

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2018

**Energy Recovery, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-34112

(Commission File Number)

01-0616867

(I.R.S. Employer Identification No.)

1717 Doolittle Dr. San Leandro, CA 94577

(Address if Principal Executive Offices)(Zip Code)

510-483-7370

(Registrant's telephone number, including area code)

**Not applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01 Regulation FD Disclosure**

The Company is furnishing with this report an investor presentation that will be used by the Company during meetings with investors and analysts. The presentation is attached hereto as Exhibit 99.1, which is incorporated herein by reference and will also be posted on our website at <http://www.energyrecovery.com>.

The Company is not undertaking to update this presentation. This report is not intended as a statement concerning the materiality of any information contained in the presentation.

The information furnished in this Item 7.01 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">99.1</a>	<a href="#">Management Presentation.</a>

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 2, 2018

Energy Recovery, Inc.

By: /s/ William Yeung

William Yeung

General Counsel

# ERI INVESTOR PRESENTATION

(NASDAQ: ERII)

Q3 2018



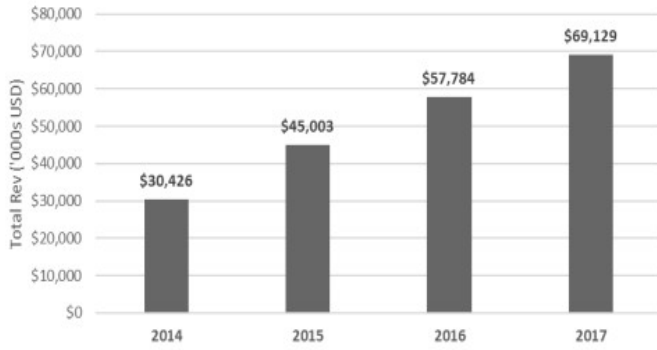
## FORWARD LOOKING STATEMENT

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.

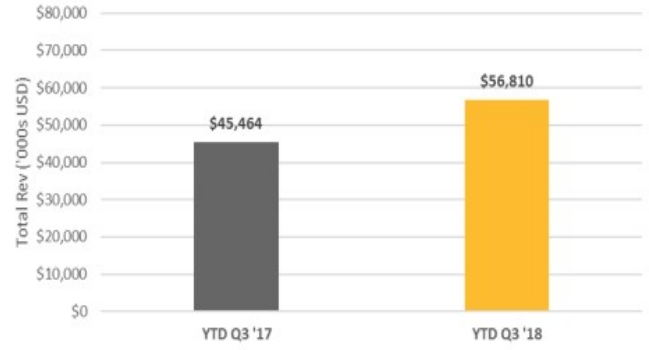
These forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You should not place undue reliance on these forward-looking statements, 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.

# Q3 FINANCIAL UPDATE

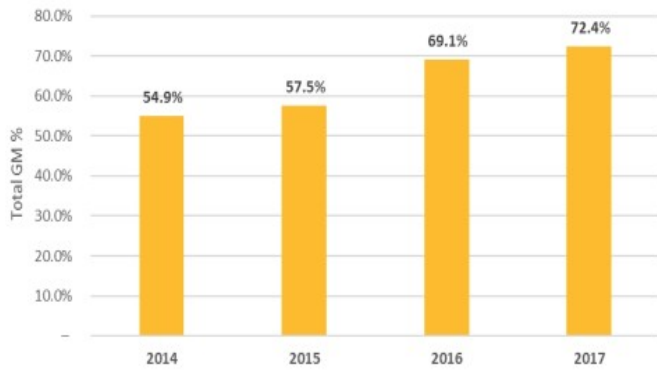
ERII - Total Revenue (2014 - 2017)



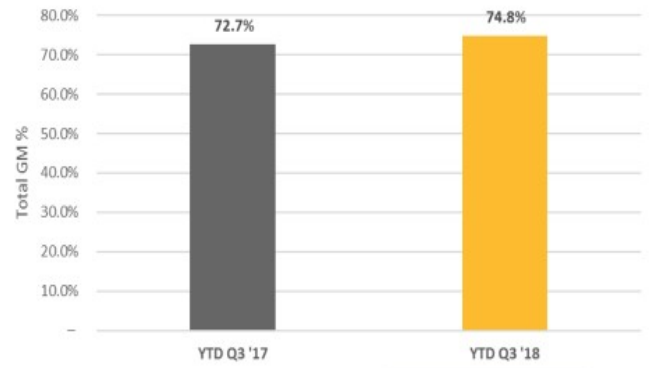
ERII - Total Revenue (YTD Q3 '17 vs. YTD Q3 '18)



ERII - Total GM% (2014 - 2017)



ERII - Total GM% (YTD Q3 '17 vs. YTD Q3 '18)



## Q3 STRATEGIC AND COMMERCIAL UPDATE

### ○ Water Update

- All segments of water business remain strong
  - ✓ Robust backlog and pipeline driving positive 2019 outlook
  - ✓ Pressure exchanger remains desalination's premier energy recovery technology
- Market activity and trends leading to longer-term optimism
  - ✓ Currently pursuing organic and inorganic growth initiatives
  - ✓ Seeking to leverage our distribution channel by increasing scope of supply

### ○ Oil & Gas Update

#### ▪ VorTeq

- ✓ Focusing on shortening the timeline to full-scale commercialization
  - Accelerated several system-level enhancements and pre-commercialization efforts in advance of M1 - originally planned post M1
- ✓ Increasing our internal testing capabilities
  - Goal to develop independent full-scale testing facility
  - Greater autonomy permits Company to frequently test design iterations on Company's schedule without reliance on third parties and further shortens development cycle time

#### ▪ MTeq

- ✓ Successfully completed Round 2 testing
- ✓ Validated ability to run drilling fluid through system under simulated real world conditions
- ✓ More extensive round of endurance testing to be scheduled



## Who We Are

An energy solutions provider and technology leader in applying fluid dynamics and advanced materials science

















## Pressure Energy is our Arbitrage

## What We Do/Product Strategy

- Preserve or eliminate pumps that are subject to and destroyed by hostile process fluids
- Convert wasted pressure energy into a reusable asset



# ENERGY RECOVERY: PAST, PRESENT AND FUTURE

1992 - 2014	2015 - 2017	Present: Near-Term Strategy	Future: Long-Term Strategy
 <p>Developed Pressure Exchanger Technology</p>	 <p>Signed 15-year VorTeq license, commenced collaborative testing with SLB and Liberty</p>	 <p>Grow and expand existing market presence in SWRO desalination</p>	 <p>Continued market leadership &amp; growth in core water business</p>
 <p>Invested in R&amp;D</p>	<p>MTEq solution launched, completed initial testing</p>	 <p>Expand water business in desalination and beyond</p>	 <p>Commercialization of VorTeq</p>
 <p>Established Market Leadership in SWRO</p>	 <p>Computational Analytics practice developed, significant investment</p>	 <p>Commercialization of VorTeq</p>	 <p>Further development of MTEq</p>
 <p>Increased shipments of ERDs Worldwide</p>	 <p>Strategic partnership with Duchtig Pumpen</p>	 <p>Further development of MTEq</p>	 <p>Continuous innovation of core PX technology for use in new applications</p>
 <p>Most successful IPO in 2008</p>			

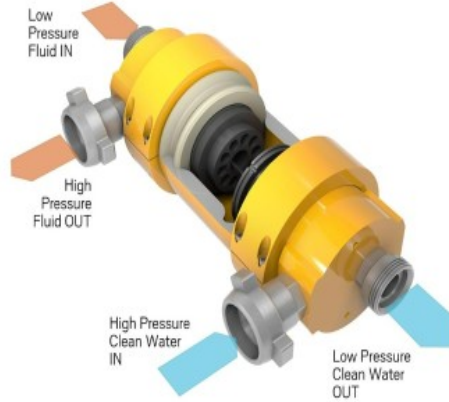


# CORE TECHNOLOGY – THE PRESSURE EXCHANGER

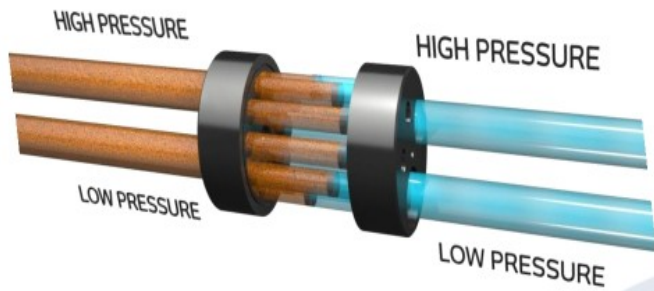
## Hydraulic Piston Concept



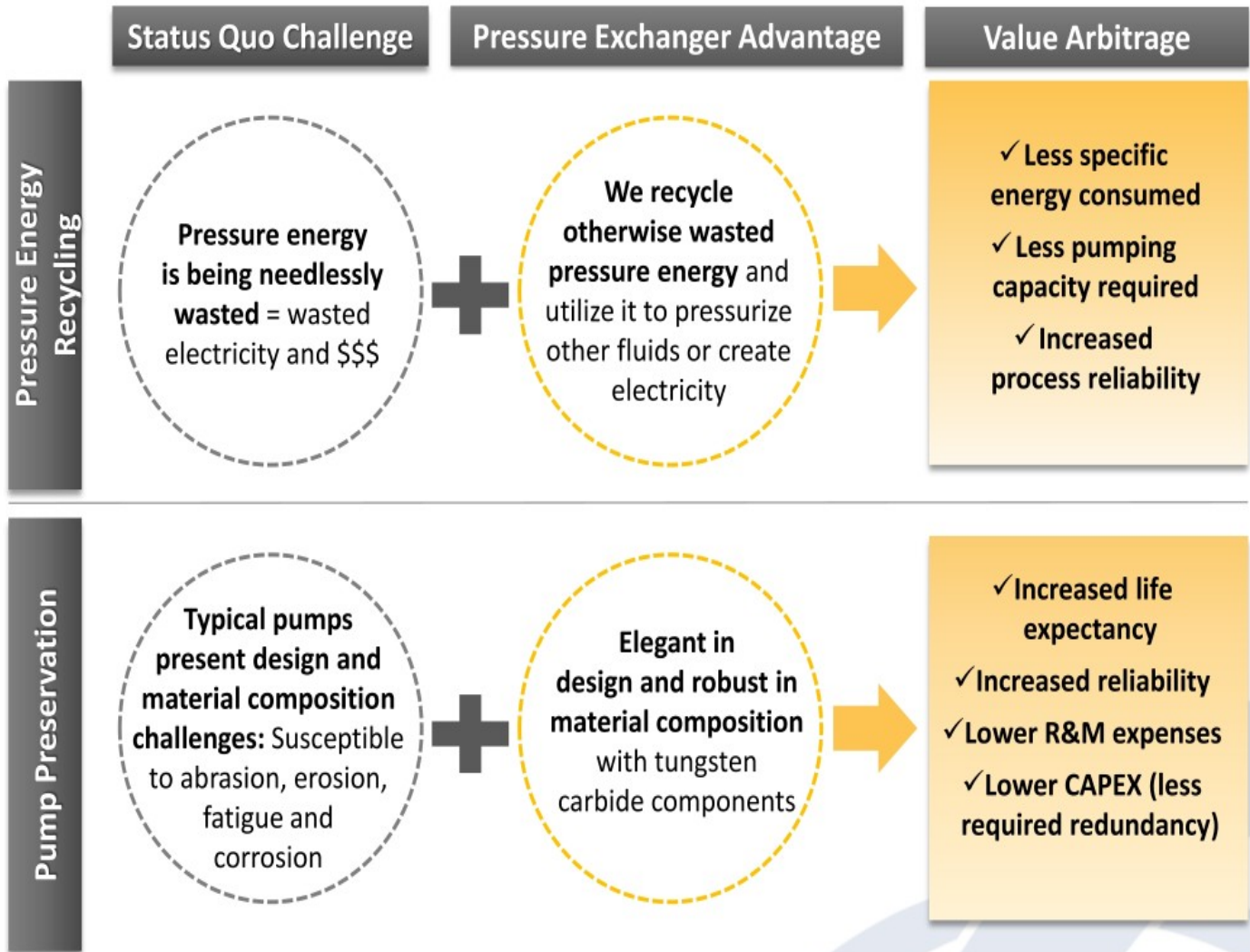
## Fluid Flows in Pressure Exchanger



## Pressure Exchange Snapshot



# VALUE ARBITRAGE VIA THE PRESSURE EXCHANGER

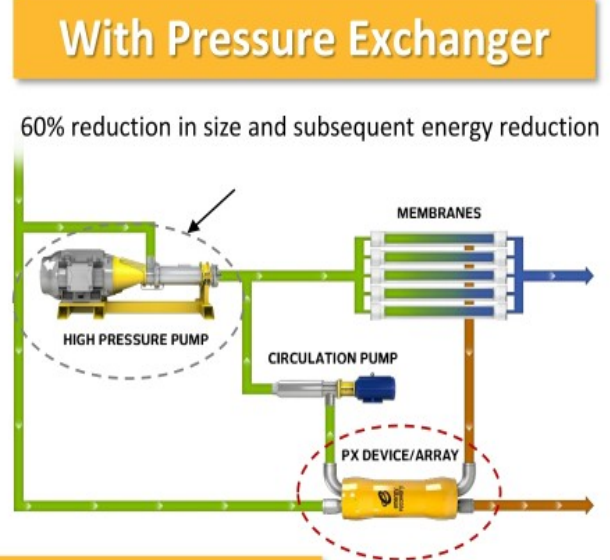
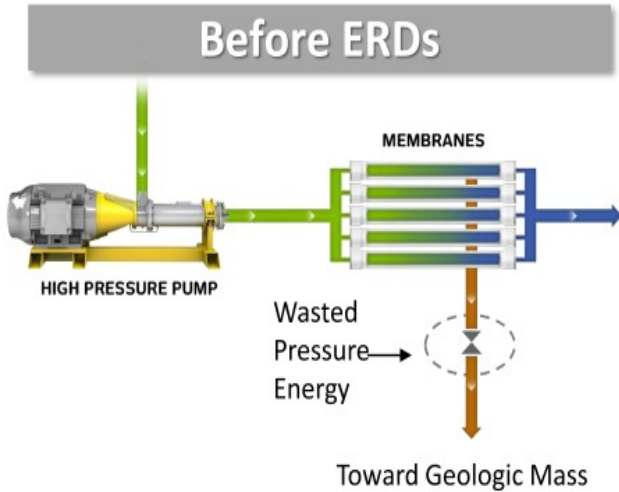




Water Business Unit  
Long-Term Growth Strategy



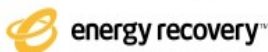
## Dominating the Energy Recycling Market in Desalination – Our First Market Disrupted



### Investment Highlights

- From first sale to 90% market share in under 10 years\*
- 18,000 PX devices installed worldwide
- Up to 25-year life with virtually no maintenance
- 60%+ gross margins

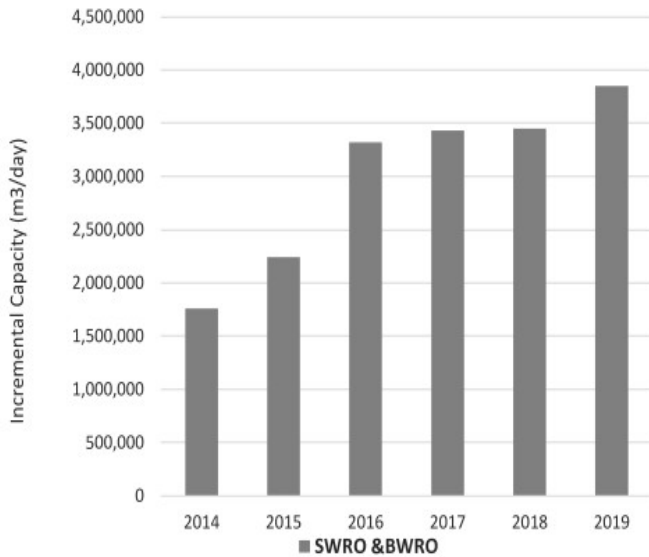
\*MPD market share only





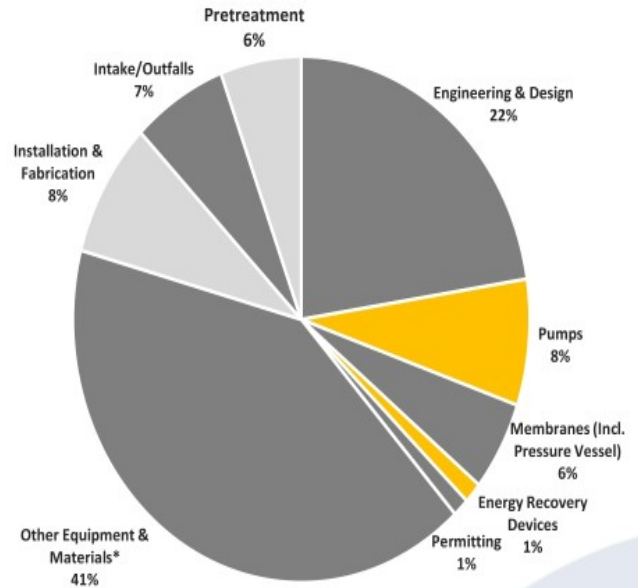
# REINVESTMENT AND FOCUS ON WATER GROWTH

## Steady Forecast for Capacity Additions in Desalination Over Next Several Years

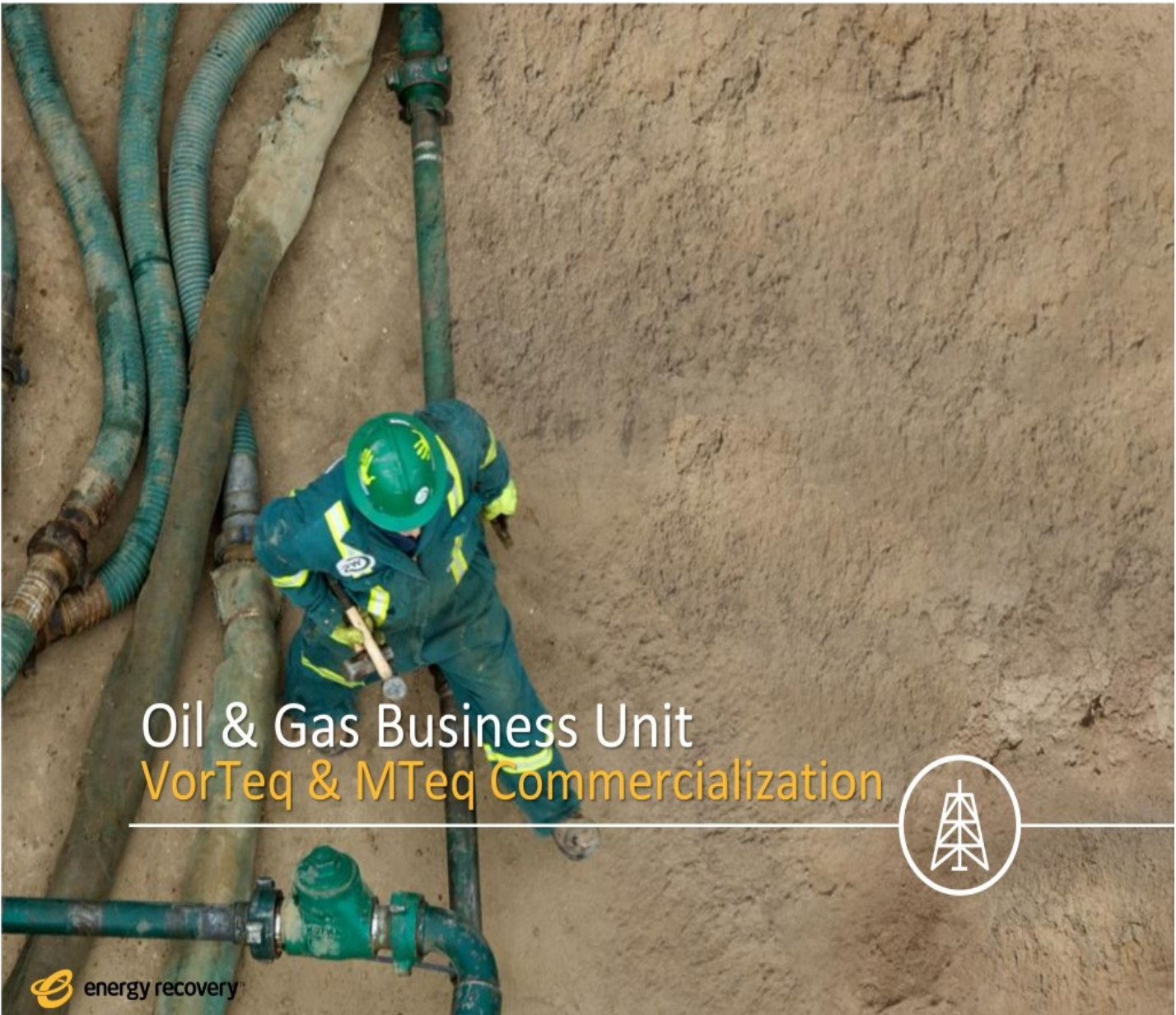


## Opportunity for Growth & Expansion Beyond ERDs & Pumps

Average Capital Spend by Product



**COMPELLING MARKET OPPORTUNITY WITH CONTINUED GLOBAL WATER DEMAND / SUPPLY GAP**



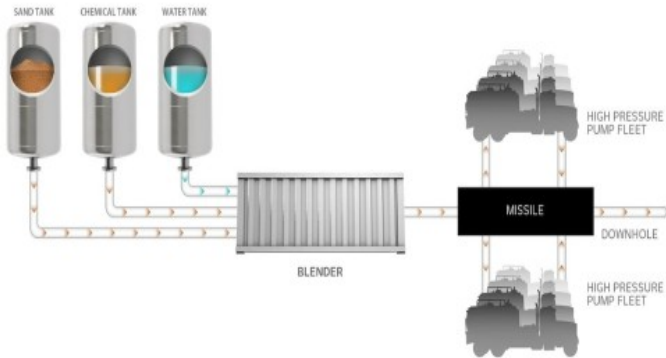
Oil & Gas Business Unit  
VorTeq & MTeq Commercialization



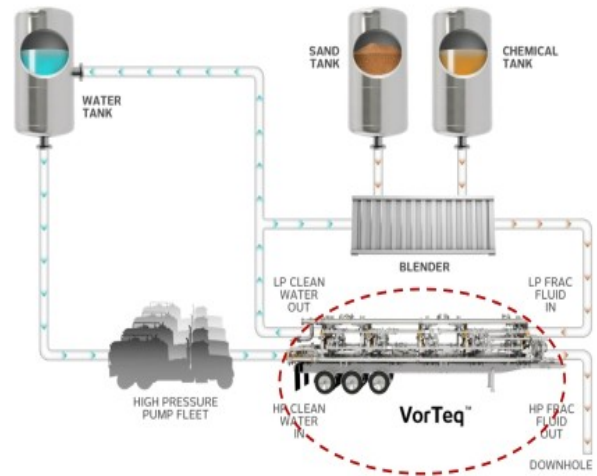


# VORTEQ FOR PRESSURE PUMPING

## Status Quo

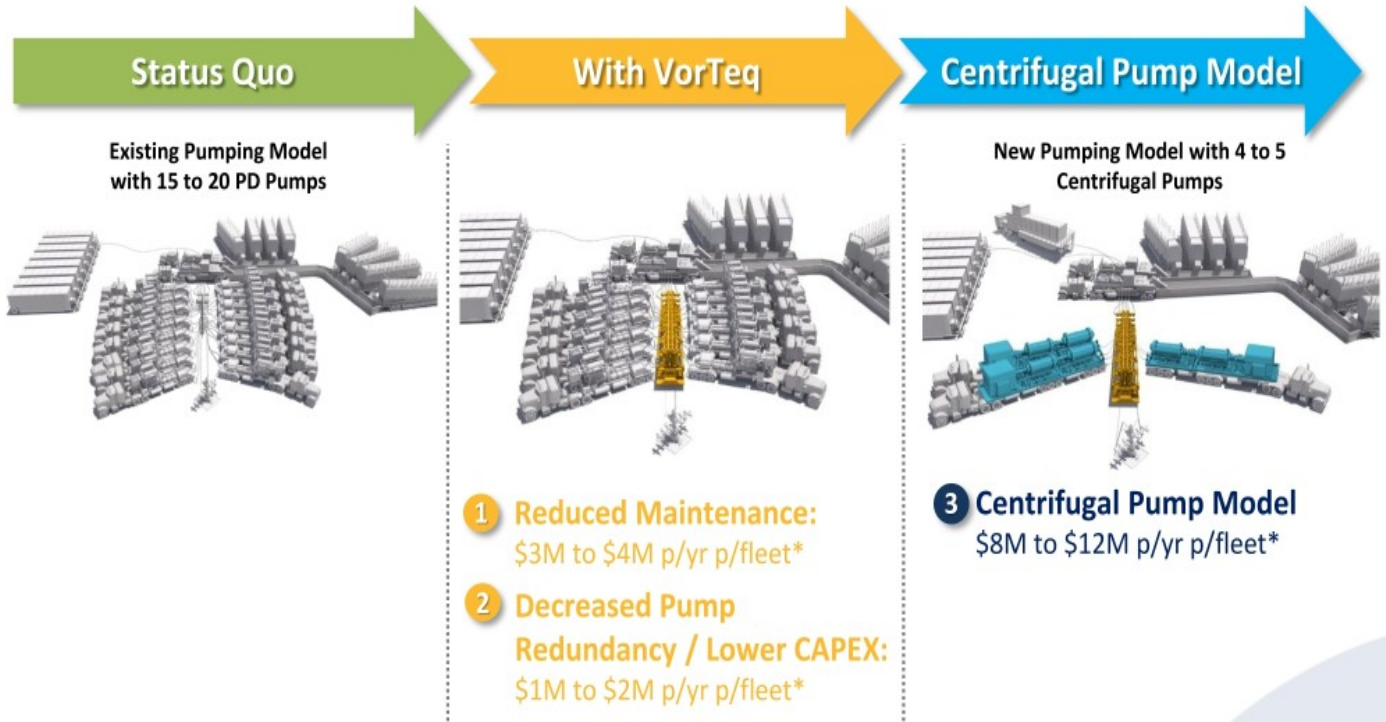


## With VorTeq



**NO SAND OR CHEMICALS ENTER THE PUMPS**

# VORTEQ CREATES SIGNIFICANT VALUE



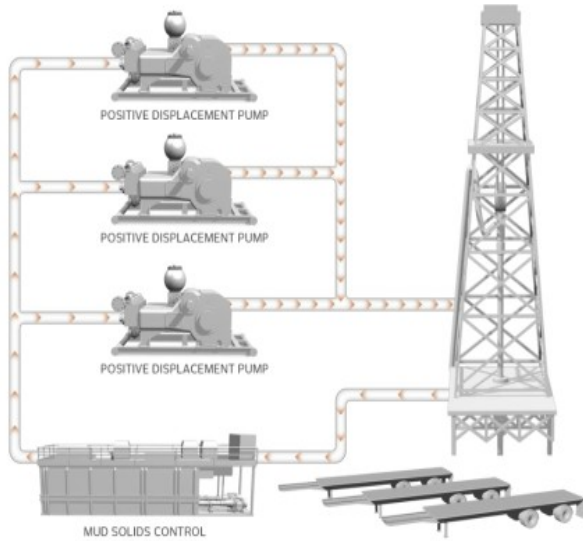
\*ERI estimates

## VORTEQ AGREEMENT & COMMERCIALIZATION PATH

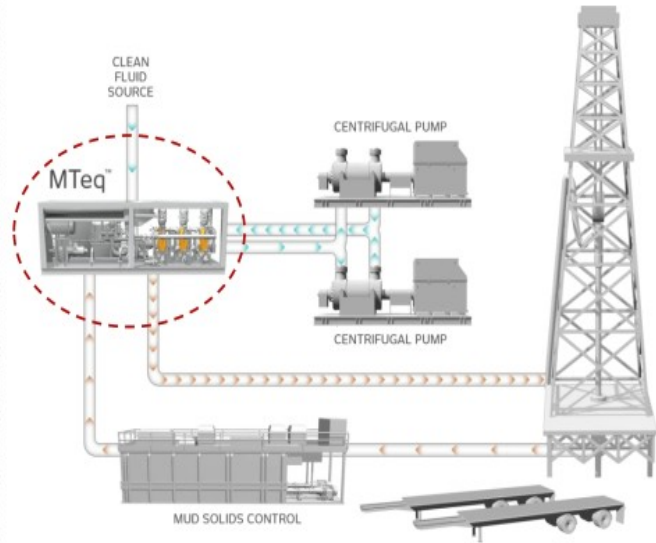
- **VorTeq Commercialization is twofold:**
  - **ERII entered into a license agreement with Schlumberger Technology Corporation – one of the industry’s most respected oil-field services companies**
    - ✓ Exclusive rights to ERII’s VorTeq for on-shore hydraulic fracturing
      - Upfront **\$75M** exclusivity fee
      - Two separate **\$25M** milestone payments (for a total of **\$50M**) subject to certain KPI’s
        - Milestone 1: Frac at product licensee test facility
        - Milestone 2: Frac on E&P well
    - ✓ Commercialization Highlights:
      - Acceptance standards inclusive of M1 & M2 as well as other performance tests
      - Product licensee responsible for missile manufacturing, ERII provides PXs, housing and motors
      - Five years from first unit to full deployment in product licensee fleets
      - \$1.5MM per VorTeq per year
  - **Liberty Oilfield Services carve-out (ERII’s early-stage test partner)**
    - ✓ Rights for up to 20 VorTeq units for up to 5 years
    - ✓ ERII provides full missile and cartridges – vendors have been qualified
    - ✓ Commercialization standards differ and thus speed to market may be faster
    - ✓ Pricing based on contractual ROIC

# MTEQ MUD PUMPING SOLUTION

## Status Quo



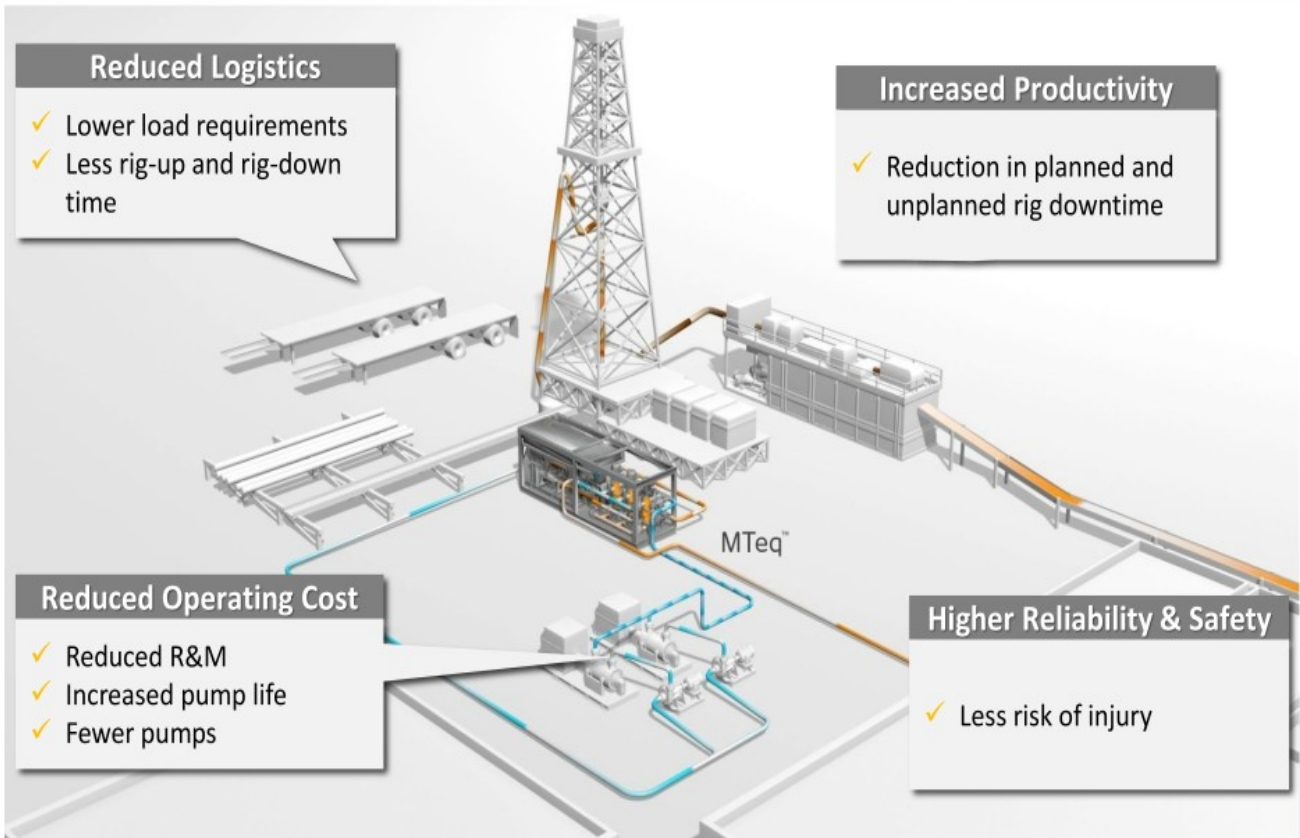
## With MTeq



**NO MUD PASSES THROUGH THE PUMPS**

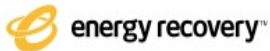
# MTEQ UNLOCKS VALUE FOR OPERATORS

## Drilling Configuration with MTeq & Centrifugal Pumps



**SAVINGS UP TO \$600K PER RIG PER ANNUM\***

\*ERI estimates





# Future PX Development

## Continuous Innovation







## What criteria qualifies a market opportunity?

- ✓ High rates of flow
- ✓ High pressure differentials
- ✓ High capital intensity
- ✓ Hostile process fluids



Fracing

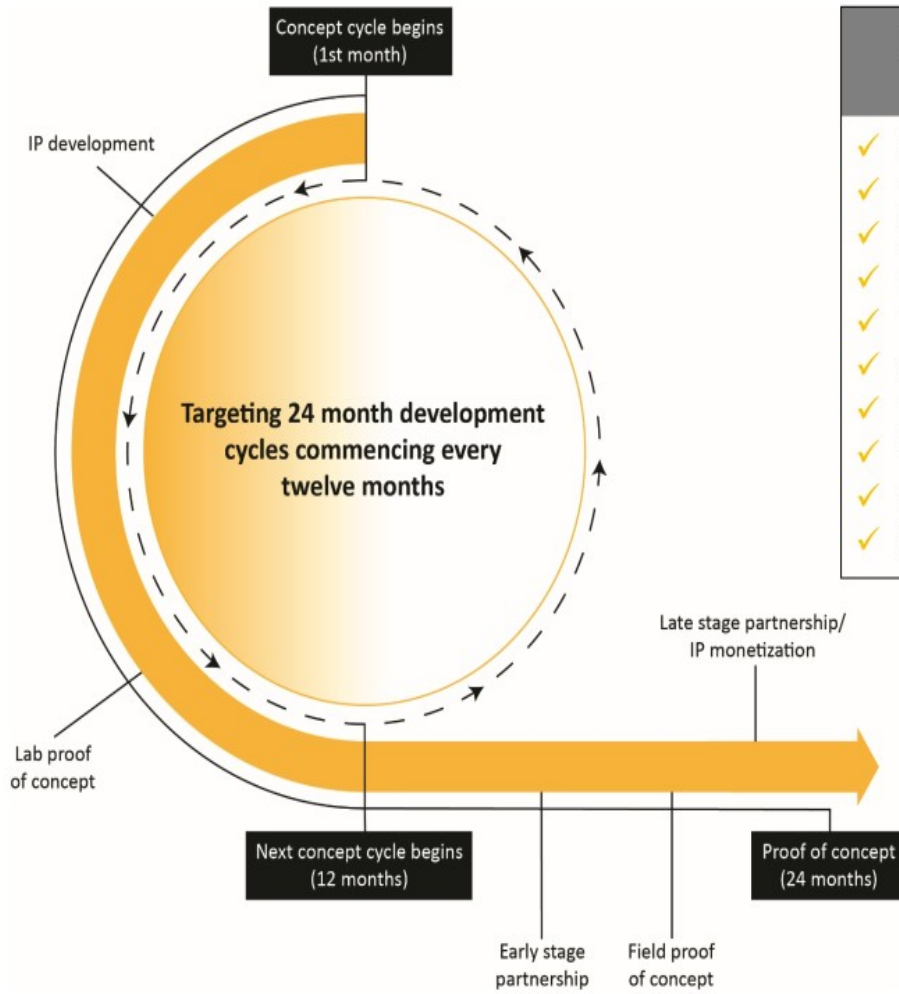


Upstream Drilling



Desalination

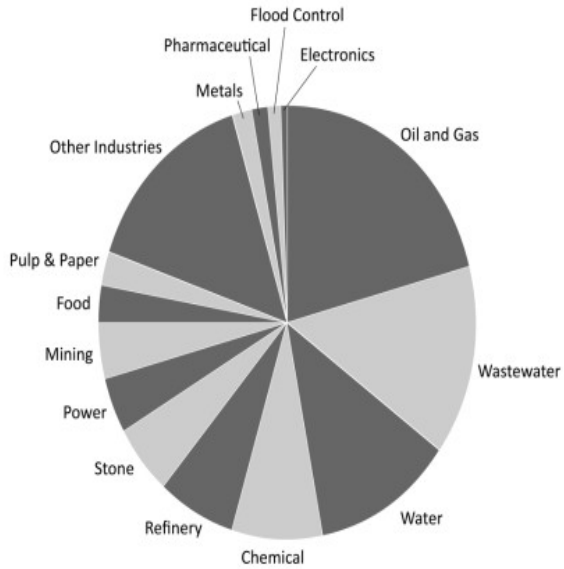
# EXECUTION OF STRATEGIC R&D



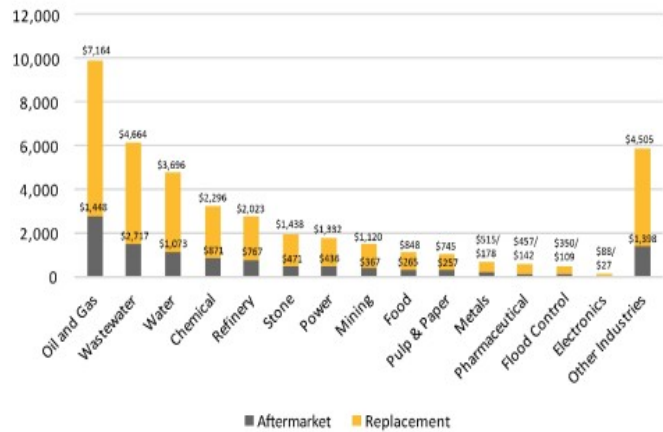
## Evaluation Criteria to Determine Funding

- ✓ Value to Customer
- ✓ Market Size
- ✓ Net Present Value
- ✓ IP Potential
- ✓ Technical Difficulty
- ✓ Strategic Fit
- ✓ Internal Competency
- ✓ Time to Market
- ✓ Ease of Entry
- ✓ Concept Uniqueness

## Global Pumping Market Exceeded \$53B in 2017



## Significant Arbitrage Opportunity in the Pumping Market

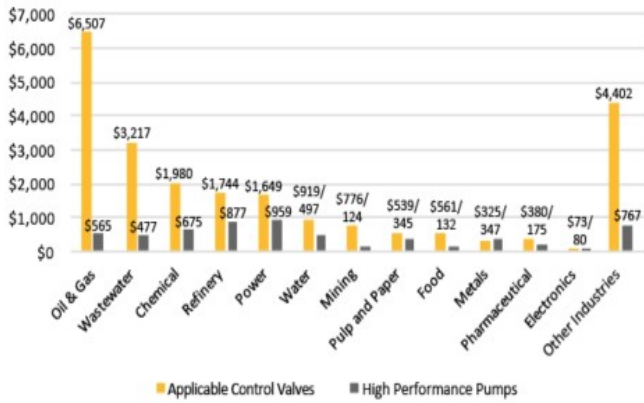


- Pump aftermarket components cost industries \$9 billion in 2017
- Replacement pump sales exceed \$25 billion in 2017

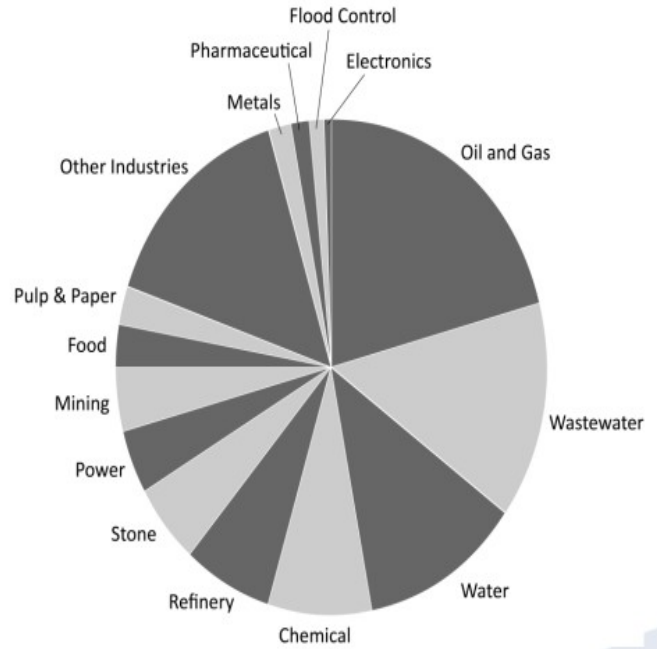
**PUMP PRESERVATION OPPORTUNITY EXCEEDS \$4B PER ANNUM**

# WASTED PRESSURE ENERGY MARKET OPPORTUNITY

## Energy Recovery Devices Target Control Valve and High Performance Pump Applications



## Wasted Pressure Energy Opportunity in Excess of \$5.5B in 2017



**TOTAL MARKET OPPORTUNITY IS SEVERAL ORDERS OF MAGNITUDE GREATER THAN COMPANY REVENUES**



Future  
Derivative  
Applications

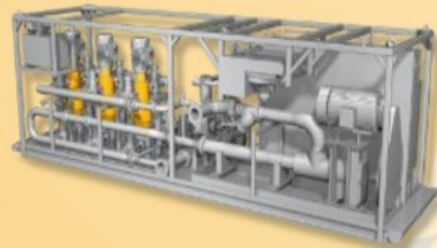


### Water Business Provides Funding Mechanism for Future R&D



#### Annual R&D Spend:

- 27.5% of OPEX in 2014
- 20.5% of OPEX in 2015
- 27.8% of OPEX in 2016
- 32.9% of OPEX in 2017





**THANK YOU**





