ERII Q2 2026 Letter to Shareholders

Fellow Shareholders,

- Q2 revenue of $12.0 million remained below our original expectations largely due to the impact of the ongoing war in Iran.
    - The Megaproject channel reported revenue of $2.7 million versus $14.8 million last year.
    - Our Desalination OEM and Aftermarket channels remained more stable, with a combined revenue of $8.8 million compared with $10.7 million in Q2'25.

- As we previewed in the Q1'26 shareholder letter, the war in Iran has impacted our results and outlook. Given ongoing geopolitical uncertainty, our financial guidance for 2026 remains withdrawn. However, to provide additional insight into our expectations, we note that:
    - While the ongoing war will meaningfully impact Megaproject revenue in 2026, the tendering, contracting and construction activity for large plants has resumed in areas impacted by the war. A strong example of this is our recent Megaproject award for a flagship desalination project in Mecca, Saudi Arabia.
    - Our signed total backlog in all channels for the remainder of 2026 totals $27 million and, as demonstrated in Q2, we expect our OEM and Aftermarket channels to remain resilient this year.
    - We expect significant cash generation this year, including YTD operating cash flow of $37.3 million.

- We remain optimistic that our Desalination business will benefit from long-term structural demand growth through the end of the decade. Our Megaproject pipeline of over $500 million, customer feedback, and industry analysts all point to annual growth in desalination capital spending of 8%+ from 2025 to 2030.

- Adjusted EBITDA of $(2.6) million compares to $4.4 million in Q2'25 due to lower revenue, partially offset by manufacturing improvements, cost control, and savings from closing the CO_2 business.
    - Gross margin of 74.7% benefitted from tariff refund proceeds that shifted from Q1'26 to Q2'26. With our Foreign Trade Zone expected later this year, we expect tariff timing to have less impact on gross margin in the future.
    - Operating expenses in Q2'26 of $14.8 million decreased by $1.6 million from Q2'25, primarily reflecting the $7 million of annualized cost savings we expect to achieve from the closure of our CO_2 business.

- Wastewater reuse continues to be an important and growing end-market for pressure exchangers. As we build this business, we are reaching important milestones, including new product development, reference cases, and channel relationships.
    - Q2 Revenue of $0.5 million was below our expectations, reflecting the normal-course challenges of building an early-stage business, including the ramp of our sales organization and the broad geographic distribution of project activity.
    - We are making targeted changes to our Wastewater organization to improve performance, align costs with the geography of demand, and realize synergies with our broader organization.

- We continued to repurchase shares in the quarter and have now bought back $106.1 million of stock since Q4'24. We have $23.7 million remaining under the current authorization.

Message from the Interim CEO

As I step into the role of Interim CEO, I want to share a few words directly with our shareholders. I have had the privilege of serving on Energy Recovery's Board for over a decade, and in that time, I have come to deeply admire and respect this company — its technology, its people, and the impact it has on communities around the world. I am also honored to assume this role during an important moment for Energy Recovery, as we attract and retain new leadership and thoroughly evaluate the path ahead. I am committed to working closely with our leadership team and Board to keep the business moving forward with focus and discipline.

Our search for a permanent Chief Executive Officer is well underway, and we are pleased with the caliber of candidates we have attracted to lead Energy Recovery's next chapter. The pool includes accomplished leaders from inside ERII as well as from global water and industrial manufacturing backgrounds, combining best practices of scaled organizations with the pragmatism and efficiency of smaller enterprises. There is no specific timetable to complete this deliberate process, as our objective is to find a leader capable of strengthening our core business while rigorously evaluating the adjacent growth opportunities in front of us. We look forward to updating you as the search progresses.

In conjunction with this search, I am working with management and the Board to accelerate growth, build scale, and improve revenue diversification. This includes a thoughtful look at the full range of opportunities available to us, from continued organic investment in our core water business, to evaluation of new products, partnerships, joint ventures, tuck-in acquisitions, and other collaborative arrangements that could strengthen our market position. We are approaching this work with the same discipline and rigor we bring to every important decision, and we will share more with shareholders as appropriate.

I look forward to speaking with many of you over the coming months. Thank you for your continued support!

Q2 Results

Total revenue in Q2 2026 of $12.0 million declined 57.2% primarily due to the impact of the war in Iran on our Megaproject business. Our OEM and Aftermarket businesses demonstrated more relative stability amidst these geopolitical challenges, and we expect demand in these channels to remain resilient through the course of 2026.

Gross margin of 74.7% in Q2 was positively impacted by strong OEM and Aftermarket margins, as well as the receipt of tariff refund proceeds during the quarter. This timing shift of tariff refunds from Q1 to Q2 also temporarily depressed our Q1 gross margin. As a result, our year-to-date gross margin stands at 61%, after excluding the impact of restructuring charges on gross profit. This level is consistent with our expectations in an environment with depressed Megaproject revenue.

Second quarter operating expenses were $14.8 million, including $0.9 million of restructuring charges. Excluding these charges, operating expenses were $14.0 million versus $16.5 million in Q2’25, reflecting the wind-down of our CO_2 business and strong cost control. We are committed to maintaining a lean cost posture through the remainder of 2026 as an offset to the exogenous impacts to the business referenced above.

Adjusted EBITDA[1] of $(2.6) million decreased from $4.4 million in Q2’25 and Adjusted EPS[1] of $(0.03) decreased from $0.07 in Q2 2025.

Capital expenditures of $0.9 million reflect maintenance activities. We expect to incur additional capex related to our Saudi Arabia expansion in the second half of 2026.

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(1) Refer to the sections “Use of Non-GAAP Financial Measures” and “Reconciliation of Non-GAAP Financial Measures” or definitions of our non-GAAP financial measures and reconciliations of GAAP to non-GAAP amounts, respectively

Manufacturing Footprint

We are excited to announce the opening of a new manufacturing facility in Saudi Arabia, which will produce our full line of pressure exchangers. In 2024 we announced that we were embarking on a holistic manufacturing transformation designed to reduce cost, improve productivity, and position ourselves closer to strategically important markets. With lean initiatives successfully implemented at our California locations, we have turned our attention to optimizing our broader manufacturing network. The choice of Saudi Arabia reflects both the importance of this market to Energy Recovery and our ability to further reduce manufacturing costs as this facility gains scale.

The Middle East is a large, growing, and increasingly important market for water desalination and reuse. Saudi Arabia alone is expected to increase its desalination capacity meaningfully in the years ahead, from 16 million cubic meters per day in 2025 to 19 million in 2031, covering the substantial majority of the country's water consumption. Against this backdrop, world-class infrastructure, deep talent availability, and a stable business climate make Saudi Arabia the clear choice for manufacturing operations in the region. Our new facility is located near key supply chain partners and a deep-water port, giving us efficient access to materials and logistics. The site itself spans roughly 40,000 square feet in the Dammam 2nd Industrial Zone, secured under a long-term lease that gives us room to grow as demand increases.

In addition to its strategic importance, this manufacturing facility will allow Energy Recovery to significantly reduce manufacturing costs for our flagship pressure exchangers over time. Operating costs in Dammam, including facility, manufacturing, and utilities expenses, are meaningfully lower than comparable costs in the San Francisco Bay Area. Important ceramic components will continue to be made at our San Leandro Center of Excellence and then shipped to Dammam for finishing, assembly, and testing. This approach maintains the quality customers expect while building a skilled local workforce and lowering production costs.

As this facility ramps toward scaled production, we will continually evaluate the optimal manufacturing footprint for our future needs. We expect to quickly move past pilot production, and achieve full scale operations by 1H 2028. We will start with our flagship PX product line and expand toward our full product portfolio as the facility matures. Alongside the factory, we are also building out a Saudi office to employ regional administrative staff, further strengthening our local presence in this important market.

Desalination

The fundamental, long-term drivers of our Desalination business remain strong, with industry analysts forecasting high single digit growth in global desalination capex through 2030. With technology leadership and a durable commercial presence built over three decades, we look forward to benefitting from the long-term growth of this important market.

Global growth in desalination spending is increasingly characterized by two important trends. First, plant construction is no longer confined to traditional Gulf markets. Morocco is emerging as the second-largest contracted market globally behind Saudi Arabia; and Spain, Egypt, Chile, and Australia are reactivating their desalination pipelines. We see this geographic diversification as a healthy broadening of our addressable market. Second, we're encouraged by a structural shift toward multi-year national water programs, which brings more predictable, durable demand than the project-by-project tendering of years past. Saudi Arabia pioneered this strategy, and its success has led to a similar approach in Morocco and Algeria. The combination of these and other forces is leading to strong contracting activity in desalination, with global capital spending expected to grow roughly 50% by the end of the decade.

As the Middle East represents a significant portion of our future revenue opportunity, we are not immune to the near-term disruption the current conflict with Iran has introduced. But this too shall pass. Our business has weathered macroeconomic and geopolitical shocks before — including multi-year delays during the COVID-19 pandemic — and has consistently rebounded due to long-term drivers, including population growth, ground and surface water depletion, industrial growth, and declining rainfall. Contracting activity is already resuming and new awards continue to move forward. Investor appetite to finance desalination plants also remains strong, supported by the scale and relative stability of projects in Saudi Arabia, Oman, and the UAE. Throughout this time, our focus remains on serving our customers and protecting the relationships that have sustained this business for decades.

With technology leadership today and a strong innovation cadence, we are confident in our ability to capture the full extent of market growth. This year, we launched our next-generation PX Q650, extending our product leadership for the largest and most demanding applications. At the same time, our manufacturing transformation is reducing our production costs and strengthening our competitiveness. Looking ahead, we are accelerating the cadence of future product launches, ensuring that our innovation pipeline keeps pace with — and stays ahead of — the market's evolving needs.

Wastewater Business

Demand for zero-liquid discharge ("ZLD") systems continues to strengthen, driven by tightening wastewater discharge regulations and a growing global push toward industrial water reuse—and we believe this market is still in the early stages of its growth. India illustrates the dynamic clearly: with roughly 18% of the world's population but less than 5% of its freshwater resources, more operators there are turning to reverse osmosis-based ZLD systems to treat and reuse industrial wastewater. This regulatory and resource pressure is playing out across water-intensive industries such as textiles, steel, petrochemicals, and electronics manufacturing, and it is translating directly into new orders for our technology.

We are also making deliberate changes to how we run this business unit to improve efficiency and benefit from the best practices of our broader organization. The majority of our global addressable market sits in Asia, and we are continuing to invest in our sales presence there to capture this demand directly. At the same time, we are maintaining cost discipline in smaller, less concentrated markets, ensuring our investment follows the geography of the opportunity rather than spreading our resources thin. This past quarter, we announced five new contracted wastewater projects in India alone, representing 30,000 cubic meters per day of additional capacity and bringing our cumulative footprint in the country to more than 230,000 cubic meters per day across over 50 projects — a proof point for this focused approach.

Finally, we are expanding the capabilities of our Low Pressure PX range of products to serve a wider set of reverse osmosis and nanofiltration systems in wastewater treatment, water reuse, and industrial process water. The Low Pressure PX product delivers up to 30% energy savings and up to 95% peak efficiency, and customer adoption continues to prove attractive end-user economics. Field results include a 23% energy reduction at a direct potable reuse plant in Belgium serving 12,000 people, estimated annual savings of $120,000 at a Swiss municipal water utility serving 70,000 residents, and a 25% energy reduction at an industrial wastewater reuse plant in China, while avoiding hundreds of tons of annual carbon emissions. With installations across four continents, we believe the Low Pressure PX series meaningfully expands our addressable market beyond our traditional seawater desalination base.

Outlook

In our Q1'26 shareholder letter, we withdrew 2026 guidance based on the extraordinary and unforeseen war in Iran. We are maintaining that withdrawal until visibility improves and we can provide investors with a clear 2026 and 2027 outlook. Despite our current lack of visibility, we are well capitalized with sufficient resources to continue investing for long-term success. Absent our ability to provide a more formal outlook at this time, we offer the following insights into our future expectations:

- With an ongoing war, it is increasingly likely that many megaprojects originally slated for 2026 will be delayed. However, we are seeing a resumption of Megaproject tendering, contracting, and construction activity in areas impacted by the war.
- Our Desalination business continues to have long-term structural tailwinds. Our Megaproject pipeline of over $500 million, customer feedback, and industry analysts all point to growth in annual desalination capital spending of 8%+ from 2025 to 2030. Investor demand to finance desalination projects remains strong, as portfolios are diversified beyond the significant volume of data center bond issuance.
- We expect our OEM and Aftermarket channels to remain resilient in 2026
- Our signed total backlog in all channels for the remainder of 2026 is approximately $27 million.
- We expect significant cash generation this year, including YTD operating cash flow of $37.3 million

In Wastewater, we remain optimistic about the water reuse end-market as we navigate the typical challenges inherent in building a new business. Pressure exchangers are market standard in desalination, but in water reuse they are still building toward widespread adoption as more customers recognize the attractive return on investment. As with any emerging business, we must spend prudently and respond to customer and channel feedback. We are making targeted changes to the Wastewater business to improve efficiency and unlock synergies with our broader organization. We believe these changes will ensure an appropriate balance between future growth and profitability.

We are demonstrating very good control over our operating expenses, which should continue to decrease year-over-year in the back half. In a lean year, we have also taken targeted action to improve efficiency and reduce overhead, including deferring discretionary expenses and managing our team for high performance.

In Q2, we incurred \$0.9 million related to the previously announced closure of our CO_2 business. In total, we have incurred \$5.7 million of restructuring, impairment, and other expenses related to the closure of our CO_2 business. This process is complete, and we expect future charges to be minimal.

We continue to expect total 2026 capital expenditures of \$3-6 million as we build the Saudi Arabia facility.

Financial Highlights

	Quarter-to-Date			Year to Date		
	Q2'2026	Q2'2025	vs. Q2'2025	2026	2025	2026 vs. 2025
	(In millions, except net income (loss) per share, percentages and basis points)					
Revenue	$12.0	$28.1	down 57%	$21.7	$36.1	down 40%
Gross margin	74.7%	64.0%	up 1070 bps	53.7%	62.1%	down 840 bps
Operating margin	(49.0%)	5.3%	NM	(95.6%)	(30.7%)	NM
Net income (loss)	($3.2)	$2.1	down 256%	($15.4)	($7.8)	down 97%
Diluted earnings (loss) per share	($0.06)	$0.04	down $0.10	($0.30)	($0.14)	down $0.16
Effective tax rate				19.1%	14.0%	
Cash provided by operations	$16.3	$4.1		$37.3	$14.8	

Non-GAAP Financial Highlights [1]

	Quarter-to-Date			Year to Date		
	Q2'2026	Q2'2025	vs. Q2'2025	2026	2025	2026 vs. 2025
	(In millions, except adjusted net income (loss) per share, percentages and basis points)					
Adjusted operating margin	(30.4%)	12.2%	down 4260 bps	(54.0%)	(17.4%)	NM
Adjusted net income (loss)	($1.4)	$3.7	down 136%	($7.1)	($3.3)	down 116%
Adjusted earnings (loss) per share	($0.03)	$0.07	down $0.10	($0.14)	($0.06)	down $0.08
Adjusted EBITDA	($2.6)	$4.4		($9.7)	($4.4)	
Free cash flow	$15.4	$4.0		$35.7	$14.5	

(1) Refer to the sections "Use of Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for definitions of our non-GAAP financial measures and reconciliations of GAAP to non-GAAP amounts, respectively.

Forward-Looking Statements

Certain matters discussed in this document and on the conference call are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including our expectation that despite the challenges we foresee in 2026, the Company will generate significant free cash flow in 2026; our expectation that the Company will maintain a stead pace of share repurchases under our share repurchase program; our expectation that the current conflict in Iran will impact our Desalination revenue in 2026; our belief that the Company is in a strong position, competitively and financially, to withstand volatility; our expectation that we will establish operational capabilities in the Middle East in 2026; and our belief that the Company is well capitalized with sufficient resources to continue investing in the business for long-term success. These forward-looking statements are based on information currently available to the Company and on management's beliefs, assumptions, estimates, or projections and are not guarantees of future events or results. Potential risks and uncertainties include risks relating to the future demand for the Company's products, risks relating to performance by our customers and third-party partners, risks relating to the timing of revenue, and any other factors that may have been discussed herein regarding the risks and uncertainties of the Company's business, and the risks discussed under "Risk Factors" in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") for the year ended December 31, 2025, as well as other reports filed by the Company with the SEC from time to time. Because such forward-looking statements involve risks and uncertainties, the Company's actual results may differ materially from the predictions in these forward-looking statements. All forward-looking statements are made as of today, and the Company assumes no obligation to update such statements.

Use of Non-GAAP Financial Measures

This document includes certain non-GAAP financial measures, including adjusted operating margin, adjusted net income (loss), adjusted earnings (loss) per share, adjusted EBITDA and free cash flow. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either exclude or include amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States of America, or GAAP. These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same captions, and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies. As such, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company uses these non-GAAP financial measures to analyze its operating performance and future prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. The Company believes these non-GAAP financial measures reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

Notes to the Financial Results

- *Adjusted operating margin* is a non-GAAP financial measure that the Company defines as income (loss) from operations which excludes i) stock-based compensation; ii) restructuring charges, iii) restructuring - inventory reserve, iv) impairment of long-lived assets, and v) impairment of goodwill, divided by revenues.
- *Adjusted net income (loss)* is a non-GAAP financial measure that the Company defines as net income (loss) which excludes i) stock-based compensation; ii) restructuring charges; iii) restructuring - inventory reserve, iv) impairment of long-lived assets; v) impairment of goodwill and vi) the applicable tax effect of the excluded items including the stock-based compensation discrete tax item.
- *Adjusted earnings (loss) per share* is a non-GAAP financial measure that the Company defines as net income (loss), which excludes i) stock-based compensation; ii) restructuring charges; iii) restructuring - inventory reserve, iv) impairment of long-lived assets; v) impairment of goodwill and vi) the applicable tax effect of the excluded items including the stock-based compensation discrete tax item, divided by basic shares outstanding.
- *Adjusted EBITDA* is a non-GAAP financial measure that the Company defines as net income (loss) which excludes i) depreciation and amortization; ii) stock-based compensation; iii) restructuring charges; iv) restructuring - inventory reserve, v) impairment of long-lived assets; vi) impairment of goodwill vii) other income, net, such as interest income and other non-operating income (expense), net; and viii) provision for (benefit from) income taxes.
- *Free cash flow* is a non-GAAP financial measure that the Company defines as net cash provided by operating activities less capital expenditures.

Disclosure Information

Energy Recovery uses the investor relations section on its website as means of complying with its disclosure obligations under Regulation FD. Accordingly, investors should monitor Energy Recovery's investor relations website in addition to following Energy Recovery's press releases, SEC filings, and public conference calls and webcasts.

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2026	December 31, 2024
	(In thousands)	
ASSETS		
Cash, cash equivalents and investments	$ 98,074	$ 83,283
Accounts receivable and contract assets	14,237	78,286
Inventories, net	38,242	24,260
Prepaid expenses and other assets	3,888	3,416
Property, equipment and operating leases	19,298	20,635
Goodwill	11,128	12,790
Deferred tax assets and other assets	12,869	8,844
TOTAL ASSETS	**$ 197,736**	**$ 231,514**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable, accrued expenses, and other liabilities, current	$ 14,791	$ 13,784
Contract liabilities and other liabilities, non-current	2,234	2,109
Lease liabilities	8,233	9,429
Total liabilities	**25,258**	**25,322**
Stockholders' equity	**172,478**	**206,192**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 197,736**	**$ 231,514**

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2025	2024
	(In thousands, except per share data)			
Revenue	**$ 11,996**	**$ 28,051**	**$ 21,702**	**$ 36,116**
Cost of revenue	3,039	10,097	8,411	13,704
Restructuring - inventory reserve	—	—	1,632	—
Gross profit	**8,957**	**17,954**	**11,659**	**22,412**
Operating expenses				
General and administrative	6,801	7,669	13,256	16,243
Sales and marketing	4,336	5,360	9,455	10,266
Research and development	2,849	3,451	5,638	6,452
Restructuring charges	855	—	2,391	539
Impairment of goodwill	—	—	1,662	—
Total operating expenses	**14,841**	**16,480**	**32,402**	**33,500**
Income (loss) from operations	**(5,884)**	**1,474**	**(20,743)**	**(11,088)**
Other income, net	802	914	1,635	1,993
Income (loss) before income taxes	**(5,082)**	**2,388**	**(19,108)**	**(9,095)**
Provision for (benefit from) income taxes	(1,884)	334	(3,659)	(1,269)
Net income (loss)	**$ (3,198)**	**$ 2,054**	**$ (15,449)**	**$ (7,826)**
Net income (loss) per share				
Basic	$ (0.06)	$ 0.04	$ (0.30)	$ (0.14)
Diluted	$ (0.06)	$ 0.04	$ (0.30)	$ (0.14)
Number of shares used in per share calculations				
Basic	51,463	54,257	52,058	54,578
Diluted	51,463	54,486	52,058	54,578

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2026	2025
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (15,449)	$ (7,826)
Non-cash adjustments	4,979	4,706
Net cash provided by operating assets and liabilities	47,813	17,944
Net cash provided by operating activities	**37,343**	**14,824**
Cash flows from investing activities:		
Net investment in marketable securities	(1,303)	33,882
Capital expenditures	(1,689)	(326)
Proceeds from sales of fixed assets	13	10
Net cash (used in) provided by investing activities	**(2,979)**	**33,566**
Cash flows from financing activities:		
Net proceeds from issuance of common stock	132	1,459
Tax payment for employee shares withheld	(682)	(476)
Repurchase of common stock and net excise tax activity	(20,432)	(22,009)
Net cash used in financing activities	**(20,982)**	**(21,026)**
Effect of exchange rate differences	(20)	60
Net change in cash, cash equivalents and restricted cash	**$ 13,362**	**$ 27,424**
Cash, cash equivalents and restricted cash, end of period	**$ 61,438**	**$ 57,181**

ENERGY RECOVERY, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES [1]
(Unaudited)

This document includes certain non-GAAP financial information because we plan and manage our business using such information. The following table reconciles the GAAP financial information to the non-GAAP financial information.

	Quarter-to-Date		Year-to-Date	
	Q2'2026	Q2'2025	Q2'2026	Q2'2025
	(In millions, except shares, per share and percentages)			
Operating margin	**(49.0)%**	**5.3 %**	**(95.6)%**	**(30.7)%**
Stock-based compensation	11.6	6.9	15.4	10.8
Restructuring charges	7.1	—	11.0	1.5
Impairment of long-lived assets	—	—	—	1.0
Restructuring - inventory reserve	—	—	7.5	—
Impairment of goodwill	—	—	7.7	—
Adjusted operating margin	**(30.4)%**	**12.2 %**	**(54.0)%**	**(17.4)%**
Net income (loss)	**$ (3.2)**	**$ 2.1**	**$ (15.4)**	**$ (7.8)**
Stock-based compensation	1.4	1.9	3.3	3.9
Restructuring charges [2]	0.5	—	2.1	0.5
Impairment of long-lived assets [2]	—	—	—	0.3
Restructuring - inventory reserve [2]	—	—	1.4	—
Impairment of goodwill [2]	—	—	1.4	—
Stock-based compensation discrete tax item	(0.1)	(0.3)	0.1	(0.2)
Adjusted net income (loss)	**$ (1.4)**	**$ 3.7**	**$ (7.1)**	**$ (3.3)**
Net income (loss) per share	**$ (0.06)**	**$ 0.04**	**$ (0.30)**	**$ (0.14)**
Adjustments to net income (loss) per share [3]	0.03	0.03	0.16	0.08
Adjusted earnings (loss) per share	**$ (0.03)**	**$ 0.07**	**$ (0.14)**	**$ (0.06)**
Net income (loss)	**$ (3.2)**	**$ 2.1**	**$ (15.4)**	**$ (7.8)**
Stock-based compensation	1.4	1.9	3.3	3.9
Depreciation and amortization	1.0	0.9	2.0	1.9
Restructuring charges	0.9	—	2.4	0.5
Impairment of long-lived assets	—	—	—	0.4
Restructuring - inventory reserve	—	—	1.6	—
Impairment of goodwill	—	—	1.7	—
Other income, net	(0.8)	(0.9)	(1.6)	(2.0)
Provision for (benefit from) income taxes	(1.9)	0.3	(3.7)	(1.3)
Adjusted EBITDA	**$ (2.6)**	**$ 4.4**	**$ (9.7)**	**$ (4.4)**
Free cash flow				
Net cash provided by operating activities	$ 16.3	$ 4.1	$ 37.3	$ 14.8
Capital expenditures	(0.9)	(0.1)	(1.7)	(0.3)
Free cash flow	**$ 15.4**	**$ 4.0**	**$ 35.7**	**$ 14.5**

(1) Amounts may not total due to rounding.
(2) Amounts presented are net of tax.
(3) Refer to the sections "Use of Non-GAAP Financial Measures" for description of items included in adjustments.