



Global Water Resources, Inc.

2025 Second Quarter Conference Call

August 14, 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 and 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

Greetings, ladies and gentlemen. Welcome to the Global Water Resources, Inc. 2025 Second Quarter Conference Call.

At this time, all participants are in 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 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 August 14, 2025 at 1:00 PM Eastern Time.

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

Kyle Upchurch

Thank you, Operator, and welcome, everyone. Thank you for joining us on today's call. Yesterday, we issued our 2025 second 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 second quarter, and Chris will review strategic initiatives and 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 view 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 a 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'll 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 second quarter of 2025.

First, before jumping to normal operating highlights, I would like to start by attempting to capture the significance of numerous recent announcements that underpin our goal of long-term value creation and our ability to deliver strong total returns to our shareholders in the years and decades to come.

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First, subsequent to the quarter, we closed the Tucson acquisition, which consisted of seven separate public water systems, adding approximately 2,200 connections and approximately \$7.7 million in rate base, at a multiple of only 1.05 times that rate base. This is beyond an attractive price. It is immediately accretive from a share price perspective, considering our peer groups trade by our estimates between 1.5 times to two times rate base. We expect the systems to generate around \$1.5 million in annual revenue until such time we can consolidate these systems into the rest of our Saguaro Rate Division, which is in Pima County, to ensure that all those utilities are captured in that regional rate plan, earning their full authorized rate of return.

Second, we recently announced that the Arizona governor has signed meaningful water legislation known as ag-to-urban, what we believe will result in many benefits that will be applicable for Global Water in our service areas, improving aquifer sustainability while creating a new groundwater supply to support additional growth. Based on Global Water's established service areas created through buying and building utilities in the path of growth, our regional areas coincide with land that has considerable historical farming operations just outside densely populated Metro Phoenix. Thus, we believe the new law will drive even more growth to our service areas.

Third, as announced in the quarter, full funding of the Highway 347 expansion connecting Interstate 10 and Metro Phoenix to the City of Maricopa was approved. As the stakeholders had already begun engineering on certain long-term elements of the 13-mile road widening project, it is estimated that the construction will begin as soon as fiscal year 2026. This project should go a long way to ensure the City of Maricopa will continue to be one of the fastest-growing communities in the country and meet its population projections of growing nearly 90% by 2040.

As evidence to the potential of this population projection, on July 1, the U.S. Census Bureau released its population projections from 2024, and the City of Maricopa was once again in the top 10 fastest-growing large municipalities in the country, coming in at number six. Even more telling was that population growth in 2024 was even stronger than 2023, as the city realized 7.4% growth compared to 7.1% the year prior.

Below, I will discuss connection growth rates and permit growth rates that have begun to slow. But it is important to keep population growth in mind as it now more closely correlates with consumption and revenue growth based on the amount of multifamily housing and commercial growth that is occurring. Beyond these long-term wins, we are also executing our capital investment and rate case strategies to drive near-term earnings growth, which are moving along as planned with an expectation of a fair outcome in mid-2026. Chris will provide more detail on the rate case later on the call.

Finally, if you think about everything just mentioned, from rate-based accumulation and new rates to water and transportation that are the two fundamental elements of economic development, as you can see, even more than ever, we have the foundation of sustainable, above-average growth for years and decades to come.

I will now provide a few operational highlights. Total active service connections increased 3.8% to 65,639 as of June 30, 2025, from the 12 months prior. In Q2, we achieved an annualized 3.5% total active service connection growth rate. Year-to-date, we have invested \$35.4 million into infrastructure improvements in our 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.

Now, I want to discuss organic customer growth and what is going on in our core utilities a bit further. The single-family dwelling unit market ended 2024 with approximately 27,156 building permits issued in the Phoenix Greater Metropolitan Statistical Area. For Q2 2025, this market realized 5,929 building permits. This represents a 14% decrease from Q2 of 2024.

In 2024, the City of Maricopa issued 986 single-family dwelling building permits. For Q2 of 2025, this Maricopa market realized 177 building permits, representing a 24% decrease from the same period in 2024. The 2025 permit data shows a bit of a pullback from prior year, and this is not surprising considering the uncertainty around tariffs and other macroeconomic drivers, most notably the stubborn interest rates. We believe this is temporary, and as these things continue to cool, there are very strong drivers for our normal growth rate to continue or even pick up.

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's important to recognize that 2024 was a test year for our largest utilities whose last test year was over five years ago in 2019. We need new rates to address all the cost increases over that time and the significant investments we have made, including in 2025. As you can see from related announcements, we have an additional \$6.5 million in annual rate increase proposed and under consideration at the ACC.

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

Mike Liebman

Thanks, Ron. Hello, everyone. Total revenue for the second quarter of 2025 was \$14.2 million, which was up \$0.7 million or 5.4% compared to Q2 2024. The increase in revenue was primarily attributable to a 3.8% increase in active service connections, increased consumption, and higher rates.

Operating expenses for Q2 2025 were \$11.6 million compared to \$10.7 million in Q2 2024. This is an increase of approximately \$0.9 million or 8.5%. Notable changes in operating expenses included first \$321,000 increase in depreciation and amortization, which was primarily attributable to a 16.5% increase in depreciable fixed assets as a result of our increased capital investments and the commissioning of related projects. Second, \$223,000 increase in personnel costs that was primarily attributable to staffing increases related to the Tucson acquisition, as well as the filling of previously vacant positions. Thirdly, other operating and maintenance and general administrative costs increased by approximately \$305,000, primarily due to increased service provider costs.

Now to discuss other income and expense. Other expense for Q2 2025 was \$0.4 million, which was slightly lower than other expense of \$0.5 million in Q2 2024. The decrease is primarily attributable to higher income associated with Buckeye growth premiums in Q2 '25 compared to Q2 2024.

Net income for Q2 2025 was \$1.6 million or \$0.06 per diluted share as compared to \$1.7 million or \$0.07 per diluted share in Q2 2024.

Lastly, I'll discuss Adjusted EBITDA, which adjusts for nonrecurring and noncash items, such as restricted stock expense. Adjusted EBITDA was \$6.9 million in Q2 2025 compared to \$6.8 million in Q2 2024. This is an increase of approximately \$0.1 million, or 2.1%.

This concludes our update on the second 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 heard from Ron earlier, subsequent to the quarter, we closed the Tucson acquisition. This deal has been years in the making and is finally across the finish line. We are now focused on the full integration activities.

Here are a few additional highlights of the seven public water systems we acquired. First, seven public water systems are geographically close to systems we already own. For example, two systems, Rancho Del Sol Lindo and Silver Bell, are less than three miles from our Lyn Lee system, which we acquired in 2020, and less than eight miles from our Red Rock system that we acquired in 2018. Three other systems

that we acquired from Tucson, Diamond Bell Ranch, Sierra Foothills, and Valley View Acres are less than two miles from our Mirabell and Francesca systems that we acquired in 2020, with portions of those service areas directly adjacent. In fact, one of the systems is so close, Tucson Water and Mirabell had a legacy interconnect agreement between the two utilities.

Overall, the close proximity allows for greater economies of scale that we believe will eventually create more efficient operations and lower costs for customers over time. Next, the Diamond Bell system has approximately 1,400 additional platted lots that will eventually become customers in the years to come, creating additional organic growth opportunities. Next, as part of the acquisition, we adopted Tucson's rate structure. This rate structure has a 5% rate increase that was effective on July 7, 2025, and another 5% rate increase scheduled to go into effect on July 6, 2026.

Finally, the closing of this acquisition now creates an even stronger utility portfolio in Pima County. As you recall, in the early 2020s, we bought multiple systems representing about 1,600 customers, made improvements to those systems, and processed a rate case to consolidate the utilities into what is now our Global Water Saguaro District Utility. Then, in 2023, we closed on the Global Water Farmers Water Utility, made improvements, and processed a rate case that just recently finished.

Now, with Tucson closed, we are working through the integration so we can make the right improvements and process a rate case to consolidate all three companies in the years ahead, demonstrating our ability to effectively execute our business model while providing value to customers and shareholders.

Moving on to the rate case front, as we previously announced, we implemented the first phase of a \$1.1 million annualized rate increase for our Global Water Farmers Water Utility. This is the second rate case we completed in the last two years, demonstrating our continued execution to the benefit of all stakeholders.

Finally, we continue processing the rate case for our Global Water Santa Cruz and Global Water Palo Verde Utilities. We are still in the discovery stage, answering the typical data requests received in a rate case, so the parties have all the necessary support for our request. The next milestone date is staff and the consumer advocate filing their recommendations on October 1, 2025. After that, we hope to enter into settlement negotiations and reach a fair conclusion to the case.

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

Ron Fleming

Thank you, Chris. All right. To close today, 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 believe that the last five years of executing our plan from organic growth to acquisitions to rate cases, in addition to our financial 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, our foundation, and our unique local geographical dynamics that is not directly impacted by the national macroeconomic.

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 are now available to answer any questions.

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. 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.

Again, if you have a question, please press star and one. To ask a question, you may press star then one on your touchtone phone.

Ron Fleming

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

Operator

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

Ron Fleming

Thank you.