Global Water Resources, Inc.

2026 Second Quarter Conference Call

August 13, 2026

CORPORATE PARTICIPANTS

Kyle Upchurch, *Controller*

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

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

Christopher Krygier, *Chief Operating Officer*

CONFERENCE CALL PARTICIPANTS

Brandon Rogers, *ROTH Capital Partners*

Andrew McLaren, *Viking Capital*

Varyk Kutnick, *DIVYDE Capital Partners*

PRESENTATION

Operator

Greetings, ladies and gentlemen. Thank you for standing by. Welcome to the Global Water Resources, Inc. 2026 Second 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 August 13, 2026, 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. Thank you for joining us on today's call.

Yesterday, we issued our 2026 second 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 key operational events, Mike will review the financial results for the second quarter, and Chris will review 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 day 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.

First, before jumping to our normal operating highlights, I would like to emphasize our focus on earnings growth. While many key metrics our business have experienced, excuse me. We've 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-based considerably and ensure we can provide safe and reliable service to our customers and communities 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 second 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, 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, while it represents a diversion from our original rate application, the recently announced rate case settlement provides a clearer path to a notable rate increase for our largest water utility, GW-Santa Cruz, later this year.

For GW-Palo Verde, while delayed, the delay deals with the primary difference of opinion on the timing of rate recovery as it relates to that historical Southwest plant issue. Thus, the new schedule provides a clearer path to setting appropriate rates for our largest wastewater utility 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 the rate case further in our planned rate case activity for other utilities later on the call.

In the meantime, 2026 is about working hard to control G&A expenses, which we achieved in Q2. 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 I will provide a few operational highlights. Total active service connections increased 5.8% to 69,429 as of June 30, 2026, from the 12 months prior. In 2026, we achieved an annualized 2.6% total active service connection growth rate, excluding the acquisition of the seven Tucson Water Systems. Specifically, we invested $6.6 million into infrastructure improvements in existing utilities in the second quarter of 2026 to provide safe and reliable service.

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 2025 with approximately 21,815 building permits issued in the Phoenix Greater Metro statistical area. In the second quarter of 2026, this market realized 5,653 building permits, representing a 4.7% decrease compared to the same period in 2025. Meanwhile, the Maricopa market realized 185 building permits, representing a 5.7% increase from the same period in 2025.

While new permit activity across the Phoenix MSA has slowed in 2026, and particularly in the City of Maricopa, is reflected in the Company's 2.7% year-over-year organic increase in active connections, we believe the decline in permits is temporary 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 our large assured water supply.

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

Michael Liebman

Thanks, Ron.

Hello, everyone.

Total revenue for the second quarter of 2026 was $17.8 million, which was up $3.5 million, or 24.8% compared to Q2 2025. Total revenue for the year-to-date period increased $4.4 million, or 16.3% to $31.1 million. The revenue increase in both periods was primarily attributable to unregulated revenue recognition of $2.1 million related to Infrastructure Coordination and Financing Agreements, also known as ICFAs, the acquisition of seven water systems from Tucson Water in July 2025, organic connection growth, increased consumption, and higher rates.

A more fulsome explanation of ICFAs can be found in our most recent Form 10-K filing. However, just for some background, 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 quarter, our GW-Hassayampa utility put its first wastewater plant into service, allowing us to recognize deferred revenue as we met all of our contractual obligations under the related ICFA agreement.

Now turning to regulated revenue, which excludes ICFA revenue, for Q2 was $15.7 million, which was up $1.4 million, or 9.9% compared to Q2 ‘25. Regulated revenue for the year-to-date period increased $2.2 million, or 8.4% to $28.9 million.

Operating expenses for Q2 2026 increased approximately $1.7 million, or 14.1% to $13.3 million, compared to $11.6 million in Q2 2025. Operating expenses for the year-to-date period increased approximately $3.3 million, or 14.6% to $26.2 million compared to the same period in Q2 2025. Notable changes in operating expenses included appreciation, amortization, and accretion increased $1.1 million for Q2 and $2 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 capital improvement plan and the commissioning of related projects.

Operations and maintenance costs increased approximately $0.6 million for Q2 and $1.1 million for the year-to-date period. The increase in both expense periods was primarily driven by one, rising medical expenses, two, higher purchase power tied to newly operational plant and increased consumption, and three, a loss on the disposal of utility plant.

G&A costs remained relatively flat at $4.3 million in Q2 2026 compared to $4.4 million in Q2 2025. G&A costs for the year-to-date period increased $0.2 million to $8.8 million.

Now to discuss other expense. Other expense for Q2 2026 was $0.8 million compared to $0.4 million in Q2 2025. Other expense for the year-to-date period was $1.6 million compared to $0.9 million in the same prior year period. The increase in both periods is primarily attributable to higher interest expense and lower interest income.

Net income for Q2 2026 was $2.7 million or $0.10 per diluted share as compared to net income of $1.6 million or $0.06 per diluted share in Q2 2025. Net income for the year-to-date period was $2.4 million or $0.08 per diluted share as compared to net income of $2.2 million or $0.08 per diluted share in the prior year period.

Adjusted EBITDA adjusts for certain items such as the recognition of deferred ICFA revenue, the loss on disposal of utility plant, and restricted stock expense. Adjusted EBITDA for Q2 2026 was $7.9 million compared to $6.9 million in Q2 2025, an increase of $1 million or 15%. Adjusted EBITDA for the year-to-date period was $13.5 million compared to $12.6 million in the prior year period, an increase of $0.9 million or 8%.

Lastly, in light of recent events, I would like to share that Global Water Resources and its family of utility companies was not impacted by the recent cyberattacks against water and wastewater infrastructure across the United States.

This concludes our update on the second 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.

We continue making progress in our GW-Santa Cruz rate review. As you saw in our press release, we concluded the hearing on the settlement agreement on August 3, 2026, and the case is now pending a recommended opinion and order from the Administrative Law Judge. Once the recommendation is issued, it will appear at a Commission Open Meeting, which we estimate will happen later this year. Recall that the unanimous settlement agreement contemplates net increased revenues of approximately $1.9 million effective November 1, 2026.

Turning to future rate filings, we have already started working on the rate reviews for four utilities, which we anticipate filing in the first half of 2027, including GW-Palo Verde and our three Pima County utilities, GW-Saguaro, GW-Farmers, and GW-Ocotillo. All four of those applications contemplate a 2026 test year with a 2027 post-test year, implying estimated new rates in 2028. In addition, we have started preliminary planning for our next GW-Santa Cruz rate review, tentatively scheduled to utilize a test year of 2027 to file in 2028 for estimated new rates in 2029. For all of these cases, we are notifying community stakeholders and the Arizona Corporation Commission staff on the importance of the investments being made and customer benefits.

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 and growth is strong. What we do and how we do what we do 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.

These highlights conclude our prepared remarks. Thank you. We are now available to answer 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. Again, it is star then one to ask a question. At this time, we will pause momentarily to assemble our roster.

The first question comes from Brandon Rogers with Roth Capital. Please go ahead.

Brandon Rogers

Hello, this is Brandon Rogers on for Gerry Sweeney. Thanks for taking my question. First, for me, there is considerable development going on in the Phoenix metro area, namely Intel, TMC, as well as the State

Route 347 improvement project. How do you see this development potentially impacting the region and Global Water as a whole?

Michael Liebman

Brandon, this is Mike. I am happy to answer that question. As we have seen, permits have steadied out or flattened out. We are starting to see a slight upward trajectory, as Ron mentioned, in CTO this year. With the acceleration of that 347 State Route and Intel and the likes that you mentioned, we are optimistic that that is going to continue to grow from where we are at right now.

Additionally, we will point out that the Arizona Commerce Authority in fiscal year '26, which ended in June, just put a report out last month where it was the biggest economic development year yet. There were about 26,000 projected new jobs coming, and there was an investment of more than $109 billion in the community statewide. Those are both single-year records. That is a pretty significant development, not to mention the prior six years was about another $170 billion. It is a pretty massive one year, and we are pretty excited to see the prospects of what comes from that.

Brandon Rogers

Thanks. I appreciate that color. Another one I have is, G&A was down slightly year-over-year as you continue bringing costs down. What should we think about as the run rate for G&A for the remainder of the year?

Michael Liebman

Yeah, that's a great question, Brandon. It's Mike again. I'll take a first stab at that, and Ron, feel free to chime in. I think, look, that's something that we've actively been working on this year, and we've done a pretty good job, and our plan is to continue that run rate. To the extent that we can keep those as flat as possible, that's the goal. That's our plan.

Brandon Rogers

Thank you. Just one more for me. Given the Company's significant 2025 capital investments, what is the 2026, 2027 capital expenditure outlook?

Michael Liebman

This is Mike again, Brandon. We don't really give guidance, but what we have said is 2025, because it was part of a post-test year, we made pretty significant investments. The 2027 would definitely be lower than that, kind of somewhere around what our corporate norms have been. That's kind of the direction we give, but we don't really give guidance, so that's about as much color as I can give you on that.

Brandon Rogers

Okay. Thank you. I appreciate it.

Operator

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

The next question comes from Andrew McLaren (phon) with Viking Capital. Please go ahead.

Andrew McLaren

Hi, guys. Thanks for taking my call. The first question I have is just in terms of the acquisition pipeline, how is that looking today versus I can say the last three to five years?

Christopher Krygier

Yes. Thanks, Andrew. This is Chris. It is something that is always on our radar. Obviously, we had a pretty significant program over the past five years. We have really been right now focused on integrating those acquisitions, filing for the necessary rate reviews, and that has been our focus. Then recovering the capital investments that we have been making in those utilities along with the rest of the Company, as you have heard earlier. That has been our primary focus coming up.

Andrew McLaren

Okay. Then I just have one more. If additional capital is required, how are you evaluating equity versus potential debt at current share prices?

Michael Liebman

Yes. This is Mike. It is a great question. Obviously, we try to have a pretty smooth capital structure at 50-50 equity debt. That is the approach that we take going into it, depending on the situation where we are at, where the stock price is, where the capital markets are, where the debt rates are. It all comes into the equation because we are obviously being mindful of the dilutive nature of equity capital to our Shareholders. We try to find that balance, but we start at that 50-50.

Andrew McLaren

Okay. That is great. Thanks, guys. I appreciate it.

Operator

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

The next question comes from Varyk Kutnick with DIVYDE Capital Partners. Please go ahead.

Varyk Kutnick

Hey, guys. Thanks for taking the question.

Ron Fleming

Hi, Varyk.

Varyk Kutnick

Maybe give me a little color on what you are seeing on the ground from developers right now. Permits, absorption, new communities. I guess I kind of want to get some timeline on the leading indicators, second order of facts, and where that starts to flow through to you guys.

Ron Fleming

Yes. Hey, Varyk. Happy to take that. This is Ron. As Mike kind of mentioned, and it was in some of the numbers we talked about earlier, it has been slow in year-over-year for a while, but it kind of bottomed out a bit in 2025 and early 2026 in the high 2% range. I am talking about the single-family permits. But it did increase a little bit in our major territory here in 2026. I can just tell you over the last three months, our actual organic growth rate ticked back up to the 3.2%, so north of 3%, which we had not seen in a few years.

Interestingly, despite the macro stuff, and we could spend all day debating that stuff in our specific areas, and we think it is primarily just because of that economic development boom that continues in Phoenix and the fact that our areas have the best affordability and really the Metro Phoenix market, we did find through kind of all of that headwind. We think it is going to continue to pick up. Our development services team is as active as ever.

But the other thing I really want to focus everybody on is we are also converting these communities more from single-family homes to large multifamily apartment complexes, et cetera. We have seen more activity on that front than we ever have over the last two years, and that continues as well. That is why kind of for the first time in our 20-ish year history, top-line revenue growth, it diverged a little bit from meter connection growth. It is because these big projects are coming in, but also these communities are filling in very nicely with commercial property as well. Again, regulated year-over-year revenue growth was 9.9%. Obviously, we acquired the Tucson systems, and there are some other things going in there. But to kind of have all of that data put together, it will show like we are in a pretty good spot. We think growth is going to actually accelerate.

The last point I will make on that, which we have talked about, issued press releases on, and someone brought it up earlier, is to have this type of economic development, this type of growth, the other key piece other than water, which we take care of here in Arizona, is transportation. I do not think I can say enough how important we think this 347 highway widening is to our biggest service area. Look, they are basically turning a highway into a freeway, 15 miles direct access to the Phoenix market, and yet our homes are 20, 30% less than what it costs to be on the other side of that freeway system.

All things are kind of coming together, we think, pretty well. That is how good we feel about it. That is all before all the rate cases that Chris walked you through earlier.

Varyk Kutnick

Right. I mean, again, timing here. If a large employer announces a project, the second order of facts happens first, right? Household formation, multifamily, widening of the highway. How long before you see things actually showing up in your numbers? What is that cycle like?

Ron Fleming

Yeah, I think you are starting to see it based on the large overall market economic development numbers that we have been talking about for two years now. But what is interesting is, as Mike mentioned, that has been accelerating. There is more investment.

I think it goes like this, to answer your question specifically. The announcements made, these type of projects do not let grass grow. They make the announcement because they are ready to go. They build on an aggressive timeline, two-ish years. They are employing people a year out. The employees, when you are ready to turn the facility on.

I think the economic development horizontal piece that goes along with it from a housing perspective is usually about, from breaking ground to getting finish lots ready, about 18 months. The developers know what is going on. They are doing that in parallel with the big projects. I mean, it is really kind of a two- to three-year cycle.

I just think we are just now experiencing all the major stuff that has been announced and going on over the last two to three years. Over the next two to three years, it is going to accelerate because the numbers are going up.

Varyk Kutnick

Awesome. I appreciate the time. I will hop back in the queue.

Ron Fleming

You are welcome.

Operator

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

Ron Fleming

All right. Thank you, Operator.

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

Operator

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