

# PICO Holdings, Inc.

## Annual Meeting of Shareholders

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# FORWARD LOOKING STATEMENTS SAFE HARBOR

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This presentation contains forward-looking statements made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements; these include, without limitation, any projections or guidance regarding earnings, earnings per share, revenues, cash flows, dividends, capital expenditures or other financial items; and any statements concerning plans, strategy and management objectives for future operations, as well as statements regarding future economic, industry, or company conditions or performance and any statements of belief and any statement of assumptions underlying any of the foregoing. Forward-looking statements often address current expected future business and financial performance, including the demand and pricing for PICO’s real estate and water assets, the completion of proposed monetization transactions, the return of proceeds to shareholders, and the reduction of costs. Forward-looking statements may contain words such as “expects,” “estimates,” “anticipates,” “intends,” “plans,” “projects,” “believes,” “seeks,” or “will.” All forward-looking statements included in this presentation are based on information available to PICO as of the date hereof; PICO specifically disclaims and assumes no obligation to update any forward-looking statements. Actual results could, and likely will, differ materially from those described in the forward-looking statements. Forward-looking statements involve risks and uncertainties, outside of our control, including, but not limited to, economic, competitive and governmental actions that may cause our business, industry, strategy or actual results to differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in detail under the heading “Risk Factors” in PICO periodic reports filed with the U.S. Securities and Exchange Commission.

This presentation should be reviewed in connection with, and is qualified by, PICO’s Annual Report on Form 10-K filed for the period ending December 31, 2018, and PICO’s quarterly report on Form 10-Q filed for the period ended March 31, 2019. A number of the slides in the presentation contain information from public sources that PICO has not independently verified.

## Business Plan

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- *Creatively monetize* existing assets at maximum possible present value
- *Return* proceeds to our shareholders (we may occasionally use proceeds to enhance existing assets)
- *Reduce* costs

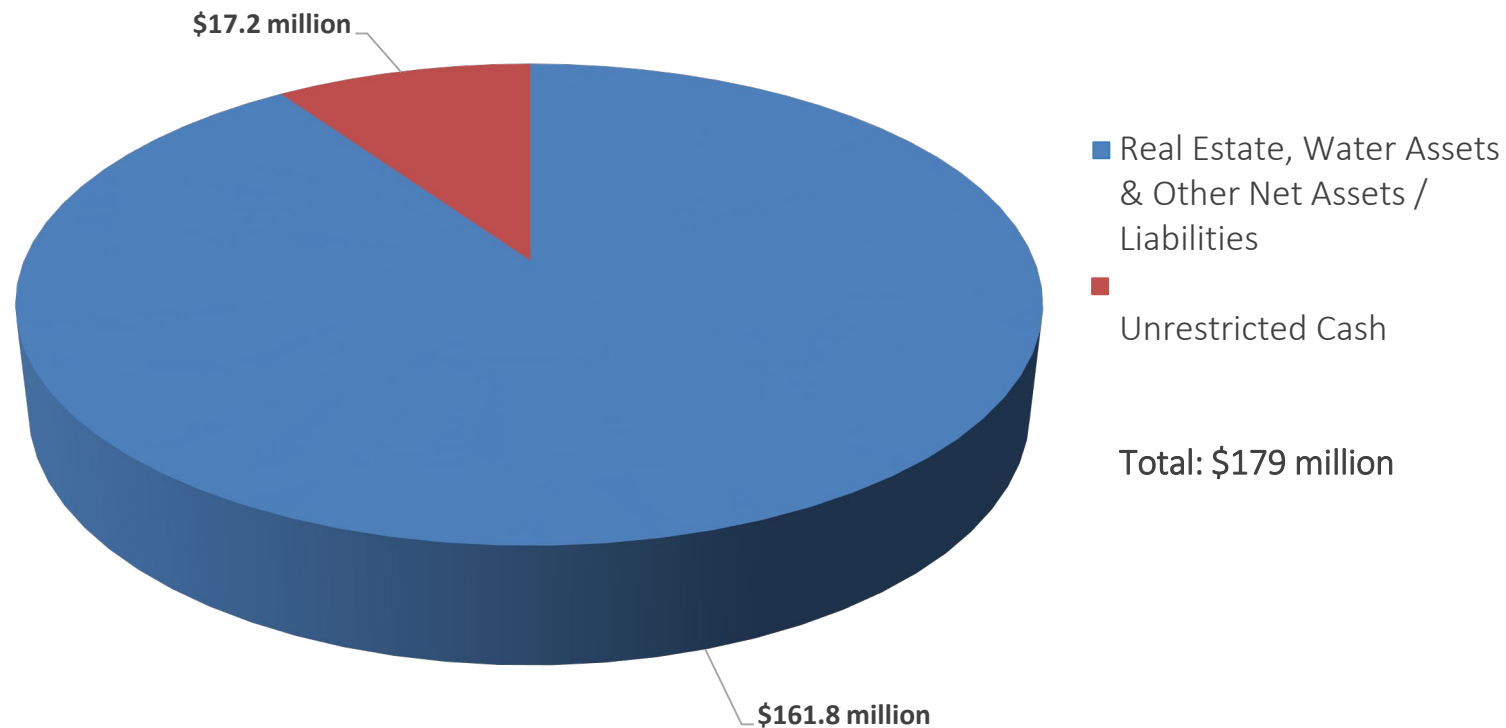
## Accomplishments in 2018 and First Quarter 2019

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- Sold 511 acre – feet of water rights in Lyon County, NV for \$10.3 million in 2018
- Sold 77 acre – feet of Fish Spring Ranch water rights for \$2.7 million in 2018 and 86 acre – feet of Fish Springs Ranch water rights for \$3 million in Q1 2019
- Sold 1,064 acres and 18 acre – feet of water rights at Dodge Flat, NV for \$8.9 million in Q1 2019
- Repurchased approximately 2.5 million shares on the open market for \$27.7 million in 2018 and a further 420,394 shares for \$4.3 million in Q1 2019.
- Closed the La Jolla, CA office and transitioned our finance and accounting functions to our new headquarters in Carson City, NV

## Net Assets: March 31, 2019

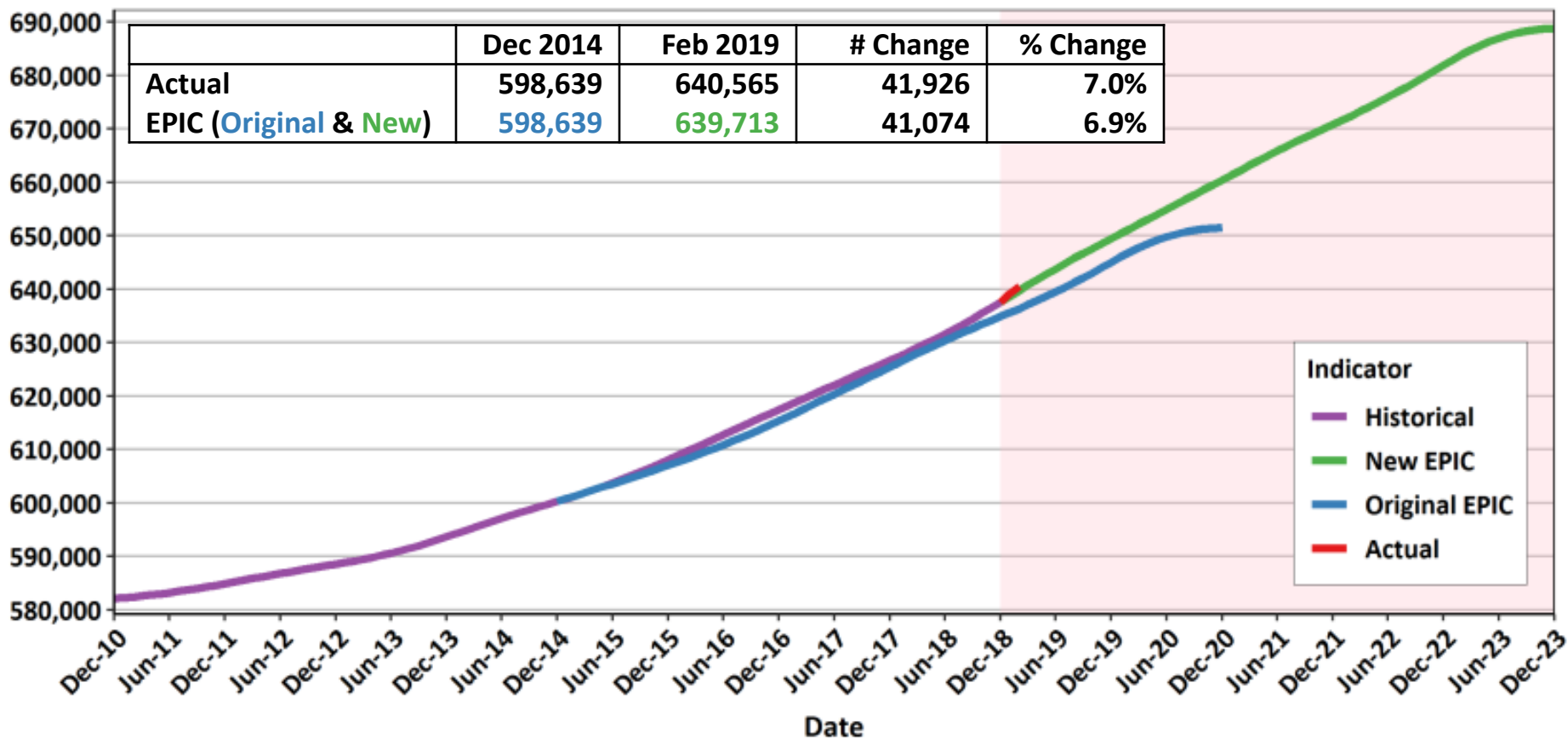
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20,305,710 shares outstanding at March 31, 2019.

# EPIC Report Update: Northern Nevada Study Area

**EPIC Study Area Actual Population Tracking: Dec-14 to Feb-19  
(EPIC Forecast Period: 2019-2023)**

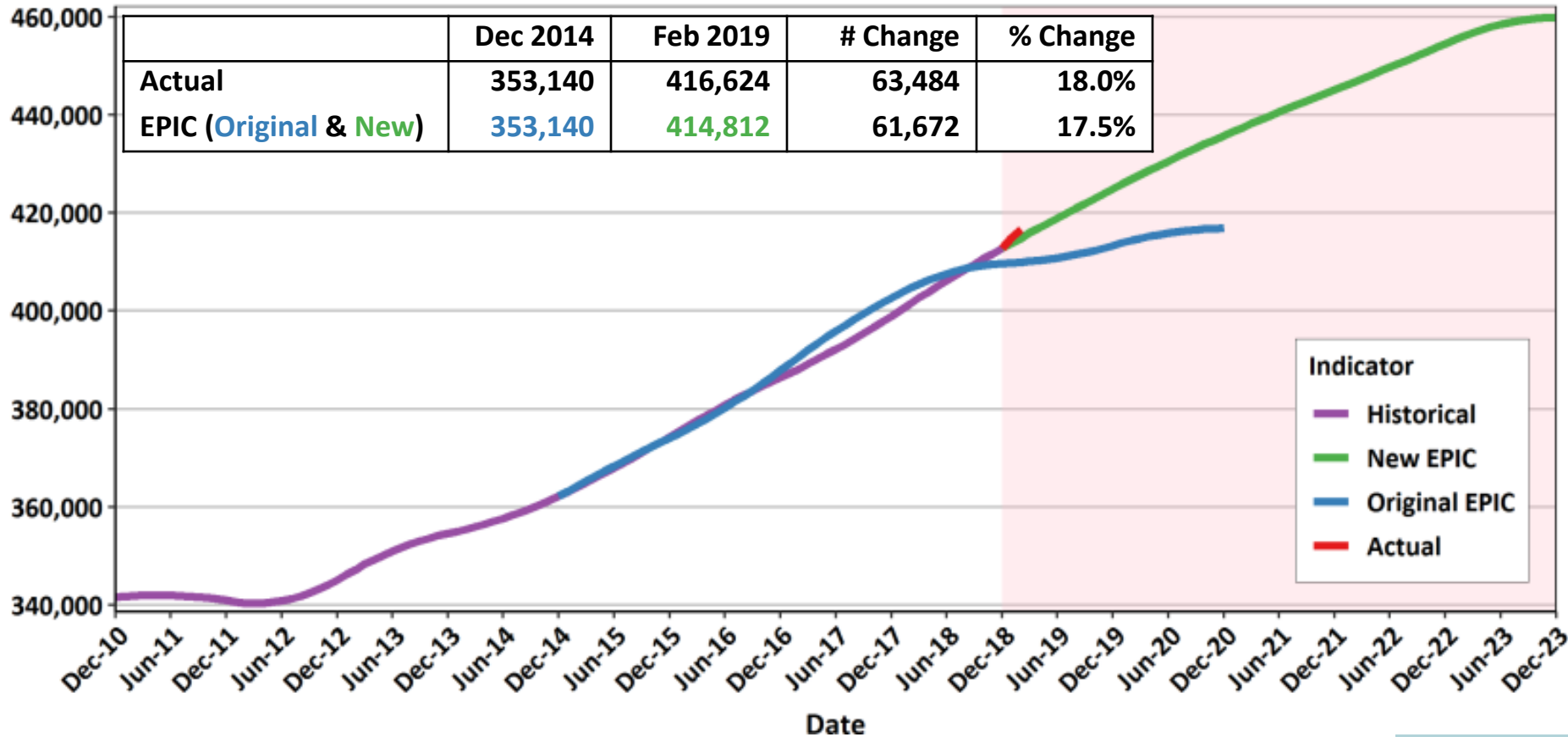


Note: Light pink area denotes "New EPIC" forecast period.

Sources: EPIC Committee, RCG Economics, NV State Demographer, TMRPA, Woods & Poole, TMWA, EMSI, BLS, Census.

# EPIC Report Update: Northern Nevada Study Area

**EPIC Study Area Actual Employment Tracking: Dec-14 to Feb-19  
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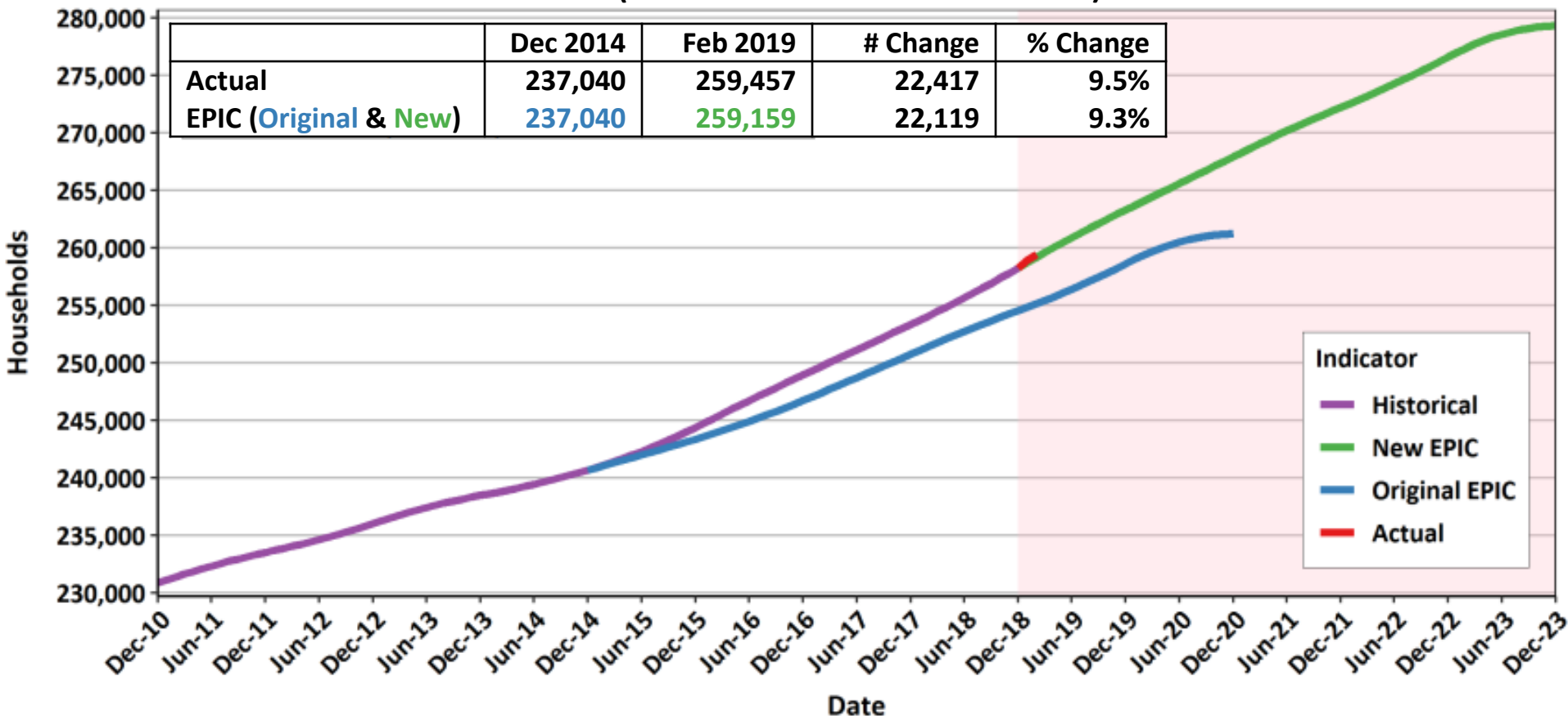


Note: Light pink area denotes "New EPIC" forecast period.

Sources: EPIC Committee, RCG Economics, NV State Demographer, TMRPA, Woods & Poole, TMWA, EMSI, BLS, Census.

# EPIC Report Update: Northern Nevada Study Area

**EPIC Study Area Actual Households Tracking: Dec-14 to Feb-19  
(EPIC Forecast Period: 2019-2023)**



Note: Light pink area denotes "New EPIC" forecast period.

Sources: EPIC Committee, RCG Economics, NV State Demographer, TMRPA, Woods & Poole, TMWA, EMSI, BLS, Census.



# EPIC Report 2.0: Technical Memorandum - Jan 29, 2019

Table 1: Study Area Consensus Forecast: 2019-2023

Year	Consensus		
	Population	Employment	Households
2001	490,300	339,634	195,640
2002	502,393	338,810	200,312
2003	517,893	346,037	207,181
2004	534,424	360,666	213,067
2005	551,698	374,266	219,777
2006	566,456	385,242	225,129
2007	577,438	390,938	229,573
2008	583,694	378,594	231,615
2009	580,602	350,736	229,427
2010	581,597	340,978	229,929
2011	583,440	341,737	232,404
2012	586,938	341,784	234,802
2013	591,016	351,013	237,482
2014	597,355	358,253	239,591
2015	604,224	368,592	242,534
2016	613,188	381,166	246,904
2017	622,477	392,871	251,335
2018	632,267	406,621	255,925

Year	Consensus		
	Population	Employment	Households
2019	644,221	419,375	261,066
2020	655,418	430,928	265,809
2021	666,263	440,926	270,336
2022	676,598	450,119	274,500
2023	686,737	458,206	278,484
5-Yr % Chg.	8.6%	12.7%	8.8%
5-Yr Chg.	54,470	51,585	22,559

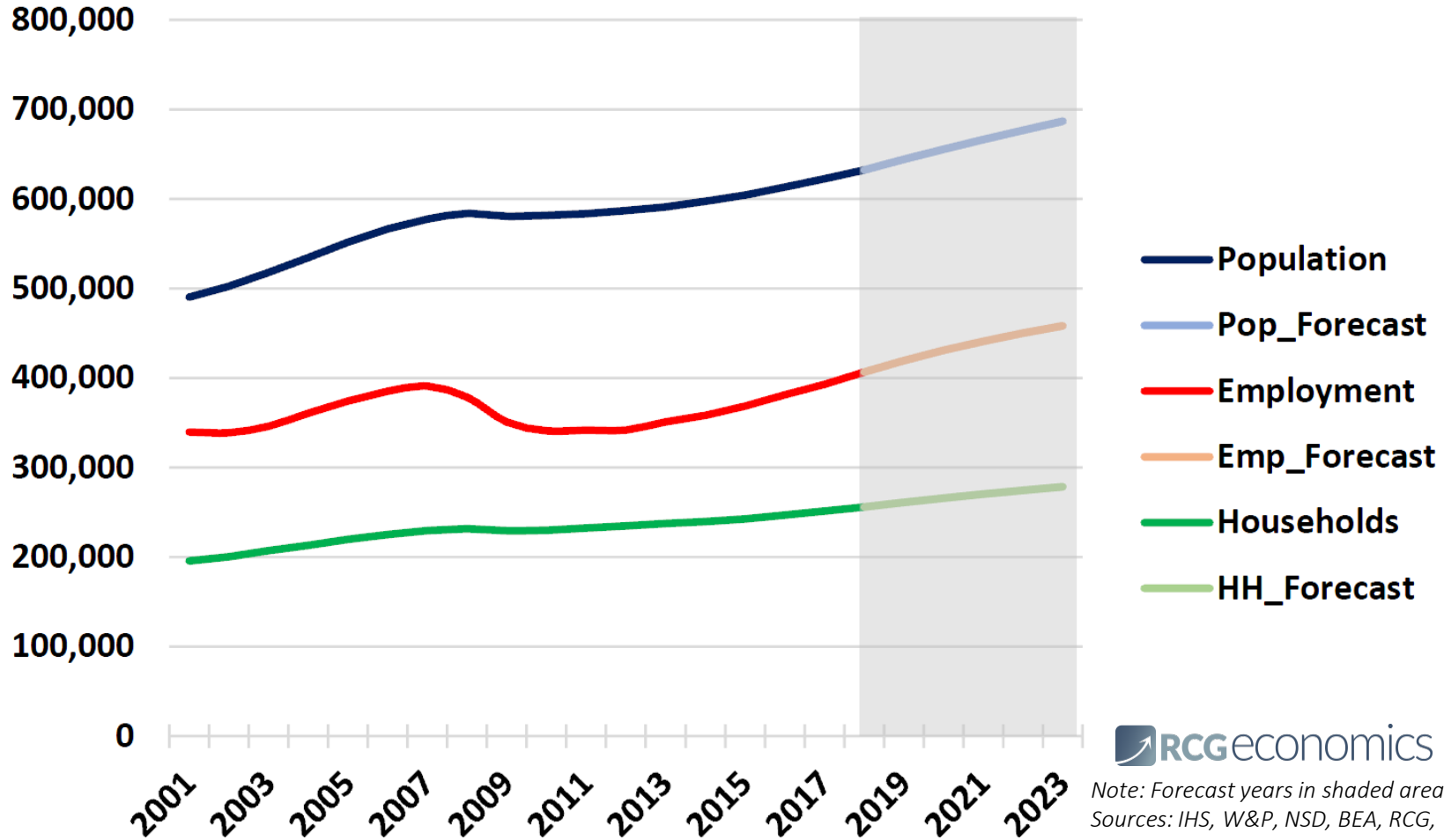


Note: Forecast years in shaded area.

Sources: IHS, W&P, NSD, BEA, RCG, TMWA, EMSI, EDAWN

# EPIC Report 2.0: Technical Memorandum - Jan 29, 2019

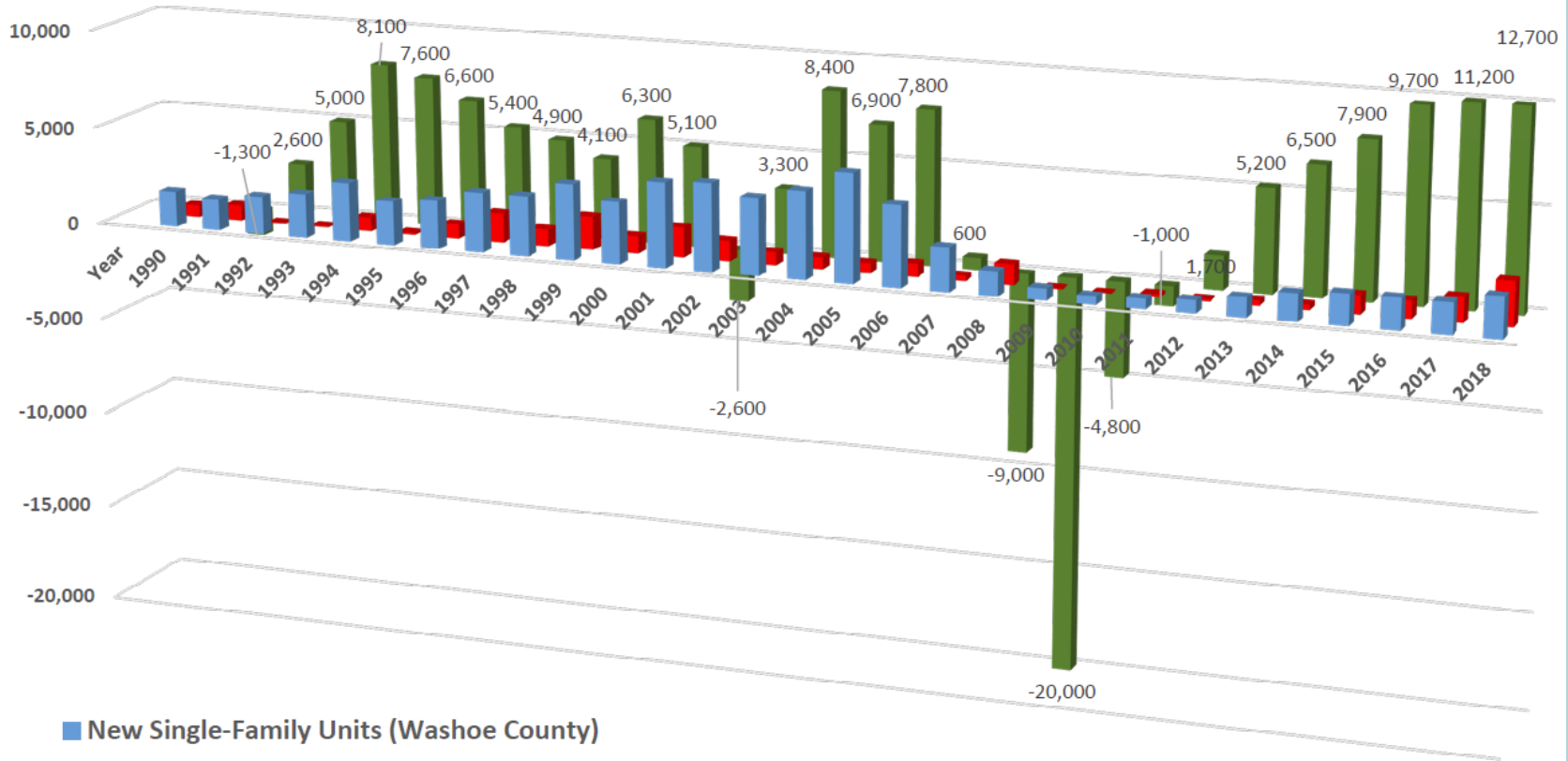
Figure 1: Study Area Total Consensus Historical Estimates & Forecast: 2019-2023



 RCGeconomics

Note: Forecast years in shaded area.  
Sources: IHS, W&P, NSD, BEA, RCG, TMWA, EMSI, EDawn

# New Residential Units per New Job



■ New Single-Family Units (Washoe County)

■ New Multi-Family Units (Washoe County)

■ New Reno MSA Employment

1992-2006 Avg New Units per New Job = 0.79

2014-2018 Avg New Units per New Job = 0.29

## New Residential Units per New Job



### RENO-SPARKS BY THE NUMBERS

**9,918:** jobs added to the area in 2018

**0.21:** new single-family homes built for every new job

**0.43:** new residential units built for every new job

**\$1,170:** average rent for a one-bedroom unit (Q3 of 2018)

**\$375,000:** median sales price for an existing single-family home (Q4 of 2018)

**2,000:** families on waiting lists for affordable housing options in the region

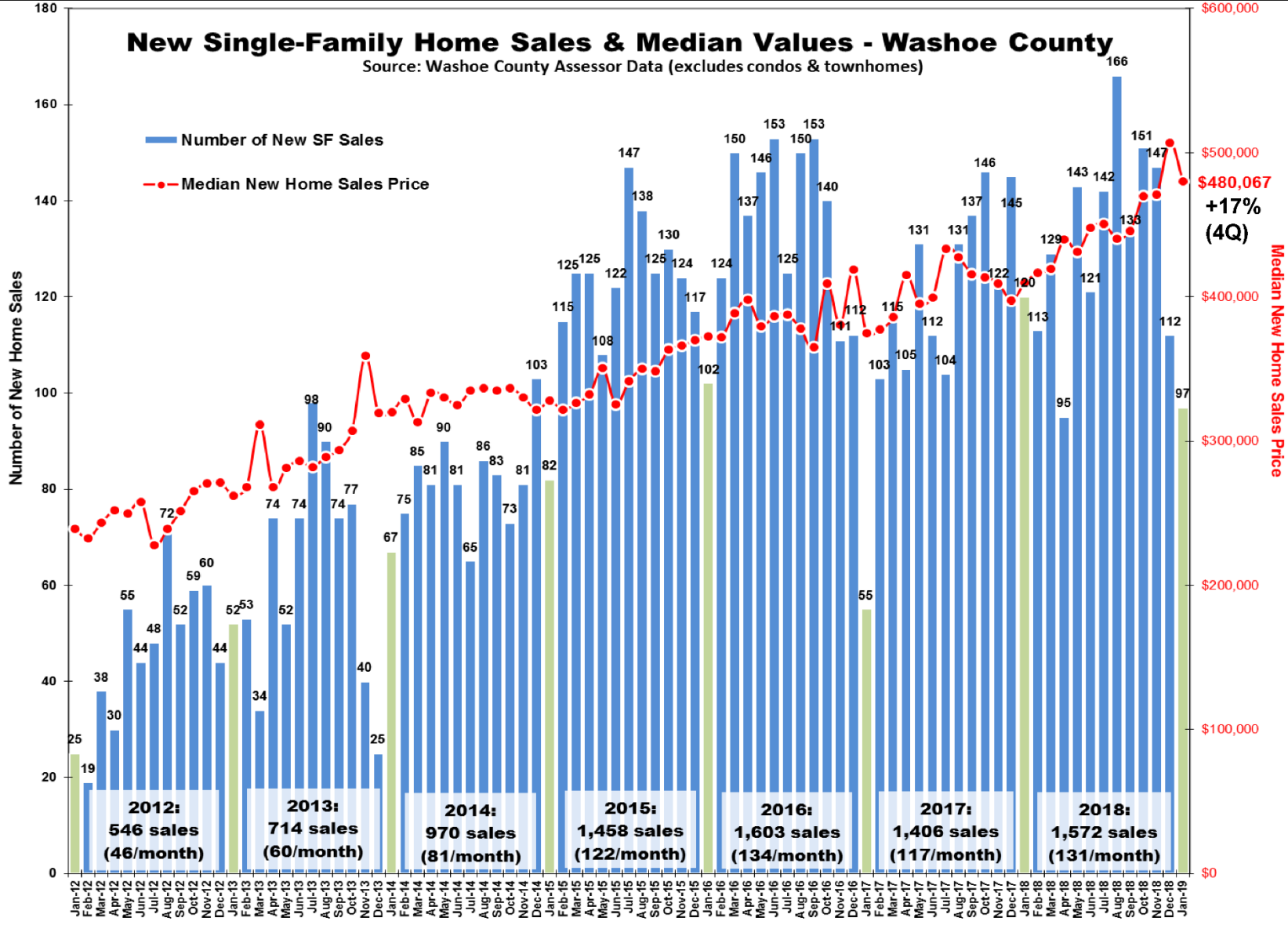
*Sources: UNR Center for Regional Studies; Johnson Perkins Griffin Real Estate Appraisers; Reno Housing Authority*

PHOTO: SHUTTERSTOCK

Roedel, Kaleb. "It's bad ... we're not building enough': Reno-Sparks struggling with workforce housing demand amid tech boom." *Northern Nevada Business View*, [www.nnbusinessview.com/news/reno-sparks-struggling-with-workforce-housing-demand-amid-economic-tech-boom](http://www.nnbusinessview.com/news/reno-sparks-struggling-with-workforce-housing-demand-amid-economic-tech-boom). Accessed 25 March 2019

# New Single-Family Home Sales & Median Values - Washoe County

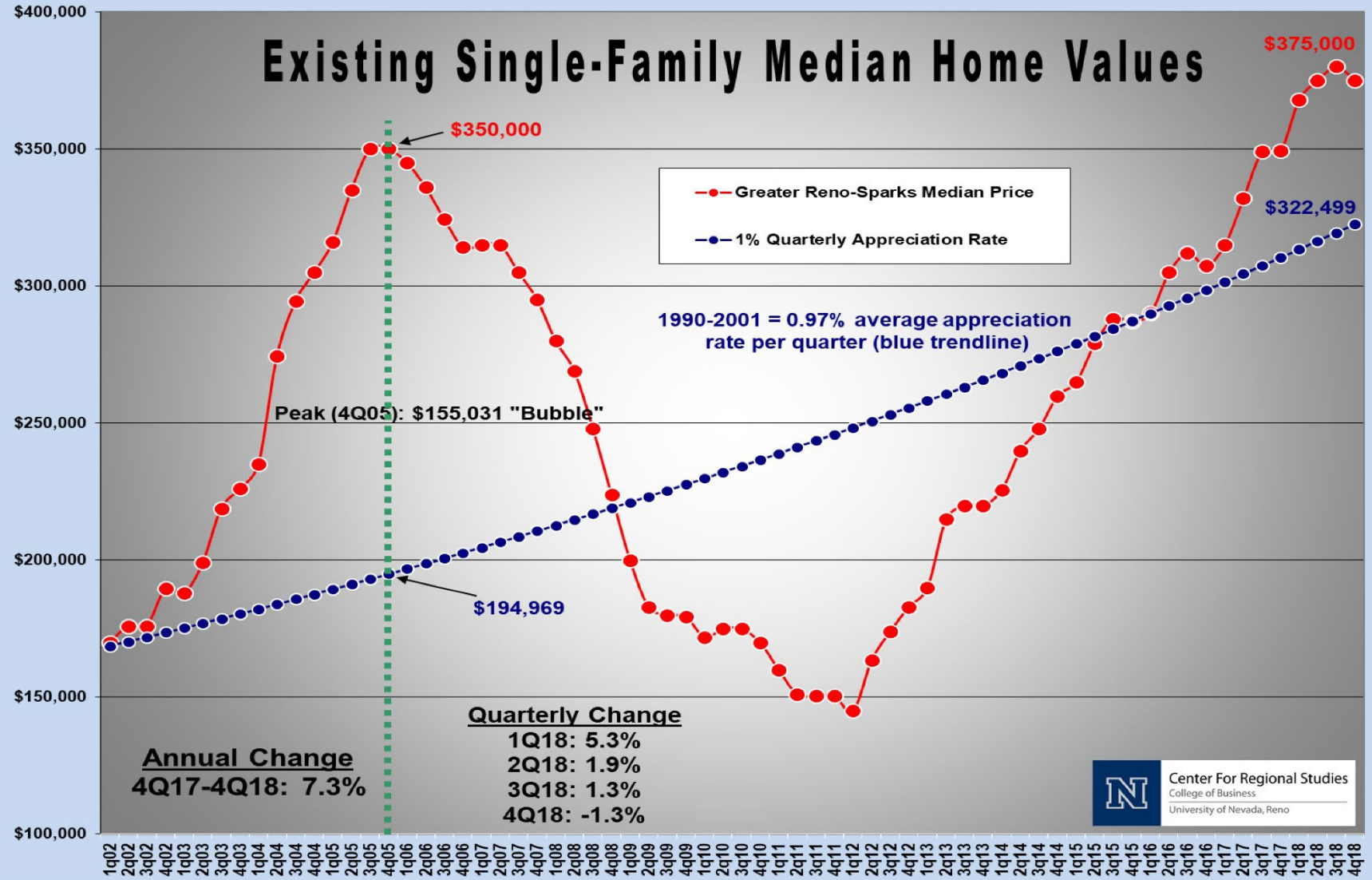
Source: Washoe County Assessor Data (excludes condos & townhomes)



Source: Washoe County Assessor



# Existing Single-Family Median Home Values



**December = \$362,000 (+5% yoy)**  
**January = \$360,000 (0% yoy)**

Source: Northern Nevada Regional MLS

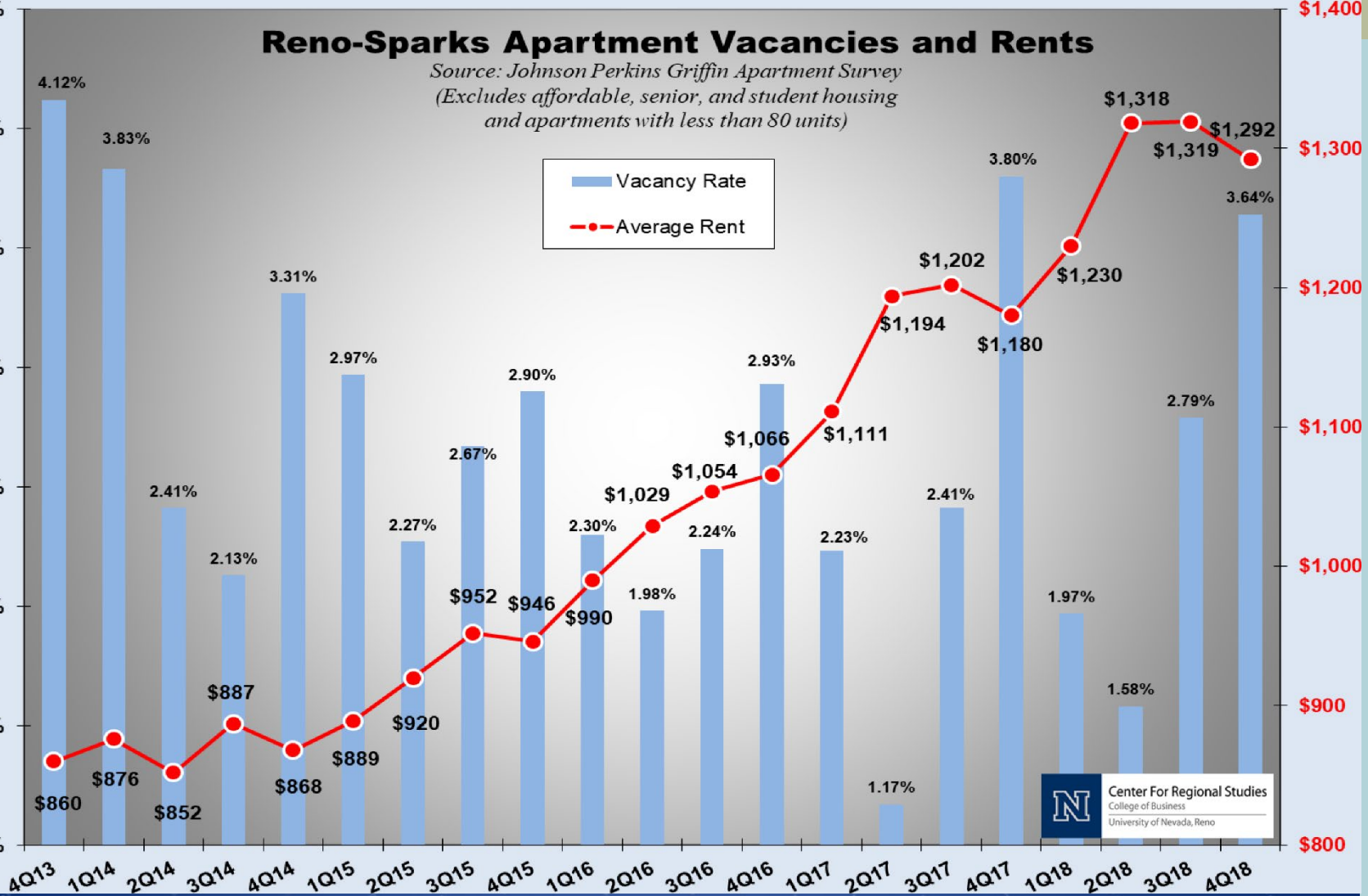
**N** Center For Regional Studies  
 College of Business  
 University of Nevada, Reno

## RENO-SPARKS REGIONAL ECONOMY – MARCH 2019

**N** Center For Regional Studies  
 College of Business  
 The Business Services Group

# Reno-Sparks Apartment Vacancies and Rents

Source: Johnson Perkins Griffin Apartment Survey  
 (Excludes affordable, senior, and student housing  
 and apartments with less than 80 units)

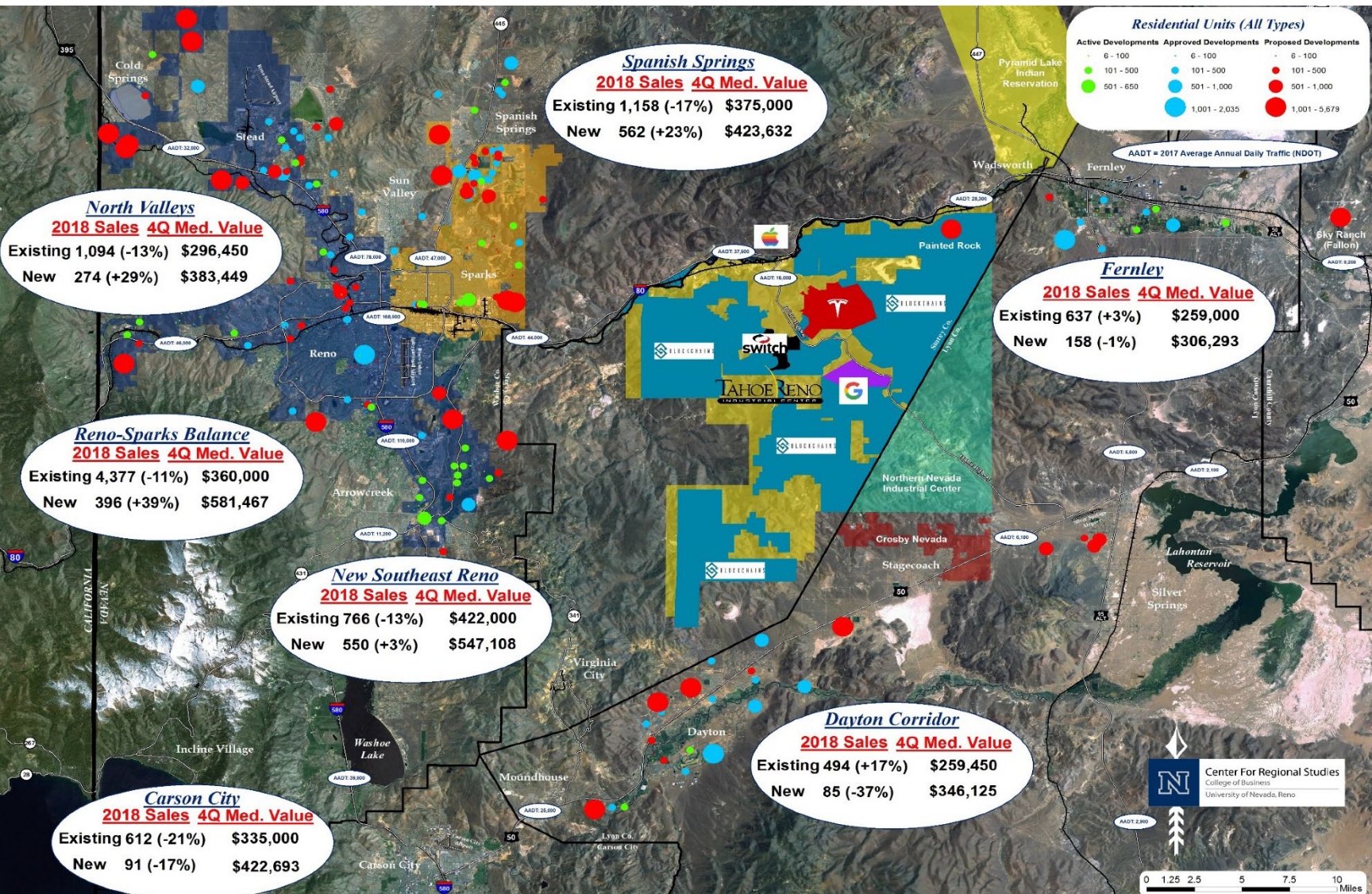


**N** Center For Regional Studies  
 College of Business  
 University of Nevada, Reno

**Estimated Household Income to Afford \$1,319 = \$52,436**

# Regional Residential Activity

2018 Summary



## RENO-SPARKS REGIONAL ECONOMY – MARCH 2019



# Vidler Assets in Northern Nevada

- Dodge Flat

- » Land: 1,064 acres – Sold in Q1 2019
- » Water: 1,378.5 AF – Under Option to Purchase

- FSR

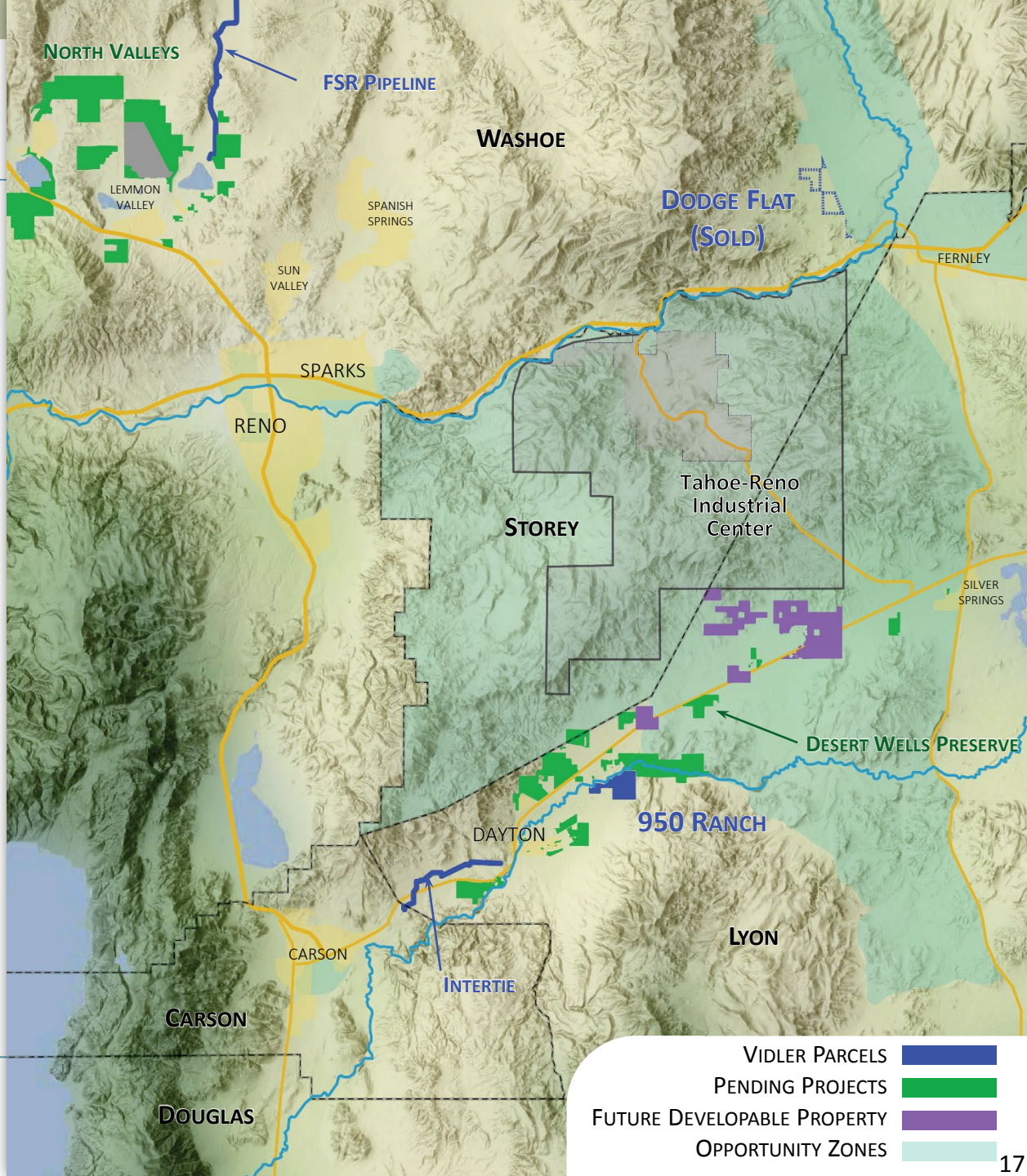
- » Land: 7,309.78 acres
- » Municipal Water: 7,821 AF + 5,000 AF
- » Agricultural Water: 791.35 AF
  - Ground Water & Surface Water
- » Pipeline Capacity 22,000 AF

- Carson-Lyon

- » Municipal Water: 1,124.90 AF
- » Municipal Water Option: 895.55 AF
- » Agricultural: 3,288.89 AF ⇨ 1,766.83 AF (Mun)
- » 950 Ranch: 949.58 acres
- » Pipeline Capacity 5,000 AF

- Truckee Surface Water Rights

- » 299.14 AF



## North Valleys Estimated Total Water Usage from New Residential Projects

Development Area (Prior Name)	Single Family Units	Commercial / Industrial Acres	Estimated Project Water Demand (AF)	Sold (AF) as of March 31, 2019
<b>Stonegate</b> (Heinz Ranch)	3,755	1245 Multi-Family, 51 Ac Commer/Ind	2,023	
<b>Train Town</b>	1,300	0	736	
<b>White Lake Vistas</b>	324	0	240	
<b>Silver Hills</b>	1,650	0	600	
<b>Silver Star Ranch</b>	1,600	0	449	
<b>Evans Ranch</b>	5,679	62	2,372	
<b>Stead Airport</b>	0	1,700		
<b>Prado Ranch</b> (NVI 4)	176	529 Multi-Family, 195 Acres Industrial, 5 Ac Commercial	343	
<b>Prado Ranch North</b>	490	0	184	
<b>NVI 6 &amp; 7</b>	2,522	0	1,099	
<b>NVI 8</b>	238	0	104	
<b>Arroyo Crossing</b>	236	0	91	
<b>Echeverria Peavine</b>	1,900	0	750	
<b>North Valley Estates Unit 1-3</b>	157	0	42	33.83
<b>Silver Dollar Estates</b>	595	0	98	52.19
<b>Lakes at Lemmon V.</b>				70.52
<b>Misc Residential</b>				1.95
<b>Industrial Buildings</b>				3.60
<b>Silver Peak Apartments</b>				0.83
		<b>TOTAL</b>	<b>9,131</b>	<b>162.92</b>

# North Valleys: Developments (March 2019)

StoneGate (1) – Phase 1 Special Use Permit and Tentative Map approved.

Silver Hills (4) – Tentatively scheduled 2Q'19 Planning Commission.

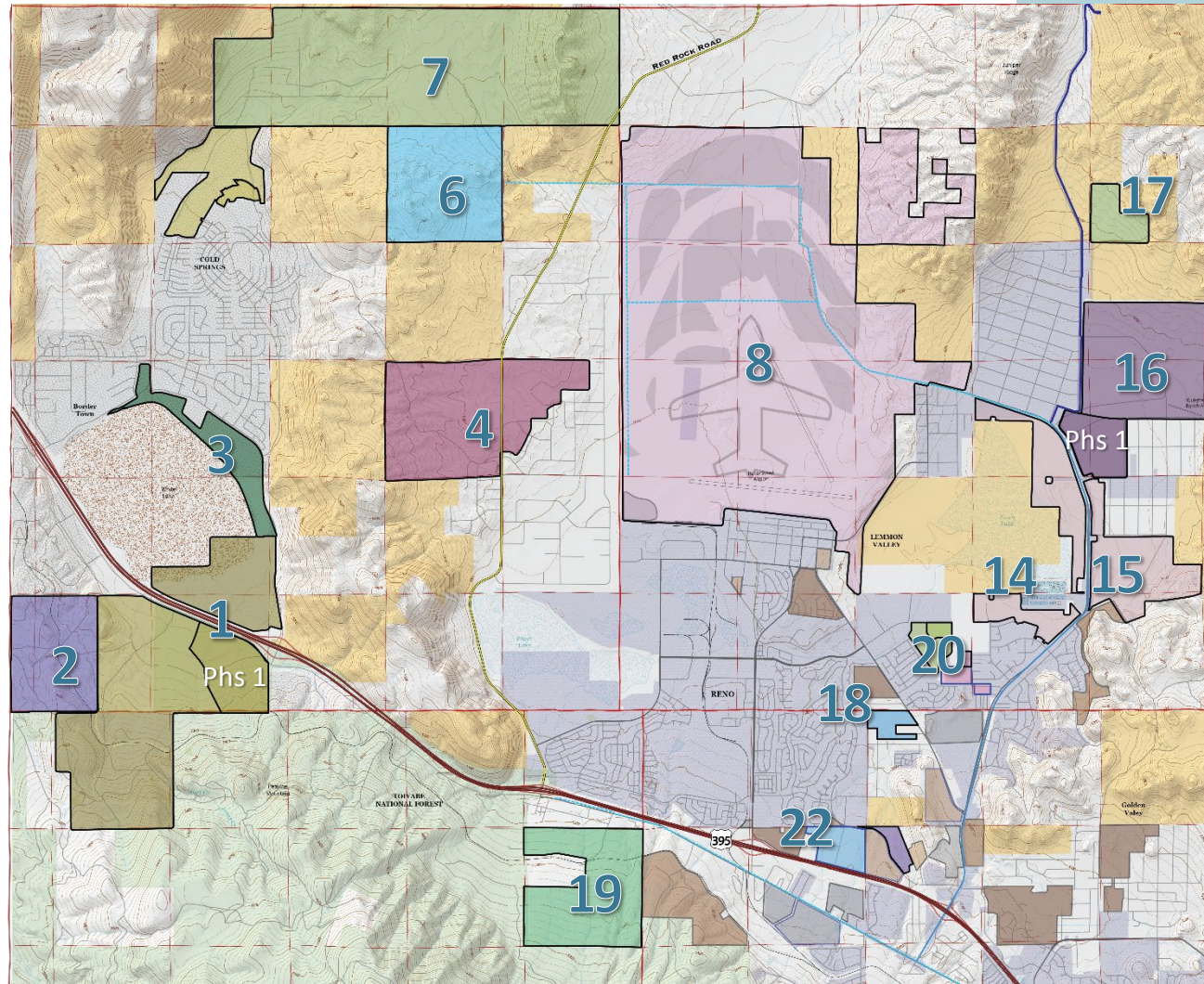
Evans Ranch (7) & Silver Star Ranch (6). Assisting owners to obtain a waterline easement through the Stead Airport Property (8).

Prado Ranch North Phase 1 (16) Tentative Map Approved by Washoe County Commission.

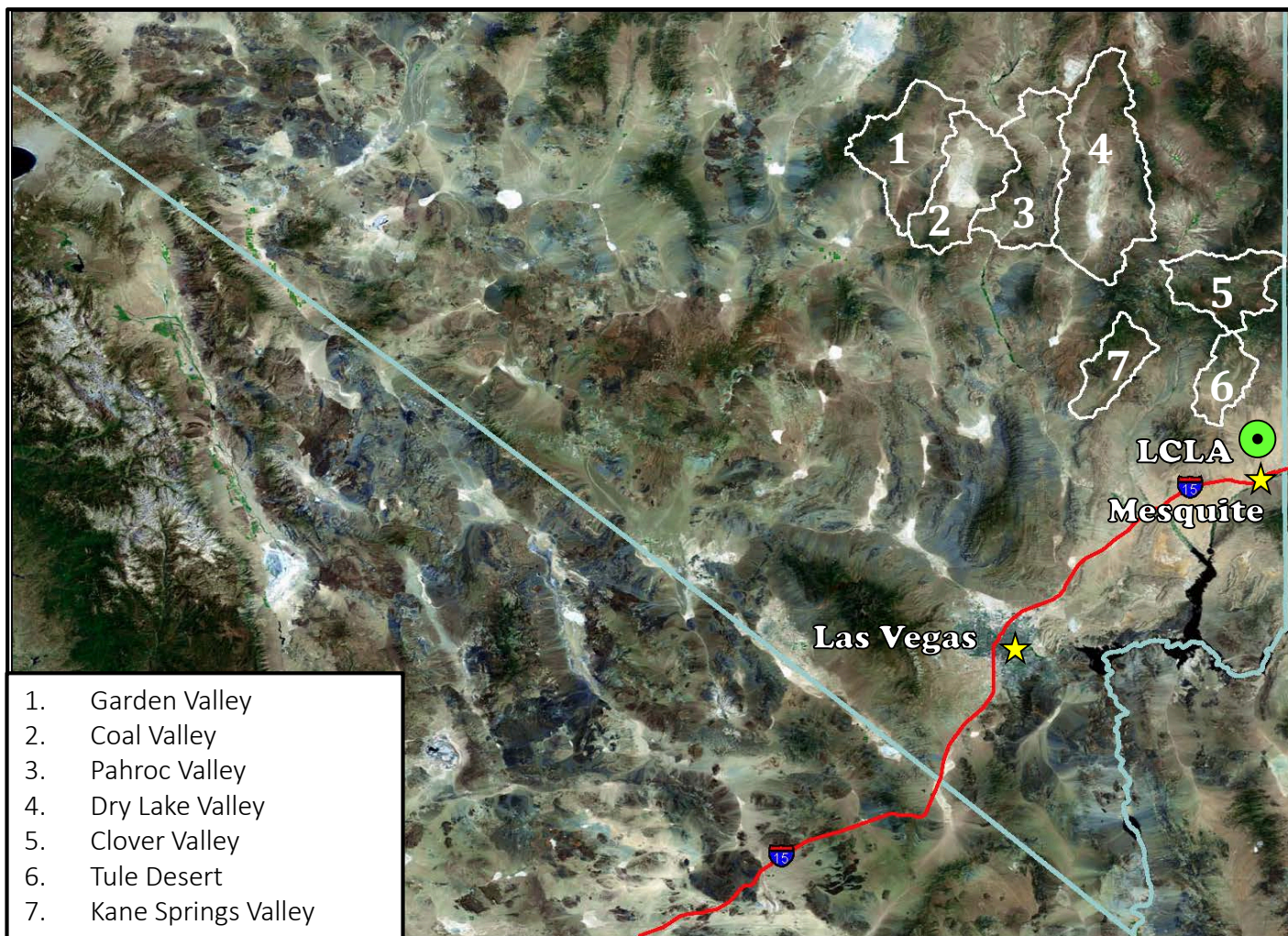
Echeverria (19) told to return with more information before Master Plan Amendment can be approved.

North Valley Estates (20) 33.83 A-F purchased Jan 2019.

Silver Dollar Estates (22) – 52.2 A-F purchased Mar 2019.

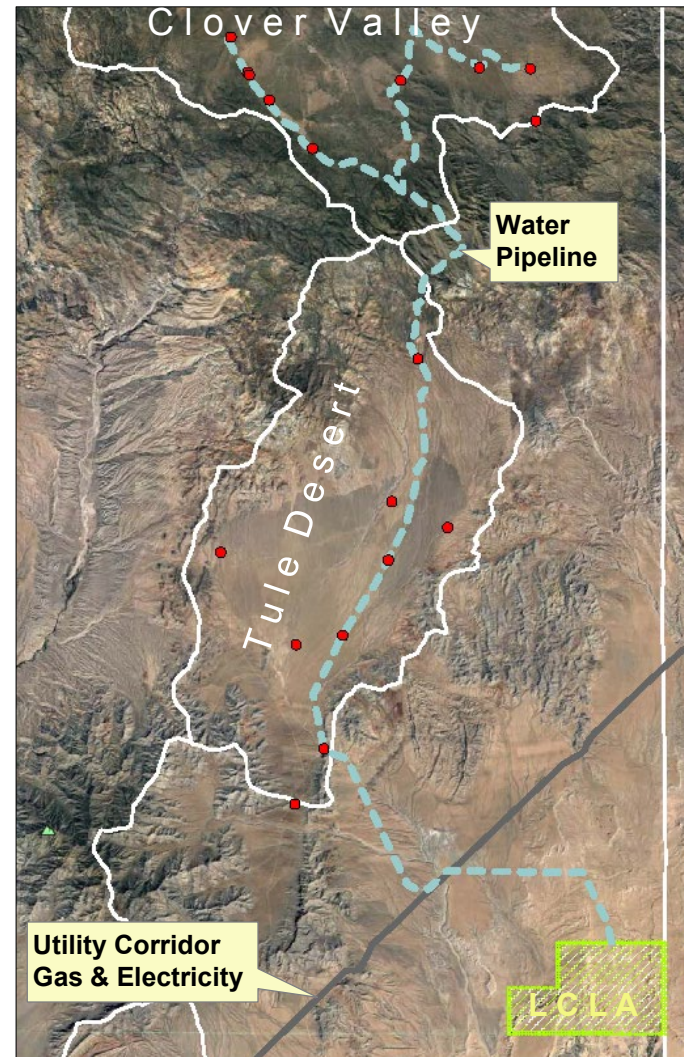


# Vidler Assets in Southern Nevada – Lincoln-Vidler Teaming Agreement



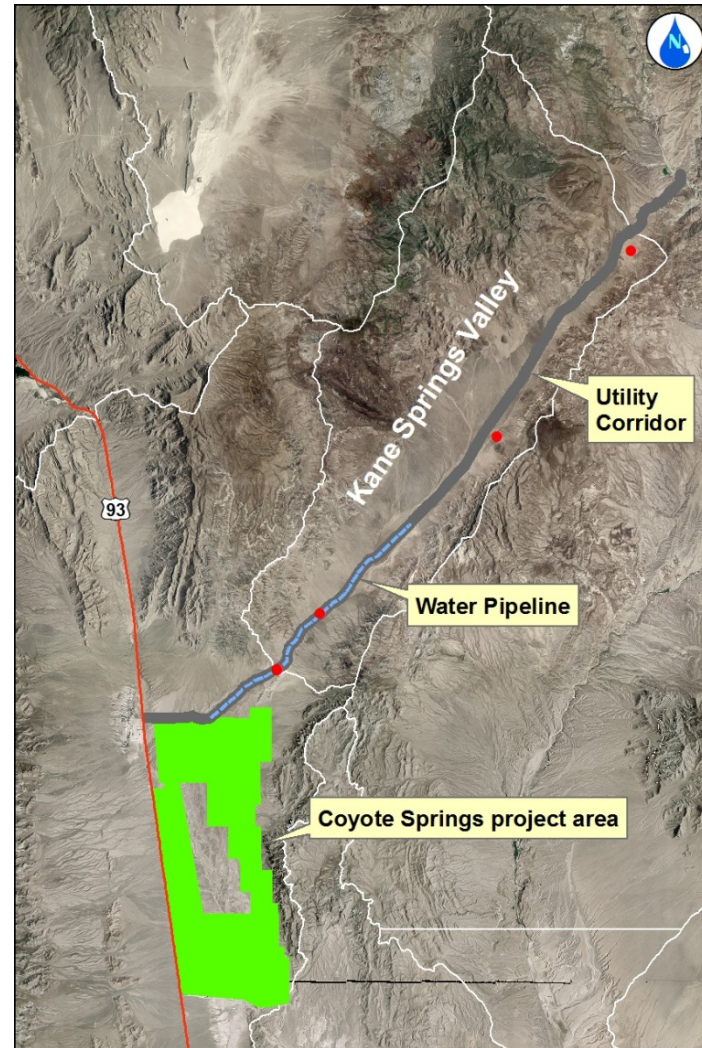
# Tule Desert and Clover Valley – Lincoln-Vidler Teaming Agreement

- Tule Desert
  - » 2,900 AF permitted water rights
    - Additional water may be awarded after 8 years of pumping, up to 4,340 AF
- Clover Valley
  - » Applications filed



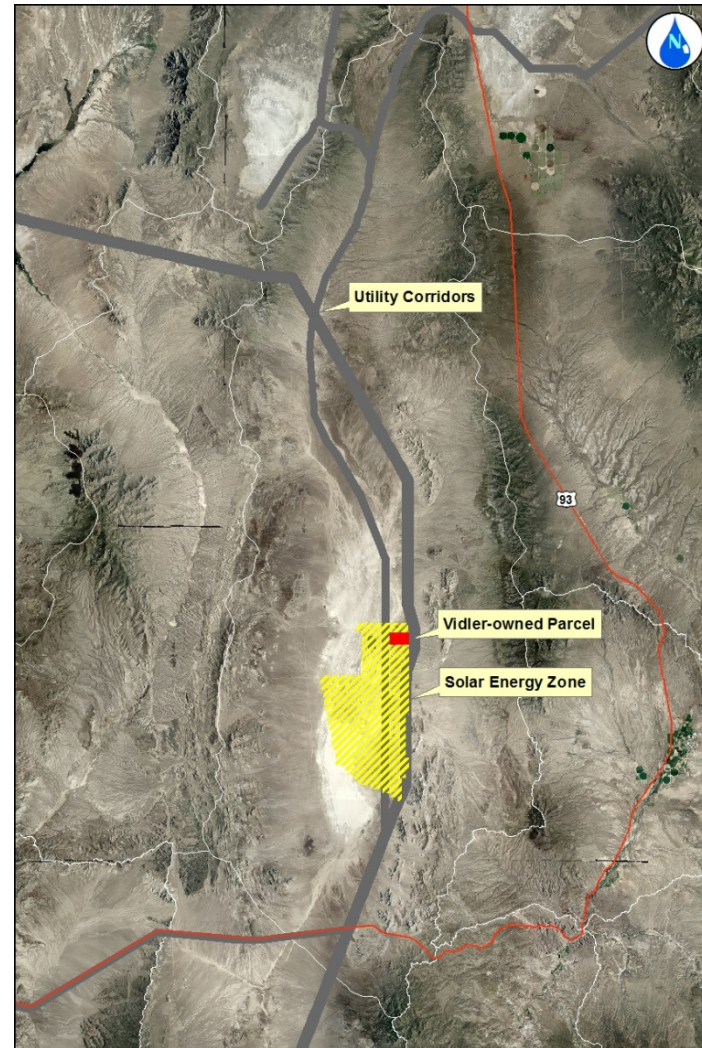
# Kane Springs Valley – Lincoln-Vidler Teaming Agreement

- Kane Springs Valley
  - » 500 AF permitted water rights, Vidler option with Coyote Springs
  - » Additional applications filed



# Dry Lake Valley – Lincoln-Vidler Teaming Agreement

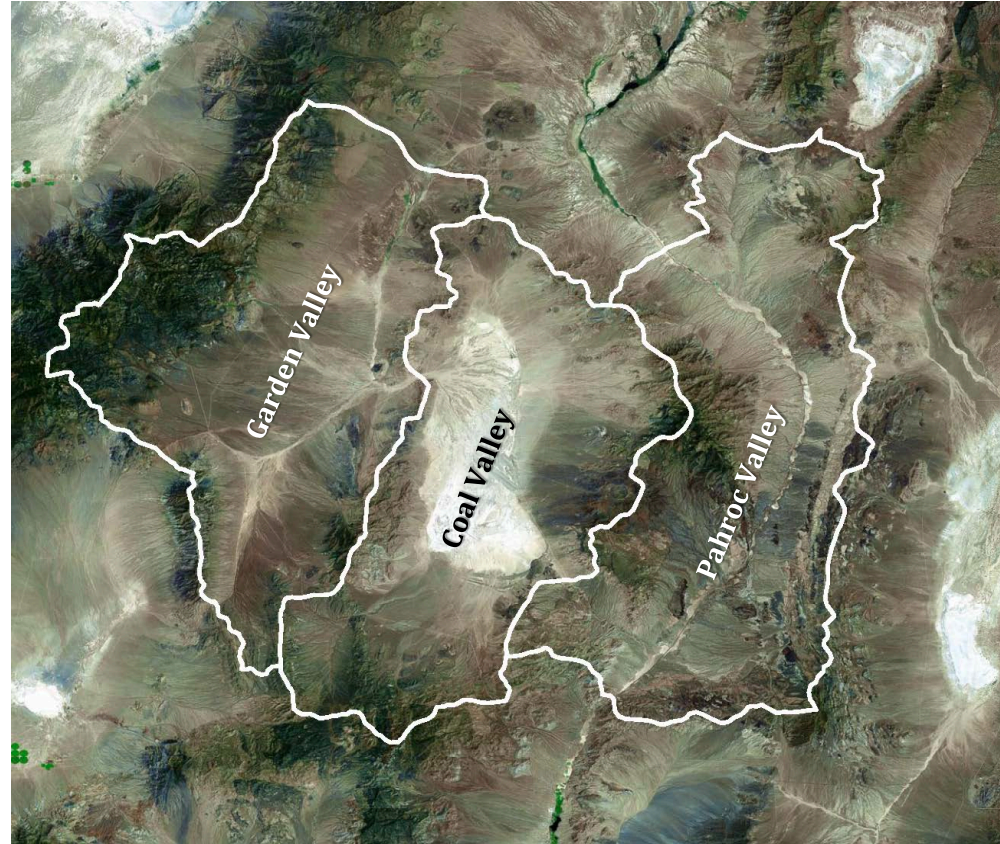
- Dry Lake Valley
  - » 1,009 AF certificated agricultural water rights
  - » 600 acre parcel located within BLM-designated solar energy development zone



## Garden Valley, Coal Valley & Pahroc Valley – Lincoln-Vidler Teaming Agreement

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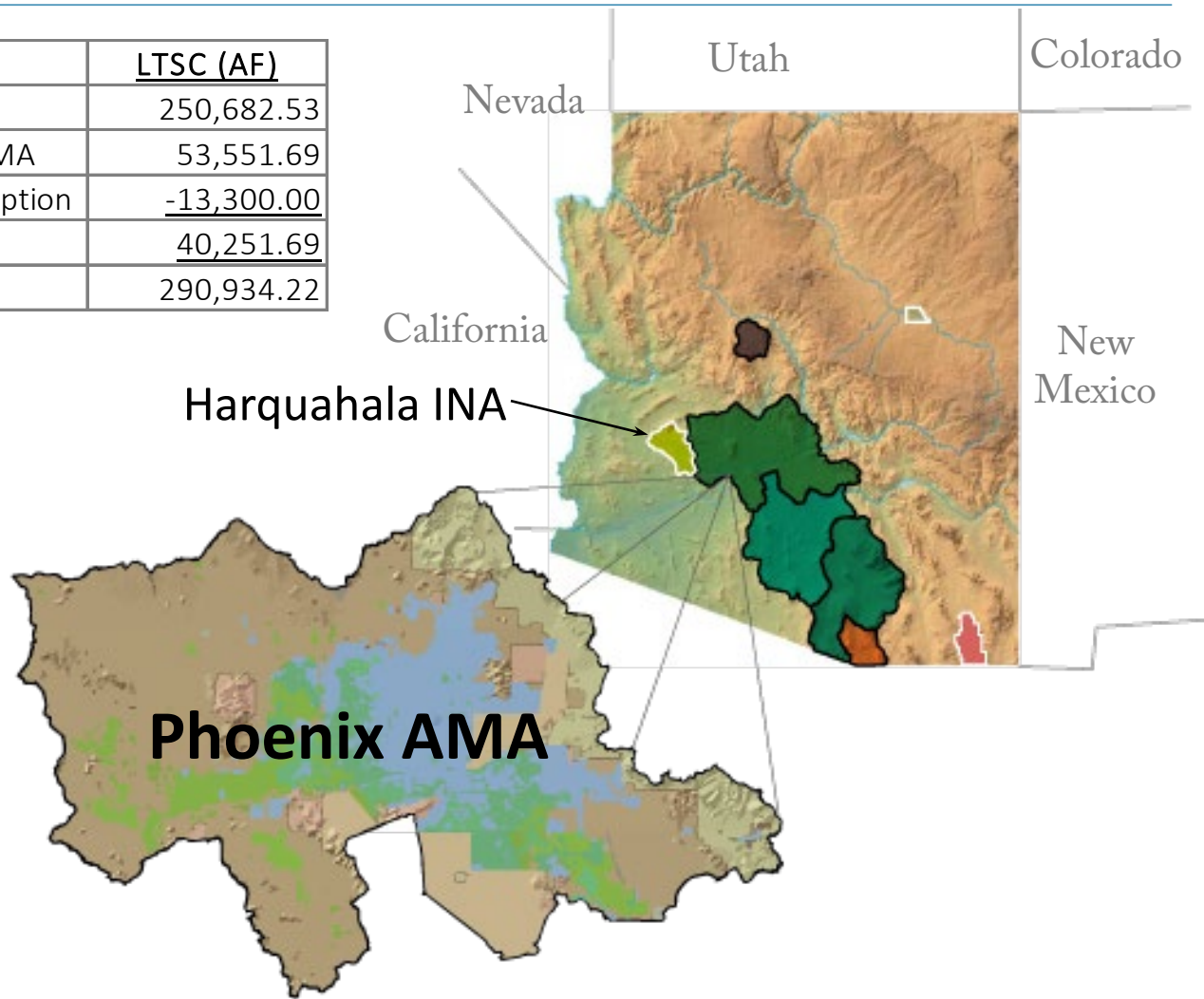
- Garden Valley
  - » Applications filed
- Coal Valley
  - » Applications filed
- Pahroc Valley
  - » Applications filed





# Vidler Assets in Arizona, Long-Term Storage Credits

<u>Location</u>	<u>LTSC (AF)</u>
Harquahala INA	250,682.53
Current Phoenix AMA	53,551.69
Under Contract / Option	<u>-13,300.00</u>
Total Phoenix AMA	<u>40,251.69</u>
Grand Total	290,934.22



# Long-Term Storage Credits Under Contract / Option in Arizona

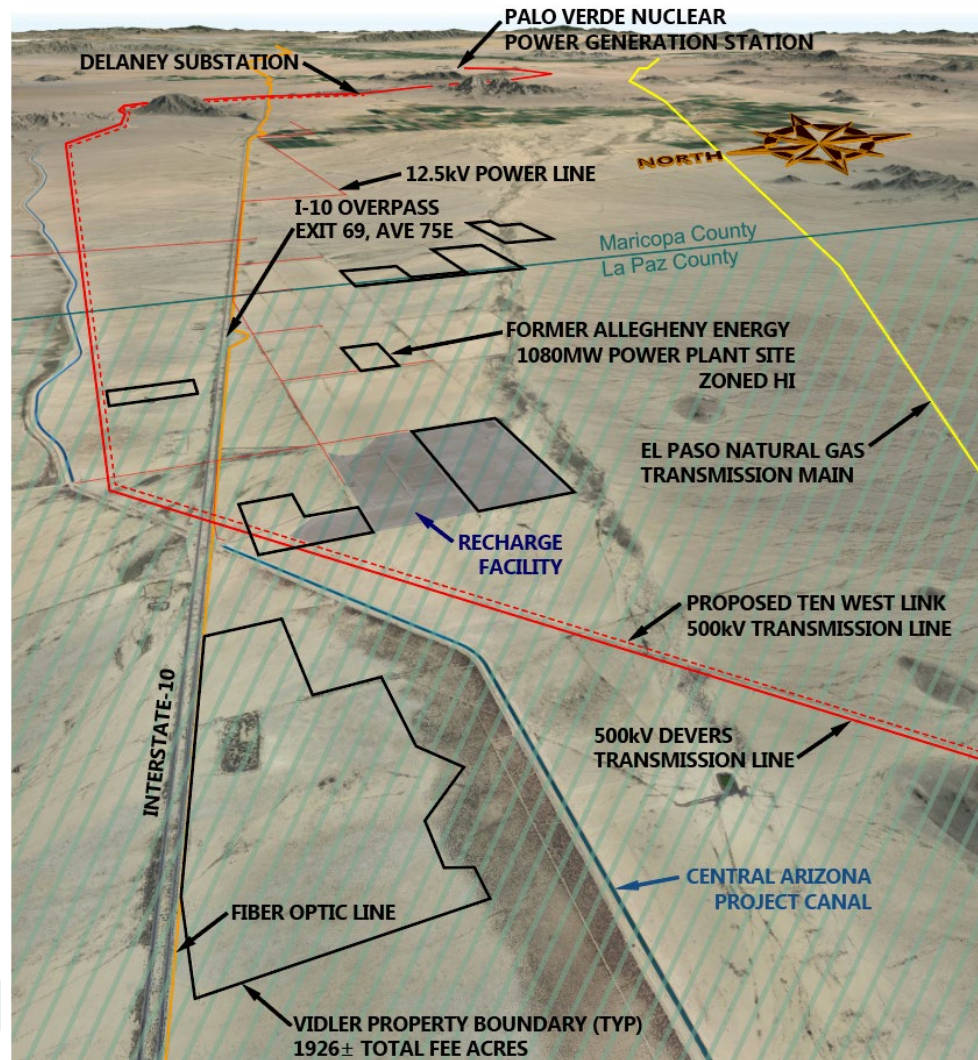
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## PHOENIX ACTIVE MANAGEMENT AREA RECHARGE CREDITS

- » 13,300 Long-Term Storage Credits under Contract or Option
  - Apache Sun Golf: 800 LTSC pricing \$327.70 to \$375.18 per credit, contract terminates 9/30/21
  - Roosevelt Water Conservation District: 12,500 LTSC pricing \$404.25 to \$423.50 per credit, option terminates 12/31/19

# Harquahala Recharge Site, La Paz County, Arizona

Our Recharge site is located in La Paz County and is in a recently designated federal Opportunity Zone.



Opportunity Zone Hatching 

# Colorado River Basin Water Supply Forecast:

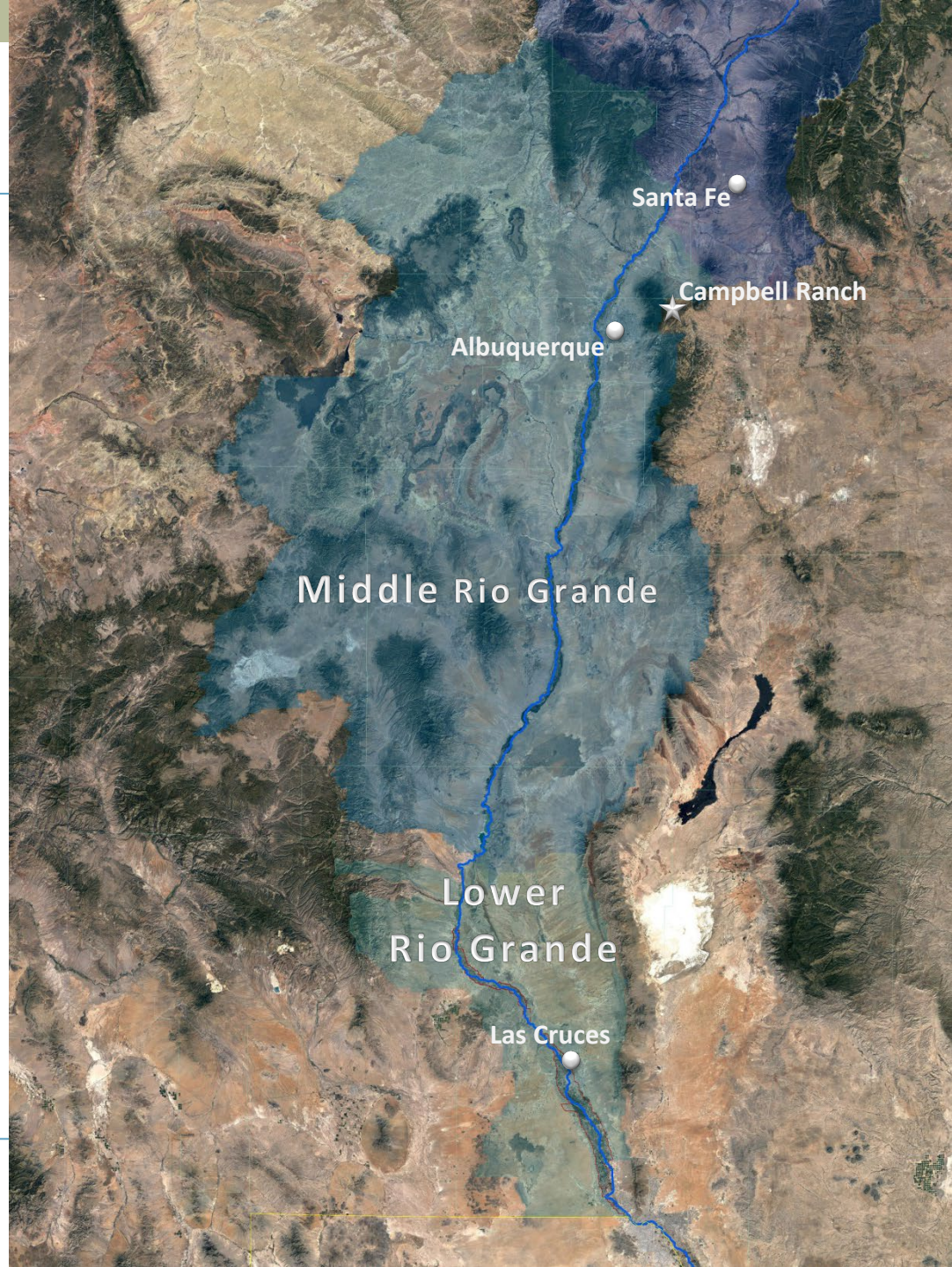
(Source: March 24, 2019 US Bureau of Reclamation, data provided by NRCS)

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- Snowpack conditions throughout the Colorado River Basin as a whole is approximately 130% of median snow water equivalent (SWE).
- This means the BOR NOT likely to declare shortage for 2020.
- President Trump signed bill codifying DCP plan thereby increasing the volume of water left in Lake Mead in case of shortage.
  - » Arizona's contributions to the DCP are governed by the following:
    - At or below 1,090' and above 1,075' – **192,000 AF** (DCP)
    - At or below 1,075' and at or above 1,050' – **512,000 AF** (combined DCP & 2007 Shortage Guidelines)
    - Below 1,050' and above 1,045' – **592,000 AF** (combined DCP & 2007 Shortage Guidelines)
  - » And it gets worse as the lake level declines...

# Vidler Assets in New Mexico

- Lower Rio Grande
  - » Agricultural Water: 1,214.78 AF
- Middle Rio Grande
  - » Municipal Water: 99.09 AF
- Campbell Ranch (Application)
  - » New Mexico Second Judicial District Court denied the Application S-2615 for 350 AF of groundwater rights. We are reviewing the ruling and our future options.



# Summit County - Colorado

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- Summit County Augmentation Plan
  - » 95.116 AF of water for sale
  - » 57.06 AF currently leased



# Vidler's Major Assets: Summary

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## Arizona Long-Term Storage Credits

- » **Resource driven:** Demand exists in AZ for LTSCs due to the Colorado River Lower Basin structural deficit, the drought contingency plan and the needs of new development.

## Northern Nevada Assets (North Valleys, Reno and Dayton corridor areas)

- » **Market driven:** Pent-up demand due to housing shortages and lack of available water in the North Valleys and Dayton corridor: **BUT** actual monetization and timing of sales is highly dependent on new residential and commercial demand and issuance of building permits occurring as part of the “Reno/ Northern Nevada Growth” story.

## Return of Monetization Proceeds to Shareholders to Date

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- Special Dividend (tax-free return of capital) of \$5 per share (approximately \$115.9 million)
- Open market repurchases of stock: approximately 2.9 million shares repurchased through March 31, 2019 for total cost of \$32.7 million (average cost \$11.19 per share)
- Any significant additional monetization proceeds anticipated to be returned to shareholders through tender offer, and/or open market repurchases, and/or special dividends depending on facts and circumstances existing at the time of monetization



## Reducing Net Costs

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- We have closed the La Jolla, CA office: The transition and migration of all functions (treasury, accounting, financial reporting, corporate administration, IT & HR) to Vidler's existing Carson City office is now complete
- Vidler's existing Carson City office has become the new headquarters of PICO Holdings, Inc.
- Total transition costs, including severance and retention costs, estimated to be approximately \$1.6 million (majority of costs booked in 2018)
- Corporate simplification is also complete and PICO's only holding is Vidler's water resource development operations
- From May 2019 (post transition costs) we anticipate that net annual cash expenditures, before any asset monetizations, will be approximately \$5.5 million

## Water Rights Acquisition: Lyon County, NV

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- In the Second Quarter 2019 we closed on acquiring 266.67 acre – feet of groundwater rights and entering in to options for a further 402.60 acre – feet of groundwater rights in Lyon County, NV
- Lyon County is a water short area; residential, commercial and industrial development is projected along the Hwy 50 corridor from Stagecoach to Silver Springs. These properties have limited water resources and will need to purchase additional water rights. The properties are desirable for development due to their proximity to the Tahoe Reno Industrial Center as well as being located within an Opportunity Zone.
- We compared the estimated return on capital of this acquisition to re-purchasing shares and we determined this estimated return on capital is an appropriate investment.

## Future Direction

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- Over the past 15 months, we have repurchased approximately 2.9 million shares
- If we continue repurchasing shares at the same pace it is possible this would leave us on the cusp of losing representation in the Russell small cap index in June 2020 due to reduced market cap (threshold in 2018 was \$159.2mn)

» Our current top 10 shareholders at December 31, 2018 (Source: Bloomberg)

Credit Agricole Group	2,604,553	First Foundation Advisors LLC	993,934
BlackRock Inc	1,380,443	River Road Asset Management LLC	921,020
Dimensional Fund Advisors LP	1,182,544	Vanguard Group Inc	822,428
Royce & Associates LP	1,052,551	NFC Investments LLC	469,718
Bandera Partners	1,014,443	State Street Corp	418,035

- If our equity continues to be withdrawn, this may lead to a revised shareholder base

## Request for Information

- We have started to assess a potential turnover in our ownership
  - » We are contemplating hiring an advisor to help us with an analysis of the shareholder registry as we assess scenarios of shareholder turnover, number of owners, number of shares, optimal trading venues, etc
  - » We would greatly appreciate shareholder assistance in any information gathering exercise - in particular by informing us of the number of shares owned and any index restrictions

# Q. & A.

