



**Global Water Resources, Inc.**  
**2024 Third Quarter Conference Call**  
**November 7, 2024**

## CORPORATE PARTICIPANTS

**Joanne Ellsworth**, *Executive Vice President, Corporate Affairs*

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

**Mike Liebman**, *Senior Vice President and Chief Financial Officer*

**Christopher Krygier**, *Chief Operating Officer*

## CONFERENCE CALL PARTICIPANTS

**Gerry Sweeney**, *ROTH Capital*

## PRESENTATION

### Operator

Greetings, ladies and gentlemen. Welcome to the Global Water Resources, Inc. 2024 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. 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, then zero for Operator assistance at any time.

I would like to remind everyone that this call is being recorded on November 7, 2024, at 1:00 p.m. Eastern Time.

I would now like to turn the conference over to Joanne Ellsworth, Executive Vice President of Corporate Affairs. Please go ahead.

### Joanne Ellsworth

Thank you. Welcome, everyone. Thank you for joining us on today's call.

Yesterday, we issued our 2024 third quarter financial results by press release, a copy of which is available on our website at [www.gwresources.com](http://www.gwresources.com). Speaking today is Ron Fleming, President and Chief Executive Officer, Mike Liebman, Chief Financial Officer, and Chris Krieger, Chief Operating Officer. Ron will summarize the key operational events of the quarter, Mike will review the financial results, and Chris will review strategic initiatives and the Arizona Corporation Commission activities for the quarter. 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,

1

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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 under-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 sections Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations included within our latest Form 10-K filed with the SEC. Such filings are available at [www.sec.gov](http://www.sec.gov).

Certain non-GAAP measures may be included within today's call. For a reconciliation of these measures to the comparable GAAP financial 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, Joanne. Good morning, everyone, and thank you for joining us today. We are very pleased to report the results for the third quarter of 2024. I will start with some operational highlights.

Total active service connections increased 4.7% to 63,889 as of September 30, 2024, from the 12 months prior. The 2024 annualized growth rate is 4.5%. Year-to-date, we've invested \$19.2 million into infrastructure improvements and existing utilities to provide safe and reliable service.

Finally, with public health and safety being our top mandate, we are very proud of our compliance record. For the quarter, we had zero significant compliance events, continuing our streaks from 2023 and prior. In fact, this means it has been over seven years without a significant compliance event.

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 2023 with approximately 22,582 building permits issued in the Phoenix Greater Metropolitan Statistical Area. For the last nine months, this market realized 21,125 building permits, representing a 28% increase from Q3 2023. In 2023, the City of Maricopa issued 884 single-family dwelling building permits. For the last nine months, this Maricopa market realized 764 building permits, representing a 13% increase from Q3 2023.

As you can see, the year-to-date Q3 2024 permit data was strong in both Metro Phoenix and the City of Maricopa. Some contend there remains a housing shortage in Metro Phoenix, and thus, over time, Metro Phoenix will retain an annual run rate approaching 30,000 housing units per year to keep pace with net immigration and job growth. This demand must be met by a combination of single-family dwelling units and multifamily. On this note, as previously reported, there is a significant shift occurring in the City of Maricopa to large-scale, high-density multifamily dwelling complexes, along with more commercial and retail businesses. We believe this shift will be notable and, at some level, supplant the reduction in single-family home growth.

In fact, the year-to-date 2024 multifamily housing unit data was also strong in the City of Maricopa, with 1,200 units permitted compared to 315 units permitted for the same period in 2023. This represents an increase of 885 units permitted, or 281%. Looking ahead, there is a record number of additional multifamily 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 multifamily housing, commercial, and recreational projects continue to accelerate at an extremely high pace in Metro Phoenix and in our service areas.

Additionally, the industrial manufacturing boom also continues. Previously, 2022 was the single best year for Arizona all time from an industrial economic development investment perspective, and that was eclipsed in 2023, with \$40.7 billion invested in the state just last year. Let me say that again, \$40.7 billion invested in the state just last year. There's been significant further announcements made in 2024, including additional planned expansion at TSMC and Intel, as the chip industry continues to explode.

Frankly, what continues to occur in Arizona is unprecedented. Because of these things, we remain bullish on the future potential of our Inland Port Arizona service area, where Nikola Motor Corp. facility is located, and where Procter & Gamble acquired land. We continue discussing potential projects with several firms that would locate adjacent to Procter & Gamble.

Additionally, the City of Maricopa continues progress on their recently announced large industrial complex consisting of over 1,200 acres of projects. The city identified a winning developer and is working on the sale of the property to that developer. While this project is still several years away from generating revenue, it represents another opportunity for growth of 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, and industrial growth, in addition to strong organic housing growth.

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 a bit. However, it's important to recognize that 2024 is a test year for our largest utilities, whose last test year was five years ago in 2019. We need new rates to address all the cost increases over that period and the significant investments we have made. Chris will discuss this further later.

While 2024 will be another solid year for Global Water, putting all of these things together, meaning the four ways we grow as a utility company, organic connections, new greenfield utilities, acquisitions, and rate cases, you can see how Global Water is going to be able to grow earnings considerably in the years to come as we continue to advance our mission of growing and aggregating water and wastewater utilities so that our customers can realize the benefits of consolidation, regionalization, and environmental stewardship in the face of rapid growth, water scarcity, challenging regulations, and aging infrastructure.

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

**Mike Liebman**

Thanks, Ron. Hello, everyone.

Total revenue for the third quarter of 2024 was \$14.3 million, which was down \$0.2 million or 1.5% compared to Q3 2023. The decrease in revenue is primarily attributable to ICFA revenue recognized in Q3 2023 that did not recur in Q3 2024 and was partially offset by an increase in wastewater and recycled water service revenue, largely as a result of a 5% increase in active wastewater connections.

Regulated revenue, which excludes ICFA revenue for Q3 2024, was \$14.3 million, which was up \$0.3 million or 2.2% compared to Q3 2023. This increase is primarily due to the increase in organic connection growth.

Operating expenses for Q3 2024 were \$10.3 million compared to \$10.7 million in Q3 2023. This is a decrease of approximately \$0.4 million or 3.3%. Notable changes in operating expenses included \$252,000 decrease in depreciation and amortization, primarily driven by lower amortization of intangible assets related to acquired ICFAs that did not recur in Q3 2024. This is partially offset by additional depreciation expense tied to our capital expenditure program. Secondly, we had a decrease in operating and maintenance costs by \$143,000, which was primarily attributable to decrease in medical expenses and salary and wages.

Now to discuss other income and expense. Other income for Q3 2024 was \$2,000, as compared to other expense of \$315,000 in Q3 2023. This improvement was primarily driven by higher income from the Buckeye growth premium. Net income for Q3 2024 was \$2.9 million or \$0.12 per diluted share, as compared to \$2.6 million or \$0.11 per diluted share in Q3 2023.

Now to talk about Adjusted EBITDA, which adjusts for non-recurring items, such as ICFA revenue, as well as non-cash items, such as restricted stock expense. Adjusted EBITDA was \$8.2 million in Q3 of 2024, compared to \$7.6 million in Q3 2023. This is an increase of approximately \$600,000, or 7.2%.

This concludes our update on the third quarter of 2024 financial results. I'll now pass the call to Chris to review the regulatory activity and strategic initiatives for the quarter.

### **Christopher Krygier**

Thanks, Mike. Hello, everyone.

First, an election update. As you may know, here in Arizona, we had three of the five seats on the Arizona Corporation Commission on the ballot. The results are still preliminary, but as of this morning, the three Republican candidates, current incumbent Commissioner Marquez-Peterson, Rachel Walden, and Renee Lopez are the top three vote getters.

In terms of actual activity at the Commission, it has been relatively quiet since the last time we spoke. First, the Tucson Acquisition Approval Application continues progressing, with the ACC Utilities Division staff's recommendation to be filed today, and a hearing is scheduled for next week. After the hearing, the Administrative Law Judge will issue a recommended opinion and order for the Commission's consideration at a future open meeting date. We estimate to close the acquisition in the first quarter of 2025.

Second, the Global Water Farmers Rate Case continues on its ACC process. We still estimate that Utilities Division staff will file their initial recommendations in December 2024, and we will provide an update in the future. As is always the case with our rate cases, we cannot guarantee what action the Commission may or may not take.

Finally, as you heard Ron mention earlier, we are in a test year for our Global Water Santa Cruz and Global Water Palo Verde utilities, the two largest utilities within the company. We continue our customer outreach efforts to educate the community on the investments we are making to ensure we provide safe, reliable service and stay ahead of growth. We anticipate filing the rate case in the first half of 2025. Once the case is filed, it takes approximately one year from the date of sufficiency to receive a Commission order.

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.

It is clear we continue to achieve meaningful growth despite headwinds. 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.

These highlights conclude our prepared remarks. Thank you. We are now 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 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 for just a moment to assemble our roster.

Our first question today will come from Gerry Sweeney with Roth Capital. Please go ahead.

**Gerry Sweeney**

Good morning, guys. Thanks for taking my call.

**Ron Fleming**

Morning, Gerry.

**Mike Liebman**

Morning.

**Gerry Sweeney**

Just one or two questions, actually. Great quarter speaks for itself. But obviously, the political landscape has changed a little bit this week and expectations are maybe continued reshoring of manufacturing into the U.S., maybe speed that up, as well as maybe some semiconductor opportunities, etc. I'm just curious if you had any viewpoints on the political landscape, its change and impact on the greater Phoenix area, as well as your operations.

**Ron Fleming**

Yes, happy to take that. I agree with your assessment there. What's interesting is, as we talk about it, it's available in our investor deck on our website. The slope of the curve on economic development investment here in Arizona and specific to industrial manufacturing is up and to the right, and it's been a pretty significant slope, and that has been over the last three years really coming out of COVID and some of the things the prior administration done, and really a lot of great work here in the state of Arizona, as well.

In some ways, I think this is just going to pour a little bit more fuel on the fire that already exists. For us, you're seeing more and more of that push out from the greater metro Phoenix area to these new emerging communities and counties for a couple of reasons, and I don't think we've really talked about this. Not only is it just the land availability piece, but there's two things going on that I think is going to accelerate it coming out our direction and really any of these more historically more rural areas. One is the cost of housing. That's obviously gone up quite a bit here in the Phoenix area and Arizona as a whole, and these new industries, as we talk to them and participate on economic development boards, they're quite interested in the housing availability and living affordability of the areas for their employees. We obviously compete really strongly on that because we have some of the lowest affordability numbers in the metro Phoenix area where we are; I think that matters.

The second one is power supply, and in the future, we may talk about this more, but this type of growth obviously is not just impacting our water industry, but the power industry as well. What is difficult is getting the infrastructure into some of these infill sites at the scale that is needed for the type of manufacturing facilities that are going in. They're actually being redirected out to these more rural areas because the large

power providers, be it APS or SRP or TEP, they actually have better access to run the type of transmission that's needed to these rural areas versus into heavily developed areas. We think it's going to just continue to be up and to the right and, in some respects, move more out to the areas that we've been talking about, including our inland port project and like the city of Maricopa.

**Gerry Sweeney**

Got it. Helpful. Then just one easy housekeeping question for Mike. Mike, do you know how much the Buckeye premium was this quarter? I'm sorry, it's been a long line, I just check to everything.

**Mike Liebman**

Yes, no problem. Yes, it was about just under \$920,000 compared to 2023 was about \$730,000, so, it was up a little over \$180,000 or 25%. It's been a pretty good run and year to date we're at about \$2.2 million versus \$1.6 million last year. That's up north of \$500,000 or 35%. The Buckeye premium has been strong and again, as Ron mentioned, it's another one of those areas where it's a lot more affordable than Metro Phoenix itself because it's on the outskirts. It's been nice and looking forward to seeing that sustain or even continue to grow.

**Gerry Sweeney**

Got it. That's it for me. Thanks, guys, and congrats on the next quarter.

**Mike Liebman**

Thank you.

**Operator**

Again, if you would like to ask a question, please press star and then one. Seeing no further questions, this will conclude our question-and-answer session. I would like to turn the conference back over to Ron Fleming for any closing remarks.

**Ron Fleming**

Yes. Thank you, Operator. Thank you, everybody, for participating on the call and for your ongoing interest in support of Global Water. Thanks, and 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 your lines and have a nice day.