Global Water Resources, Inc.

2026 Third Quarter Conference Call

November 5, 2026

CORPORATE PARTICIPANTS

Kyle Upchurch, *Vice President & Controller*

Ron Fleming, *Chairman, President & Chief Executive Officer*

Michael Liebman, *Executive Vice President & Chief Financial Officer*

Christopher Krygier, *Chief Operating Officer*

CONFERENCE CALL PARTICIPANTS

Gerry Sweeney, *Roth Capital Partners*

Adam Kelsey, *Titan Partners*

Zach Liggett, *Desmond Liggett Wealth Advisors*

PRESENTATION

Operator

Greetings, ladies and gentlemen. Welcome to the Global Water Resources Inc. 2026 Third Quarter Conference Call.

At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. The Company will take questions from covering sell-side analysts and institutional investors. Instructions will be provided at that time for you to queue up for questions.

If anyone has any 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 November 5, 2026, at 1:00 P.M. Eastern time.

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

Kyle Upchurch

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

On Tuesday, November 3, we issued our 2026 third quarter financial results by press release, a copy of which is available on our website at 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 quarter. Mike will review the financial results for the third quarter, and Chris will review Arizona Corporation Commission activity. Ron, Mike, and Chris will be available for questions at the end of the call.

This call may include forward-looking statements, including statements regarding our business, operations, and financial performance. Such forward-looking statements are based on current expectations and assumptions that are subject to a number of risks and uncertainties, as discussed in this week's earnings release and in greater detail in our most recently filed periodic reports and subsequent filings with the SEC. Actual results could differ materially from those expressed or implied in any forward-looking statements, and we undertake no obligation to update any forward-looking statement.

Additionally, certain non-GAAP measures may be included within today's call. For a reconciliation of those measures to the comparable GAAP measures, please see the tables included in this week'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.

First, before jumping to normal operating highlights, I would like to emphasize our focus on earnings growth, which has been under pressure for the last few years. While many key metrics of our business have

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experienced strong growth over the last five years, our goal is to also achieve long-term earnings growth. We are committed to this objective, which we believe will allow us to enhance Shareholder value.

As we reported previously, in 2025, we had a near-record year for capital investments that were critical to complete. This included the investment necessary to recommission our Southwest Plant Water Reclamation Facility, which was originally constructed 20 years ago but was mothballed during the Great Recession. Although these investments grow rate-base considerably and ensure we can provide safe and reliable service to our customers and communities that we have the privilege to serve, these investments increased certain operating expenses and, most notably, depreciation expense. Such expenses continue to adversely impact net income and earnings per share in the third quarter of 2026.

This is an unfortunate yet necessary part of the historical test year environment here in Arizona. Additionally, certain Company expenses, such as medical and liability insurance, continue to grow at an unprecedented pace. As I have been saying for many quarters now, we need new rates to keep up with all the investment and inflation that we have experienced in our utilities.

To this end, as you saw in the press release filed yesterday, we concluded a rate review settlement for a notable rate increase for our largest water utility, GW-Santa Cruz, achieving unanimous approval. Chris will remind everyone on the specifics of this order. That said, GW-Santa Cruz is only one step in a two-step process that is critical for said earnings growth, with the other being our largest wastewater utility, GW-Palo Verde, which was delayed primarily due to the difference of opinion on the timing of rate recovery as it relates to the historical Southwest plant issue.

The new schedule provides a clearer path to setting appropriate rates in 2028. Together, this will allow us to better realize recovery of inflationary expenses and return on and return of our plant investments, including the Southwest plant, resulting in years of meaningful earnings growth ahead. Chris will discuss all rate review activity for our utilities later on the call.

In the meantime, 2026 is about working hard to control G&A expenses, which have remained flat year-over-year. In the years to come, we believe we can maintain solid revenue and earnings growth as we seek to obtain appropriate rate increases combined with our anticipated organic growth.

Now we'll provide a few operational highlights. Total active service connections increased 2.4% to 69,797 as of the end of the quarter from the 12 months prior. We invested $6.9 million into infrastructure improvements in existing utilities in the third quarter of 2026 to provide safe and reliable service.

I want to discuss organic customer growth and what is going on in our core utilities further. The single-family dwelling unit market ended 2025 with approximately 21,815 building permits issued in the Phoenix-Greto Metro Statistical Area. For the nine months ended September 30, 2026, this market realized 15,337 building permits, representing a 10% decrease compared to the same period in 2025. Meanwhile, in the Maricopa market, we realized 516 building permits, representing a 2.1% decrease from the same period in 2025. However, notably, October building permits are now in, and this puts Maricopa permits nearly 2% ahead of 2025.

While the pace of new connection and permanent activity has slowed recently, ongoing development throughout the Phoenix MSA, particularly in the City of Maricopa, continues to support organic growth, as reflected in the company's 2.4% year-over-year increase in active connections. We believe the decline in growth is temporarily due to the spike in interest rates in Q3, as we remain well positioned to benefit from the anticipated long-term growth of the Phoenix MSA and our specific area drivers, including job growth, affordability, improving transportation, including State Route 347 widening, and large assured water supply.

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

Michael Liebman

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Thanks, Ron.

Hello, everyone.

Total revenue for the third quarter of 2026 was $16.3 million, which was up $0.8 million, or 5%, compared to Q3 2025. Total revenue for the year-to-date period increased $5.1 million, or 12.2%, to $47.4 million. The revenue increase for the quarter-to-date period was driven by increased connections, increased consumption, and higher rates in our GW-Farmers and GW-Ocotillo utilities.

Additionally, revenue for the year-to-date period was aided by unregulated revenue recognition of $2.1 million related to infrastructure coordination and financing agreements, also known as ICFAs, as well as six additional months of revenue generated by the seven water systems acquired from the Tucson Water in July 2025.

A more fulsome explanation of ICFAs can be found in our most recent Form 10-K filing. However, as a reminder, ICFAs are agreements we entered into with developers and homebuilders, whereby Global Water provides services to plan, coordinate, and finance the water and wastewater infrastructure that would otherwise be required to be performed or subcontracted by the developer or homebuilder.

During the second quarter of 2026, our GW-Hassayampa utility put its first wastewater plant in the service, allowing us to recognize deferred revenue as we met all of our contractual obligations under the related ICFA agreement.

Regulated revenue, which excludes ICFA revenue for Q3 2026, was $16.3 million, which was up 0.8 million or 5% compared to Q3 2025. Regulated revenue for the year-to-date period increased $3 million or 7.2% to $45.2 million.

Operating expenses for Q3 2026 increased approximately $1.3 million or 10.4% to $13.9 million compared to $12.6 million in Q3 2025. Operating expenses for the year-to-date period increased approximately $4.6 million or 13.1% to $40.1 million compared to the same period in 2025. Notable changes in operating expenses included depreciation, amortization, and accretion increased $1.1 million for Q3 and $3.1 million for the year-to-date period. The increase in both periods was substantially attributable to the additional depreciable utility plant placed in service last year as a result of our 2025 and 2026 capital improvement plans and commissioning of related projects.

Operations and maintenance costs increased approximately $0.4 million for Q3 and $1.5 million for the year-to-date period. The increase in both periods was primarily driven by higher utilities, chemicals, and repairs expense tied to newly operational plant from our 2025 capital improvement plan and rising medical expenses. The increase in the year-to-date period was additionally driven by a loss on the disposal of utility plant and six additional months of operating costs associated with the seven water systems acquired from Tucson Water in July 2025.

G&A costs decreased modestly to $4.8 million in Q3 2026 from $4.9 million in Q3 2025. G&A costs for a year-to-date period also remained relatively flat at $13.5 million in both periods. Until new rates become effective, keeping G&A costs as flat as possible is a top priority, which we have been able to deliver on through the first nine months of 2026.

Now to discuss other expense. Other expense for Q3 2026 was $1 million compared to $0.6 million in Q3 2025. Other expense for the year-to-date period was $2.7 million compared to $1.4 million in the same prior year period. The increase in both periods is primarily attributable to higher net interest expense and a decrease in income associated with our Buckeye growth premiums.

Net income for Q3 2026 was $1 million or $0.03 per diluted share as compared to net income of $1.7 million or $0.06 per diluted share in Q3 2025. Net income for the year-to-date period was $3.4 million or $0.12 per

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diluted share as compared to net income of $3.9 million or $0.15 per diluted share in the prior year period. The decrease in both periods was primarily driven by higher depreciation and net interest expense.

Adjusted EBITDA, which adjusts for certain non-recurring and non-cash items such as one-time storm-related expenses, ICFA revenue, the loss on disposal of utility plant, and restricted stock expense. Adjusted EBITDA for Q3 2026 remained largely consistent with Q3 2025 at $7.8 million. Adjusted EBITDA for the year-to-date period was $21.4 million compared to $20.4 million in the prior year period, an increase of $1 million or 5%. The increase was primarily driven by higher regulated revenue partially offset by increased operations.

Lastly, during the quarter, we were able to add $20 million of additional liquidity through a $10 million private placement of common stock and a $10 million increase to our line of credit, which went from $20 million to $30 million of availability. The line of credit was unused as of the end of the quarter.

This concludes our update on the third quarter 2026 financial results. I'll now pass the call to Chris to review our regulatory activity for the quarter.

Christopher Krygier

Thank you, Mike, and hello, everyone.

As you saw in our press release issued yesterday, we reached an important milestone in the Global Water Santa Cruz rate review, with the commissioners unanimously approving the administrative law judges' recommended opinion and order. The new rates are effective December 1, 2026, with anticipated new annual revenue of $2.3 million, which we anticipate will be offset by a $0.4 million rate reduction related to Global Water Palo Verde for a net overall increase of $1.9 million.

This case represents the next milestone in our path to increase earnings growth, reduce regulatory lag, and enhance overall financial results. Amongst other highlights, this approval materially resolved the history on the Southwest plant water assets, which has been an issue of over 20 years in the making. This order also reflects Global Water Santa Cruz's rate base that is now 50% higher than the last approved rate decision.

With this approval, we now focus on the next milestone, our four rate review filings planned for the first half of 2027. The filings include requesting new rates for Global Water Palo Verde, Farmers, Ocotillo, and Saguaro District. All four of those applications contemplate a 2026 test year with a 2027 post-test year implying estimated new rates in 2028.

The main objective of the Global Water Palo Verde application will be to successfully resolve all elements of the Southwest plant wastewater asset rate recovery, and the main objectives of the Global Water Farmers, Ocotillo, and Saguaro District will be to consolidate three sets of rates into one and recover costs related to the acquisition and transformation of these utilities. We look forward to providing more details on these filings in the upcoming quarters.

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

Ron Fleming

Thank you, Chris.

Despite the headwinds, our work continues. What we do and how we do it matters to our communities. 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.

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These highlights conclude our prepared remarks. Thank you. We are now available to answer any questions.

Operator

Thank you. At this time, we will open the call for questions from covering analysts and institutional investors. To ask a question, you may press star then one on your telephone keypad. If you are 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. At this time, we will pause momentarily to assemble our roster.

The first question comes from Gerry Sweeney with Roth Capital. Please go ahead.

Gerry Sweeney

Good morning, Mike, Ron, and Chris. Thanks for taking my call.

Michael Liebman

Morning, Gerry.

Gerry Sweeney

I think you guys discussed a little bit of, I mean, some of the impact of depreciation and some of the regulatory lag that's going on, but just I wanted to square something up in my model. I think you reported $0.03 this year versus $0.07 last year, but my math is, there's a little over a million dollars of depreciation increase. If you were able to recapture that depreciation increase in the rates going forward, that kind of squares up like $0.03, $0.035, so you would be on par, this year would have been on par with last year. Is that kind of the way I should be looking at it?

Michael Liebman

Yeah, that's the right way to think about it, Gerry. The depreciation, obviously, we've invested, but haven't gotten the rate recovery. As you start to see the revenue increase that shows the recovery of those depreciation expense, that will true up.

Gerry Sweeney

Got it.

Ron Fleming

Yeah, Gerry, I'd actually like to add to that. You've got that going on and then you've got the now delay on Palo Verde. But I think it's important everybody thinks about it like this. All of those Palo Verde investments are on and operating. It's not just depreciation expense. We are incurring the operating expenses associated with entire new facilities.

The delay is unfortunate, but if we would have kept the same timeline and just got an outcome on the Palo Verde rate case like we did on Santa Cruz, and you just could see the rate increase that we believe ultimately is going to be warranted for operating costs as they exist today, the model would look totally different. It's a time delay for sure, but it is on the come.

Gerry Sweeney

Palo Verde has more assets than rate base than Santa Cruz. Is that correct?

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Ron Fleming

Yeah, that's right. It is. Just to be clear, it is our largest wastewater utility. These wastewater utilities, certainly because also what we do on the recycled water side, they are our largest, most costly, most complex utilities. Having that one out is why you're seeing what you're seeing in the numbers.

Gerry Sweeney

Got it. Absolutely makes sense. I appreciate that. Switching gears back to Maricopa, obviously, you talk about permits and connections, et cetera, but maybe just a quick update of what's going on economically in the region, especially maybe even some of the adjacent areas that's looking at semiconductor investment, things like that. My sense is the Phoenix region continues to grow at an exceptionally fast pace, and potentially housing may be growing at a slower pace. At some point, something's got to give. But I'm just curious of maybe some anecdotal views from your perspective on that front.

Ron Fleming

Yeah, happy to address that. It is interesting the tailwinds and the headwinds and how they're coming together here in the Metro Phoenix area. On the tailwind's perspective, you're exactly right. We all know about the TSMC stuff. We've been talking about it forever. But someone should come out here and drive past that project and look at what we're actually talking about. It is unbelievable what's going on out there in projects that are going to also be built adjacent to it. The announcements just don't stop. I even forget how much total investment is now predicted for that area, but it's on a scale that's really hard to imagine. That continues to bleed over to all parts of the Phoenix Metro area, not just where TSMC is. Of course, you have all the other activity from the existing chip manufacturers here, including Intel.

But what's interesting is I do think everybody decided to take a pause a little bit on the housing side when Q3 interest rates peaked back to 7.5%. That's understandable. But what you're seeing is still population and job growth. The way it ties into our Company, which I think is what's happening then across all the communities, is all of the multifamily housing that has been also very, very strong across all of Metro Phoenix for the last five years, including in our area, the occupancy rates are just going up. We built a few dozen multifamily projects over the five years in Maricopa. In some respect, it would have seemed like it was a little bit too much. There's quite a bit of capacity. While we're seeing nice revenue growth in that line item, multifamily, because housing slowed a little bit.

It's got to go one place or the other. You just don't see it in the permit numbers. You don't see it in the new connection numbers because it's not a new meter per home. But we are still seeing it in the population growth numbers and in the revenue numbers. It'll be interesting to see how that continues to play out in the years to come. But we're still growing. That is, in fact, why our capital investment, even though we've cut it back this year quite a bit from last year, it's the right thing to do in the face of everything that we're talking about here. But we can't cut it off completely because we are growing. That's a good problem to have.

Gerry Sweeney

Got it. Okay. I appreciate it. Thanks, guys.

Michael Liebman

Thanks, Gerry.

Operator

Again, if you have a question, please press star then one.

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The next question comes from Adam Kelsey with Titan Partners. Please go ahead.

Adam Kelsey

Great. Thank you. With respect to your same goal of reigniting earnings growth, you mentioned there's a focus on reducing regulatory lag. I was hoping you could expand a little more on how you are thinking about reducing that lag and what are those steps that you would take?

Christopher Krygier

Hey, Adam, this is Chris. Thanks for the question. Right now, as we're working hard on the next four filings, we're looking at a number of tools for that, including potentially for the Pima County Utilities, that's Farmers, Ocotillo, and the Saguaro District, looking at formula rates that would give us the opportunity to true up rates every year. We're looking at that for the smaller utilities.

Then for Palo Verde, we're in the process of assessing all the tools that exist today in Arizona, and if those make sense or if there's maybe some new tools we should be considering. Ultimately, no matter the tool, the element we're looking to true up is reduce the lag by either including the CapEx and rates faster or let the increased operating expenses were incurred.

Adam Kelsey

Very helpful. Thank you. Then with the upcoming rate cases in '27, what additional rate-based or revenue opportunities could these proceedings represent?

Christopher Krygier

Yeah. We haven't quantified or provided that detail at this time. I anticipate in the next quarterly calls, we'll have more specifics on that.

Adam Kelsey

Great. Thank you.

Operator

Thank you. Again, if you have a question, please press star then one.

The next question comes from Zach Liggett with Desmond Liggett Wealth Advisors. Please go ahead.

Zach Liggett

All right. Thank you. Yeah, that last question is one I had as well. I guess we'll wait for the next quarter. I appreciate the response to the regulatory lag question. I was wondering if infrastructure replacement surcharge mechanisms or PFAS surcharge mechanisms are possibilities in that toolkit. That's my first question.

Then the second question is one of your larger peers, I think, does a really nice job in laying out five-year objectives for rate-based growth, CapEx, dividend per share growth, earnings per share growth. I don't think you guys have ever done that in the years that we've been invested with you. I'm curious if that is something you would consider just to give investors some visibility on your internal objectives and to maybe hold you accountable to some numbers. Thank you.

Christopher Krygier

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Hey, Zach. This is Chris again. I'll take part one, and then I'll ask Mike, our CFO, to take part two. In part one, you talked about PFAS surcharges or mechanisms. Those are tools that we are looking at. Those are possibilities in the universe. Each utility is going to be a little bit different in what tools might make sense there. But the short answer is, yes, those are options under consideration. Then I'll hand over to Mike for the second question.

Michael Liebman

Yeah. Thanks, Zach. We've obviously seen the same thing. There's a lot of guidance out there. We don't do it. We've tossed it back and forth, but we've opted on the side of not doing it. Very concentrated here in Arizona and being regulated, that's a big reason of why we don't really provide the guidance.

Zach Liggett

Okay. Thank you.

Ron Fleming

I'm going to sum up the answer to all those questions with just another point here. I know we're talking a lot about the Southwest plant. Even though we just cleaned up the water side of that with the Santa Cruz rate case, the Palo Verde, which was mentioned earlier, is a lot bigger number. You really do have to think about this historical 20-year issue that now, even with the delay, we have visibility to. The delay was intentional to clear a disagreement with our regulator on timing. That hurdle has been cleared. We're full speed ahead. It's our highest priority over the next 18 to 24 months.

Then, separate, we invested $70 million last year. That's what we had to do to keep up with the growth that we were dealing with. When you put those two together, you can look at it on our balance sheet, right? But we have a very high dollar value of QIP. That's not in rates today. This Company going forward, our highest priorities will be processing rate cases, successful rate cases, as quickly as possible to reduce regulatory lag and get a return on all those investments.

That's just the strategy. Growth rates, some of these other things are obviously something we focused on a lot in the past, because it's unusual to have a utility like ours growing at 5% to 7% organically, right? That's five times the national average. That's what we've had to keep up with. That slowed a little bit. The good news of that is it lets us slow investment a little bit and catch up. That is our goal. I just want to make it very clear. Thank you.

Operator

All right. At this time, this concludes our question-and-answer session. I would like now to turn the call back over to Mr. Fleming. Sir, please go ahead.

Ron Fleming

All right. Thank you, Operator. I'd like to thank everyone for participating in the call and for your interest in Global Water Resources. Thanks. We look forward to speaking with you again.

Operator

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

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