

Energy Recovery Quarterly Update

2020 Second Quarter

FORWARD LOOKING STATEMENT

This presentation contains forward-looking statements within the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this report include, but are not limited to, statements about our expectations, objectives, anticipations, plans, hopes, beliefs, intentions, or strategies regarding the future. Forward-looking statements that represent our current expectations about future events are based on assumptions and involve risks and uncertainties. If the risks or uncertainties occur or the assumptions prove incorrect, then our results may differ materially from those set forth or implied by the forward-looking statements. Our forward-looking statements are not guarantees of future performance or events. Words such as “expects,” “anticipates,” “believes,” “estimates,” variations of such words, and similar expressions are also intended to identify such forward-looking statements.

These forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date of this presentation. All forward-looking statements included in this presentation are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected in the forward-looking statements, as disclosed from time to time in our reports on Forms 10-K, 10-Q, and 8-K as well as in our Annual Reports to Stockholders and, if necessary, updated in our quarterly reports on Form 10 Q or in other filings. We assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from the results set forth or implied by our forward-looking statements.

Product Revenue Flat Year-Over-Year

- 2Q20 Product revenue of \$19.3M, compared to \$19.2M in 2Q19
- Product gross margins temporarily declined to 66% largely due to the COVID-19 pandemic

Oil and Gas Results Impacted by VorTeq License Agreement Separation

- Remaining GAAP deferred revenue balance of \$24.4M recognized during 2Q20
- No remaining license and development revenue to be recognized in future quarters

Mega Project Strength Expected to Continue to Drive Water Growth in Water

- 2020 Water Revenue Outlook of 20-25% growth reiterated
- 2021 Water Revenue Outlook of 0-5% growth
- Tracy California Facility Commissioned

Strong Financially Flexible Balance Sheet

- Net cash, short-term securities and long-term investments of \$96.9M

GLOBAL FOOTPRINT HAS HELPED DRIVE GROWTH AND PROFITABILITY

Secular Trend Offsets COVID-19 Headwinds

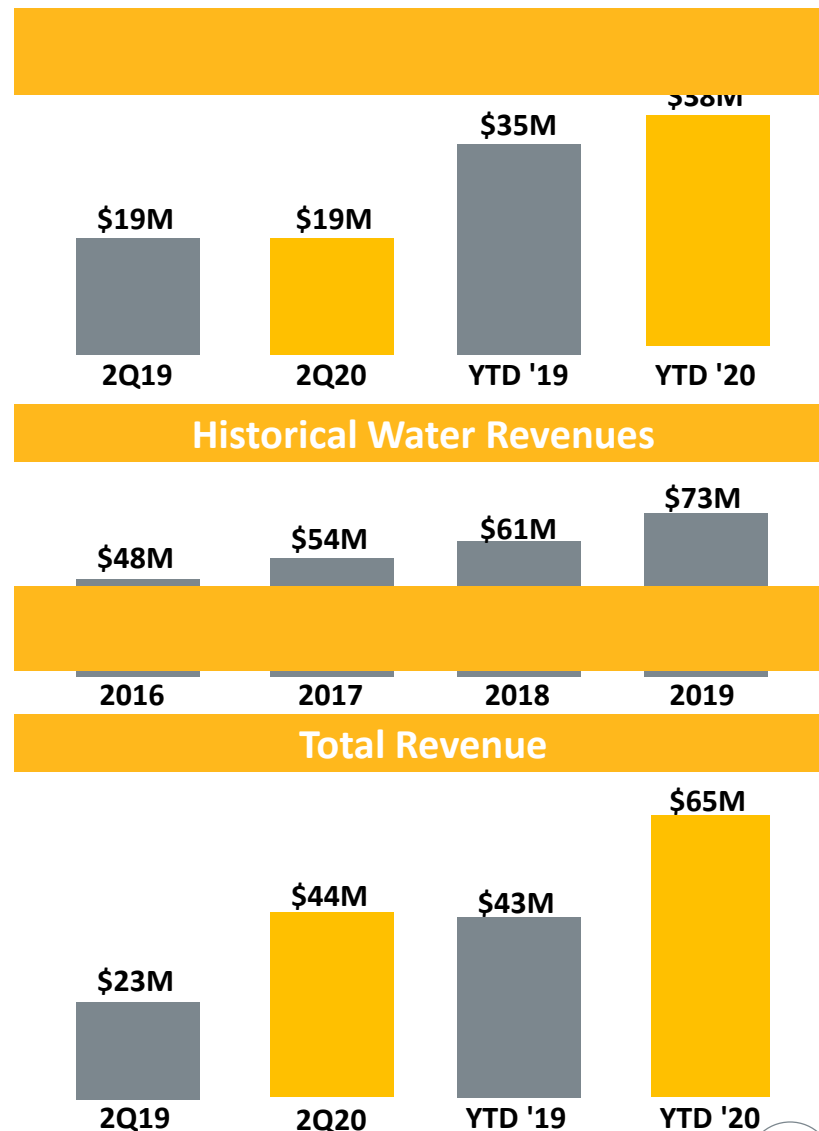
- MPD continues to drive water results
 - Water revenue up 9% YTD
 - MPD up 35% YTD
- 2020 revenue growth of 20-25% reaffirmed
- 2021 outlook of 0-5% growth issued

Extended growth cycle

- Upward revenue trend since 2015
- Evidence of extended cycle and secular shift in global demand curve

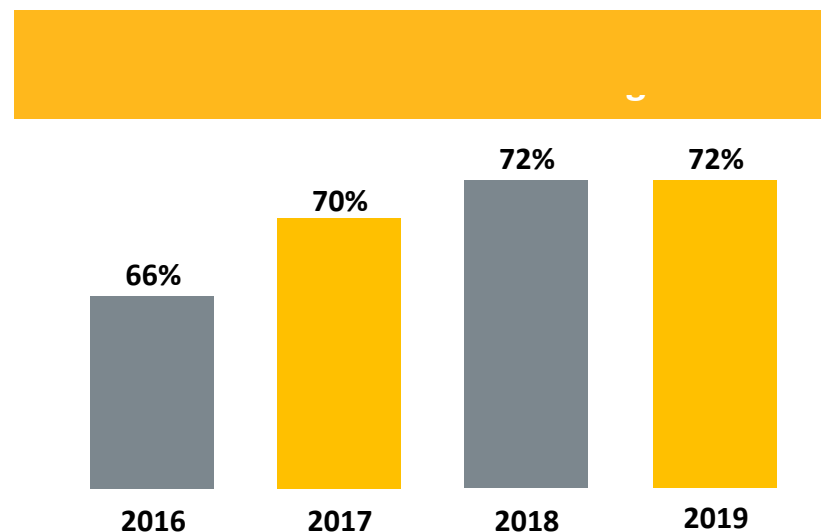
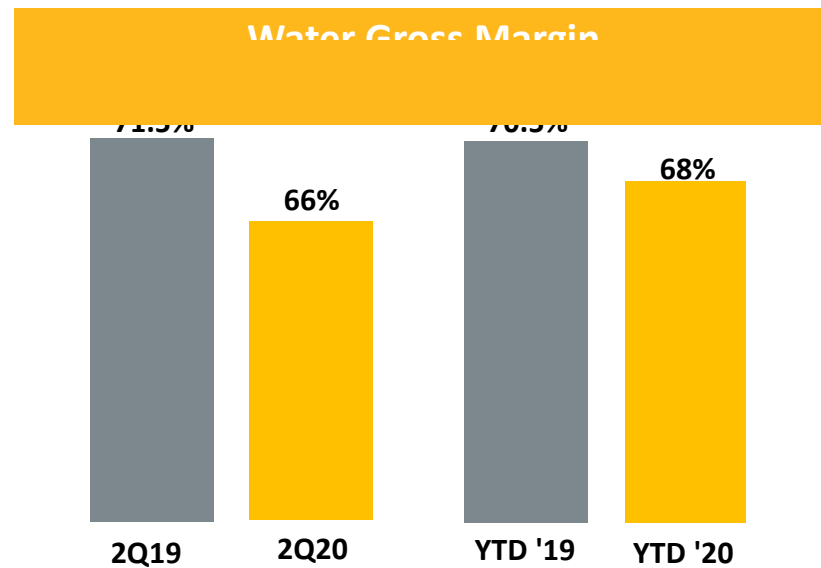
Solid Q2 Results Despite Economic Malaise

- Revenue growth year-over-year driven by the water segment and VorTeq recognition
- Recognition of \$24M license development revenue represents remainder of original \$75M
- Net cash and securities in excess of \$96M



STRONG PRODUCT GROSS MARGINS DESPITE COVID-19 IMPACT

- PX Pressure Exchanger sales continue to drive profitability
- 2Q20 margin decreased 5.5% vs 2Q19 largely due to Covid-19
 - Decreased production levels in first half of the quarter
 - Delayed commissioning of new Tracy facility
- Company returned to full production in May at its San Leandro facility and Tracy facility went live in July
- Currently expect margin for fiscal year to average at the low end of our guidance of 68-70%



SINGLE SKID VORTEQ

- Elegant, single PX skid solution
 - Takes advantage of higher sand concentrations
 - Easily scalable to flow rate, pressure and overall configuration requirements
 - Less intrusive to frac operations
 - Easy access to repair or service
- Less expensive and faster to produce
 - Costs to frac fleet expected to be roughly one-third of original VorTeq
 - Wider variety of suppliers
 - Greatly reduced lead time to production

VorTeq Production Model 1.0

