because that's what I've seen all along with their website is you'll see something reported as sold because the contract has been signed, and then it goes out because of assuming maybe the purchaser doesn't qualify or something else goes on. So there's a lot of changing there. So I was -- I've been looking at the site the last couple of weeks and expecting to see cancellations with everything going on in the market. And instead, there's been 0 cancellations, and there's actually been a number of new contracts signed in the past week. So I'm kind of curious as to what your general spin is, not just with Pure Cycle and Sky Ranch, but what you're seeing with the market overall and housing and how some of this may want to look at the real estate market in general the next few months or couple of years.

Mark W. Harding
President, CEO & Director

Great question, one that it's probably -- I can only give you anecdotal comments on. But if I referenced anything, and this will be kind of a first-hand experience. Kevin coming back, he moved back, he relocated back from Austin, Texas. And we typically don't like to welcome Texans in here, but at least they have the right voting pattern. But anyway, he come back and he really wanted to buy a house in Sky Ranch. And so if he was moving back, he went out and met with all 3 builders and said, "Hey, listen, I want to buy a house." And they said, "Great. We're 9 months out." He said, "But I need a house in March." Then they said, "Well, good luck. You can't get one." And not only did he find that experience here, but in kind of the surrounding area. And so one of the things that we know is that there is strong demand at Sky Ranch. There's strong demand in the I-70 corridor. And so you look at where we're at, we're in the right location, and I think we're in the right price point in that.

And so I firmly believe that we will continue to see that same pace of contracts. I know that their traffic is going to be down just because everybody is staying at home. But I know a bunch of people are sitting around the kitchen table talking about, you know what, this house is too small. The kids are home, and everybody is sitting around. They're climbing the walls, going, I want something else. And so I think you're going to find some pent-up demand, and some people are going to -- I think our Governor extended it to another couple of weeks. But even outside that, they still have showings. They're still out there on site. They still have showings. They still have people that have a need, and I really believe you're going to see a rush of people coming out, putting the stuff under contract. And then everybody is going to be beat me up saying, "Why didn't you get that second project online sooner?" So I think it's going to be a high-quality problem for us. We want to be very reacting to it. We want to be able to invest some of that liquidity position we have into some acquisition opportunities as well as be able to invest into some of our next phase lots.

I try and time those contracts, so we play on the house's money, and then we take our equity in the back end. But I think that structure will still serve us well and give us some strong rope to go out there and lasso some of these deals.

Unknown Analyst

It was truly surprising to see no cancellations and new contracts being signed in the last few weeks.

Totally separate question. I also noticed you've still got some revenue coming in from your oil and gas activities. And although the whole fracking industry, it's an unprofitable industry at this point, every dollar of revenue basically you get in is just income. You're not dealing with costs against it. So although revenue was down, you're generating a certain amount of income from it. It's not -- it's never going to generate a loss for you, and I think that's a rather important concept [indiscernible]

Mark W. Harding
President, CEO & Director

That's right. It's a very important distinction. And there's -- it's all a variable cost to us, right? So I don't have a lot of fixed costs that are outside that. So I can dial that up. I can dial that down. And you're right, if I'm not getting any revenue in, I'm not incurring the cost attributable to that. So that is a very attractive segment for us.

Operator

Mr. Harding, it looks like we have no further questions at this time. Would you like to make any closing remarks?

Mark W. Harding
President, CEO & Director

I would. Thanks. So again, I want to thank all of you for your continued loyalty and your continued support. We're very proud of being in this position, and really, it's a -- it's really a discipline of you guys having patience, the company having patience, the Board sticking to its metrics, management sticking to their metrics and being able to rightsize the company and grow the company and acquire valuable assets. We will continue to do that. We're very thankful of having our liquidity and our highly appreciating assets in times like these, and we will continue to try and make good decisions on your behalf. And what we'll be -- to foreshadow anything coming up assuming that we return to a bit more normal, I'd like to have another Investor Day for you all to come out again over the summer when you can see a ton of things going on, much more activity on the site. So as we get a little bit closer into that, maybe over in the July time frame, I'll send out a little save the date, and we can welcome you all that have been following the company if you haven't had a chance to come out, and those of you who are new to the company, have a chance to kick the tires because there's nothing quite like seeing it and getting your arms around it for a real tangible view of what we do. So thank you.

And with that, I'll sign off. And I look forward -- if anybody who had a question that couldn't get through, that had a technical challenge, don't hesitate to give me a holler. Thanks.

Operator
Thank you. At this time, this concludes today's teleconference. You may now disconnect your lines. Thank you for your participation.