

Energy Recovery Quarterly Update

Q1 2020

FIRST QUARTER HIGHLIGHTS

Highest Revenue Generating First Quarter in Company History

- Total 1Q20 revenue of \$21.5M, 9% year-over-year (YoY) increase
- Water revenue of \$19M, 19% YoY increase

VorTeq – Oversupplied Oil Market Postponed Live Well Frac

- 2Q20 Focus: perform and document Milestone One (M1)
- Continue live well frac search

Looking Forward – FY20 Appears Strong

- Customer orders continue to ship on time
- New product orders, including mega projects in Egypt and China, provide further optimism
- Although risk exists, FY20 Water revenue growth outlook of 20-25% is **unchanged**

Chairman Bob Mao named permanent President & CEO

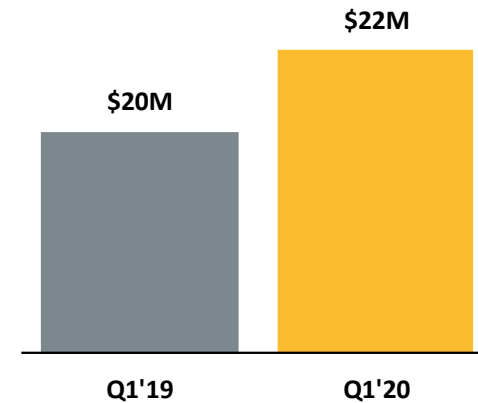
Strong Q1 Results Driven by Water

- 9% Revenue growth year-over-year driven by 19% growth in water segment
- Healthy Balance Sheet - Liquidity remains strong
 - Net cash (and securities) position in excess of \$93M

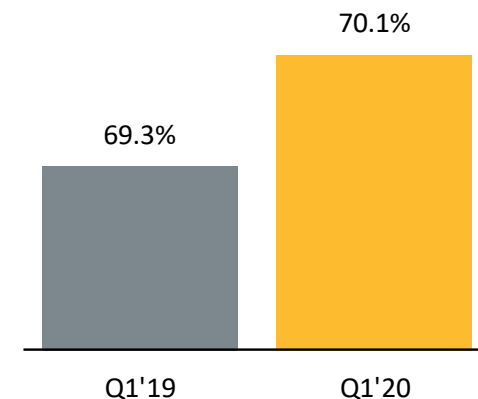
Gross Margin Increased Despite COVID-19

- Product mix strong in pressure exchangers supported higher margin
- COVID-19 increased COGS, decreasing gross margin by 2.5%
- Expected decrease in gross margin throughout year to within guidance range

Revenue



Product Gross Margins



Shelter-in-Place Response – Protecting Lives

- After two-week production suspension, San Leandro manufacturing facility operating in full accordance with federal, state and local guidance
 - Smaller, staggered shifts, to ensure social distancing
 - Health monitoring
 - Personal safety equipment including gloves and masks
 - Deep cleaning between shifts

Business as Close to Usual – Protecting Livelihood

- Gradually ramping up production to ensure safety of employees first
- Non-manufacturing employees largely working remotely
- Continuing to receive and ship new orders for all products
- Developing wider-scale **Return-to-Work** strategy

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