



Global Water Resources, Inc.

First Quarter of 2025 Conference Call

May 15, 2025

C O R P O R A T E P A R T I C I P A N T S

Kyle Upchurch, *Controller*

Ron Fleming, *President & Chief Executive Officer*

Mike Liebman, *Chief Financial Officer*

Chris Krygier, *Chief Operating Officer*

P R E S E N T A T I O N

Operator

Welcome to the Global Water Resources Inc. First Quarter Of 2025 Conference Call.

At this time, all participants are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions.

If anyone has difficulties hearing the conference, please press star, zero for Operator assistance at any time.

I would like to remind everyone that this call is being recorded on May 15, 2025 at 1:00 p.m. Eastern time.

I would now like to turn the conference over to Kyle Upchurch, Controller. Please go ahead.

Kyle Upchurch

Thank you, Operator, and welcome, everyone. Thanks for joining us on today's call.

Yesterday, we issued our 2025 first quarter financial results by press release, a copy of which is available on our website at www.gwresources.com.

Speaking today is Ron Fleming, President and Chief Executive Officer, Mike Liebman, Chief Financial Officer, and Chris Krygier, Chief Operating Officer.

Ron will summarize the key operational events of the year, Mike will review the financial results for the first quarter, and Chris will review strategic initiatives in the Arizona Corporation Commission activity. Ron, Mike, and Chris will be available for questions at the end of the call.

Before we begin, I would like to remind you that certain information presented today may include forward-looking statements. Such statements reflect the Company's current expectations, estimates, projections, and assumptions regarding future events.

These forward-looking statements involve a number of assumptions, risks, uncertainties, estimates, and other factors that could cause actual results to differ materially from those contained in the forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on any forward-looking statements, which reflect Management's views as of the date hereof and are not guarantees of future performance.

For additional information regarding factors that may affect future results, please read the risk factors and MD&A sections of our periodic SEC filings.

Additionally, certain non-GAAP measures may be included within today's call. For reconciliation of those measures to the comparable GAAP measures, please see the tables included in yesterday's earnings release, which is available on our website.

I will now turn the call over to Ron.

Ron Fleming

Thank you, Kyle.

Good morning, everyone, and thank you for joining us today. We are very pleased to report the results for the first quarter of 2025.

First, I will provide a few operational highlights. Total active service connections increased 4.3% to 65,163 as of March 31, 2025, from the 12 months prior. In Q1, we maintained an annualized 4% total active service connection growth rate.

Year-to-date, we have invested \$15.2 million into infrastructure improvements and existing utilities to provide safe and reliable service. A majority of our planned investments in 2025 relate to our post-test year projects in Santa Cruz Water Company and Palo Verde Utilities Company, our two largest utilities located in Pinal County, for planned inclusion in our already filed 2024 test year rate application. Chris will provide updates on the rate case later on the call.

Now, I want to discuss organic customer growth and what is going on in our core utilities further. The single-family dwelling unit market ended 2024 with approximately 27,156 building permits issued in the Phoenix Greater Metropolitan Statistical Area. For Q1, 2025, this market realized 6,406 building permits, representing a 15% decrease from Q1 of 2024.

In 2024, the City of Maricopa issued 986 single-family dwelling building permits. For Q1, 2025, this Maricopa market realized 190 building permits, representing a 41.5% decrease from Q1, 2024. It is important to note that a single-quarter, specifically Q1, is not a trend as timing of permits being pulled can be influenced by many factors.

Regardless, the 2025 permit data showing a bit of a pullback from prior year is not surprising considering the uncertainty around tariffs and other macroeconomic drivers that occurred. We believe this is temporary and as these things continue to cool, including inflation, there are very strong drivers for our normal growth rate to continue or even pick up. Again, as I mentioned, our Q1 annualized growth rate remained at 4%.

This is because many experts still believe there is a housing shortage in Arizona and with a strong population and job growth continuing, Metro Phoenix will retain an annual run rate approaching 30,000 housing units per year to keep pace with that net immigration and job growth, just like we saw in 2024. This demand must be met by a combination of single-family dwelling units and multi-family.

We believe multi-family high-density growth that is occurring in our areas will be notable and at some level supplant the reduction in single-family home growth. Simply put, there is a record number of additional multi-family projects in some stage of development.

The fact is the booming economy and net immigration that Arizona continues to realize requires more and more places for people to live, work, and play. That is why large-scale multi-family housing, commercial, and recreational projects continue to proceed at a high pace in Metro Phoenix and in our service areas.

Additionally, the industrial manufacturing boom also continues. The 2024 committed capital investment of \$50 billion into Arizona was record-setting. There have been significant further announcements made in 2025, including the most recent \$100 billion announcement on the additional planned expansions at TSMC, which is in addition to the \$65 billion, previously announced, as the chip industry continues to explode in Metro Phoenix.

Frankly, what continues to occur in Arizona is unprecedented. In fact, the all-in TSMC investment of \$165 billion would be the single largest direct foreign investment in the history of our country, and just one of many announcements, not yet in the historical economic investment numbers, that altogether will forever change the face of Metro Phoenix.

Because of these things, we remain bullish on the future potential of our inland port Arizona service area, where Procter & Gamble acquired land and where Lucid Motors just acquired the facility previously owned by Nikola.

Of note, we did sign the actual special industrial contract with P&G in December of 2024 and are awaiting their notice to proceed. We continue discussing potential projects with several large firms that would locate adjacent to P&G.

While it is hard to forecast such large-scale industrial growth, we do believe it is a matter of when, not if, and it will be a meaningful utility addition to our Company.

Additionally, the City of Maricopa continues progress on their recently announced large industrial complex consisting of over 680 acres of projects. While this project is still several years away from generating revenue, it represents another opportunity for notable growth for our Company.

Based on all of these trends, we believe that in the years to come, we will continue to see considerable large-scale commercial multifamily housing and industrial growth in addition to strong organic housing growth.

Based on our recent rate case activity, including the recent completion of rate cases and those still in process, layering new rates on top of all of this growth could drive meaningful revenue and earnings growth in the years to come.

As I mentioned in our last earnings release, yes, high inflation and other cost drivers have caught up with us and are impacting our earnings growth. However, it is important to recognize that 2024 was a test year for our largest utilities, whose last test year was five years ago, in 2019. We believe new rates to address all the cost increases over that time period and the significant investments we have made will drive earnings growth.

As you can see from our many related announcements, we just completed the Farmers rate case with a positive outcome, including an approximate \$1.1 million annual revenue increase, and we have an additional \$6.5 million annual rate increase proposed and under consideration at the ACC.

We believe 2025 will be another solid year for Global Water, putting the four ways we grow our utility company together, meaning organic connections, new green-filled utilities, acquisitions, and rate cases, you can see how Global Water is going to be able to grow considerably in the years to come, just like we did over the prior five years and last rate case cycle.

I will now turn the call over to Mike for financial highlights.

Mike Liebman

Thanks, Ron.

Hello, everyone.

Total revenue for the first quarter of 2025 was \$12.5 million, which was up \$0.8 million, or 7.3% compared to Q1 2024. The increase in revenue was primarily attributable to a 4.3% increase in active service connections and increased consumption.

Operating expenses for Q1 2025 were \$11.2 million compared to \$10.3 million in Q1 2024. This is an increase of approximately \$0.9 million, or 8.3%. Notable changes in operating expenses included \$394,000 increase in depreciation and amortization, which was substantially attributable to an 11.4% increase in depreciable fixed assets as a result of our increased capital investments and the commissioning of related projects.

Increased O&M costs by \$403,000, which was primarily attributable to additional costs for purchase power, chemicals, and repairs due to increased consumption, as well as increases in other expenses, including contract IT services and labor services.

Thirdly, a small increase of \$62,000 in general administrative costs.

Now to discuss other income and expense. Other expense for Q1 2025 was \$0.5 million, which is slightly higher than other expense of \$0.3 million in Q1 2024. The increased expense is primarily attributable to the lower Buckeye earn out fees in Q1 2025 compared to Q1 2024.

Net income for Q1 2025 was \$0.6 million, or \$0.02 per diluted share as compared to \$0.7 million, or \$0.03 per diluted share in Q1 2024.

Now to talk about Adjusted EBITDA, which adjusts for non-recurring and non-cash items, such as restricted stock expense. Adjusted EBITDA was \$5.6 million in Q1 2025 compared to \$5.4 million in Q1 2024. This is an increase of approximately \$0.2 million, or 4.4%.

Lastly, I'd like to touch on liquidity. We had a successful equity capital raise in March of \$32 million, and shortly after that, we extended our line of credit to May of 2027 and increased it by \$5 million, going from \$15 million to \$20 million.

When combining the \$31.5 million of cash and the \$20 million unused revolver, we have over \$50 million of liquidity to support our capital expenditure program as well as the Tucson acquisition.

This concludes our update on the first quarter 2025 financial results. I'll now pass the call to Chris to review our regulatory activity and strategic initiatives for the quarter.

Christopher Krygier

Thank you, Mike, and hello, everyone.

It has been another solid quarter since our last update. First, as you likely saw in our press releases and heard Ron allude to earlier, the Arizona Corporation Commission approved new rates for our Farmers water utility. We started charging those new rates on May 1, so you will see those results reflected in future quarters.

Second, as you heard Ron also mention, we filed our Santa Cruz and Palo Verde rate case on March 5, 2025, requesting a net revenue increase of \$6.5 million. The case is off to a solid start. On April 4, 2025, the ACC Utilities Division staff determined that the application was administratively complete, marking off the first step in their review process.

We also advanced the case further with the establishment of our procedural schedule. Commission staff testimony is due on April 1, 2025, with hearings in the case scheduled to begin in the middle of December, this year.

In the meantime, we have started answering the typical data requests we receive from the parties, and we'll continue to keep you updated in the months ahead.

Turning to the Tucson acquisition, we're targeting to close this summer. We're working on the final details and look forward to welcoming these customers into the Global Water family.

This concludes the update on regulatory activity and acquisitions. I'll now pass the call back to Ron.

Ron Fleming

Thank you, Chris.

I think Chris got a little excited there. Staff testimony is due on October 1, 2025. We'll give them a little bit of time. Thank you.

To close today, I just wanted to express how proud I am of our team. Yes, while there is an interesting mix of tailwinds and headwinds in the economy right now, and our stock price has pulled back over the last few years, I also believe the last five years of performance are evidence of our ability to materially improve on all meaningful utility metrics despite such conditions.

Customer growth, revenue growth, rate-based growth, and earnings growth have all been exceptionally strong, and we expect that to continue. This is because of our people, our plan, and our foundation, and our unique local geographical dynamics that is not directly impacted by all the national macroeconomics.

As we execute our growth plan, we intend to remain at the forefront of the water management industry and advance our mission of achieving efficiency and consolidation. We truly believe that expanding our total water management platform and applying our expertise throughout our regional service areas and to new utilities will be beneficial to all stakeholders involved.

We appreciate your investment in and support of us as we grow Global Water to address important utility, water resource, and economic development matters along the Arizona Sun Corridor, allowing our communities to thrive.

That highlight—concludes our prepared remarks. Thank you. We're available to answer any questions.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. Once again, to ask a question, please press star, then one. At this time, we will pause momentarily to assemble our roster. Just a reminder, if you'd like to ask a question, please press star, then one on a touchtone phone.

Seeing no questions, this concludes our question-and-answer session. I would like to turn the conference back over to Ron Fleming for any closing remarks.

Ron Fleming

Thank you, Operator.

Yes, I just want to thank everybody for participating on the call today and your continued interest in Global Water. Thanks, and we look forward to talking to you again.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.