

**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): June 3, 2020



Delaware
(State or Other Jurisdiction of Incorporation)

001-34112
(Commission File Number)

01-0616867
(I.R.S. Employer Identification No.)

1717 Doolittle Drive, San Leandro, California 94577
(Address of 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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	ERII	The Nasdaq Stock Market LLC

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.

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

Exhibit Number	Description
99.1	Management Presentation

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.

Energy Recovery, Inc.

Date: June 3, 2020

By: /s/ William Yeung
William Yeung
Chief Legal Officer



Energy Recovery Investor Presentation

June 2020

NASDAQ: ERII

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.

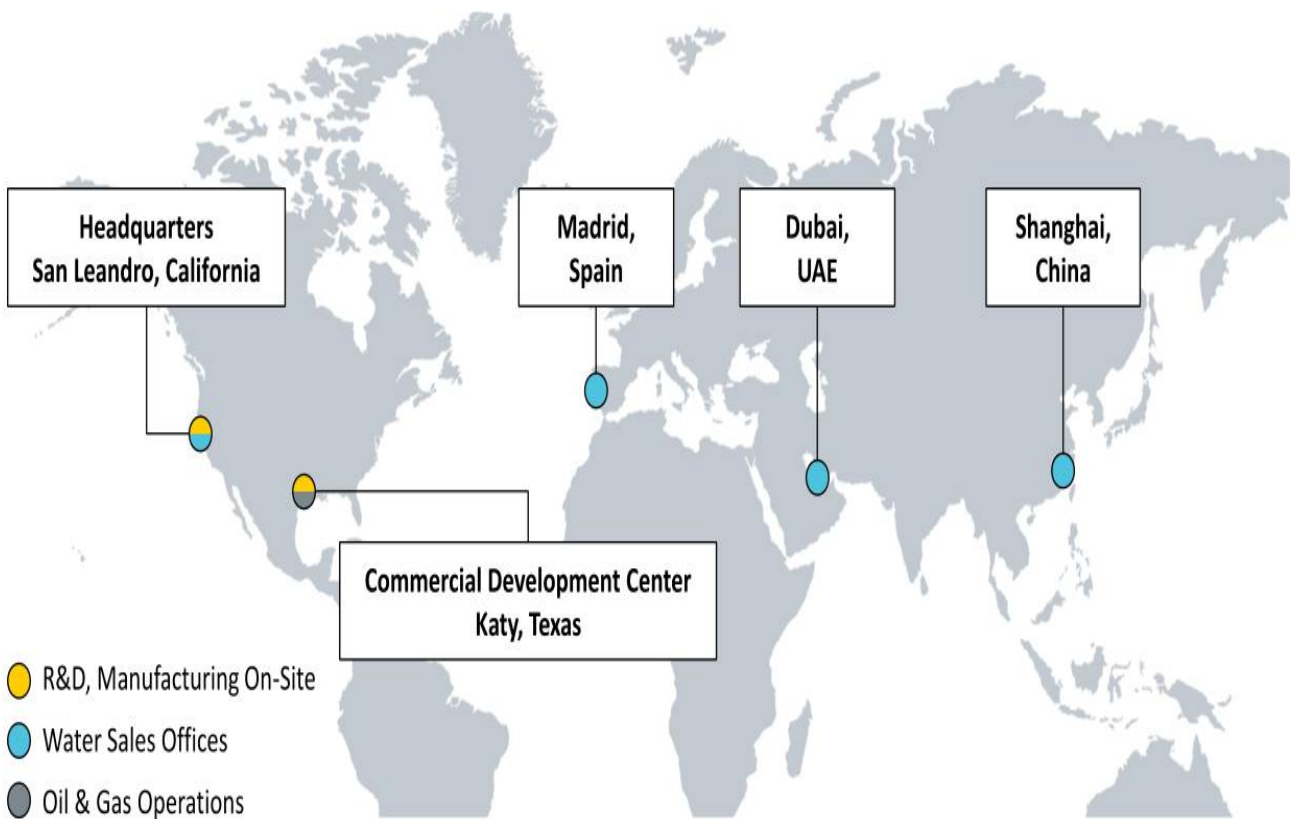


About Energy Recovery

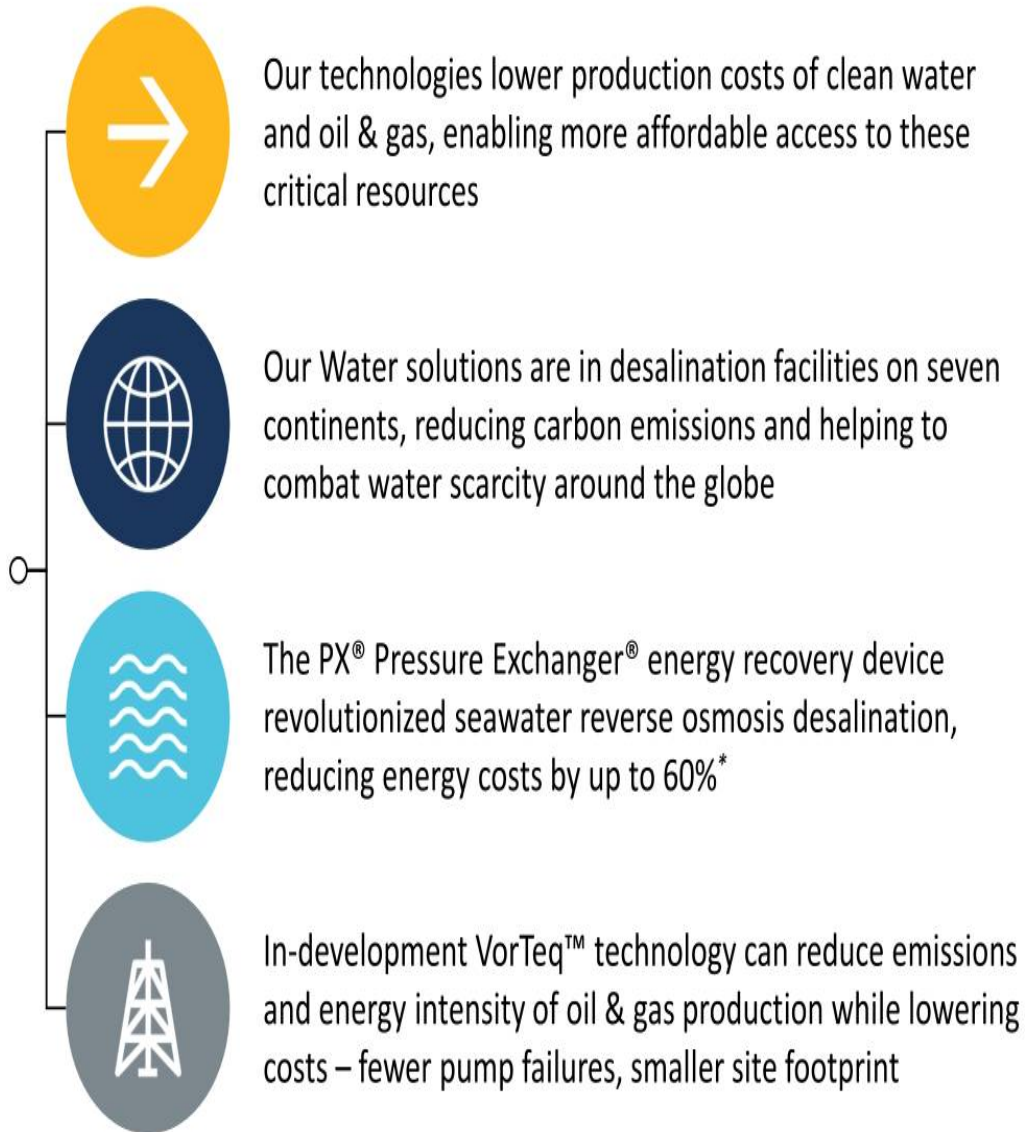


ENERGY RECOVERY SNAPSHOT

- For more than 20 years, Energy Recovery has created technologies that solve complex challenges for industrial fluid flow markets
- We design and manufacture solutions that reduce waste, improve operational efficiency, and drive significant cost-savings for our customers in Water and Oil & Gas
- Our worldwide sales and technical service organization provides on-site support for our products



WHY ENERGY RECOVERY?



**Energy Recovery estimate*

OUR PRODUCT CATEGORIES

Water

Energy Recovery Devices



PX[®] Pressure Exchanger[®]

Pumps



Oil & Gas

Hydraulic Fracturing Solution



VorTeq^{TM}*

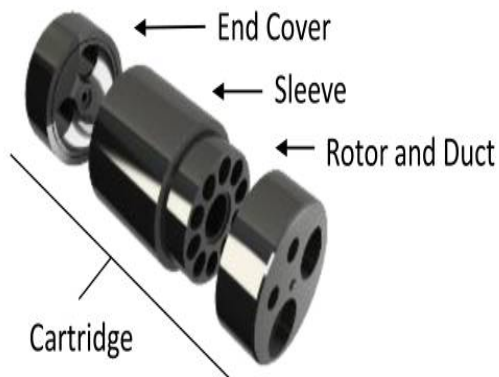
**in development*

OUR CORE TECHNOLOGY PLATFORM IS THE PRESSURE EXCHANGER (PX)

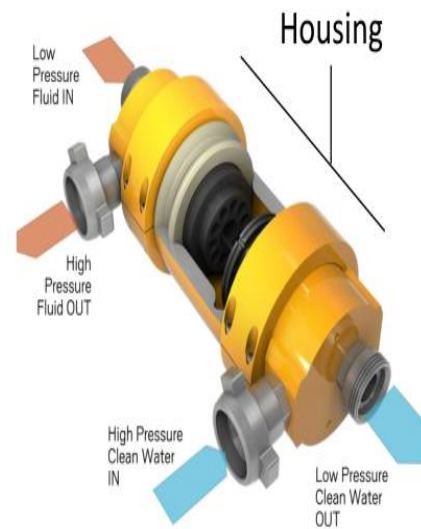
- Our pressure exchanger acts like a fluid piston, transferring energy between high- and low-pressure fluids through continuously rotating ducts
- PX technology provides benefits in a variety of industrial applications using high-pressure fluids
 - **Water** – pressure exchangers lower energy consumption and emissions, as well as reduce the pump size needed for seawater reverse osmosis desalination (PX Pressure Exchanger)
 - **Oil & Gas** – pressure exchangers can protect pumps from erosion, reducing equipment failure common during well completion and drilling operations (VorTeq)

Pressure Exchanger Internal Components

Transfers energy with only one moving part (rotor)



Fluid Flows in a Pressure Exchanger



HOW PRESSURE EXCHANGER TECHNOLOGY WORKS

Sealed Phase

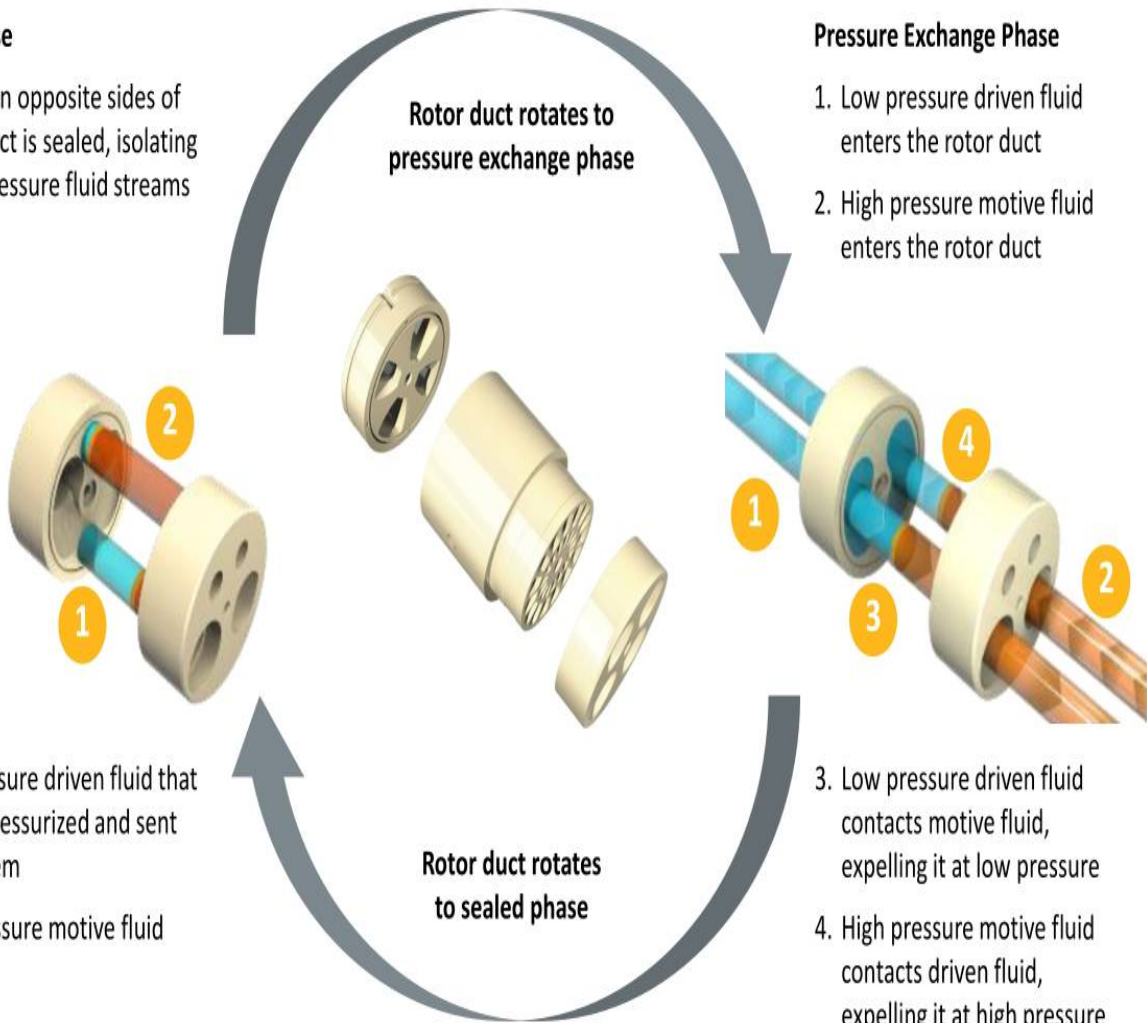
Two fluids on opposite sides of PX; rotor duct is sealed, isolating high, low pressure fluid streams

1. Low pressure driven fluid that will be pressurized and sent into system
2. High pressure motive fluid

Pressure Exchange Phase

1. Low pressure driven fluid enters the rotor duct
2. High pressure motive fluid enters the rotor duct

3. Low pressure driven fluid contacts motive fluid, expelling it at low pressure
4. High pressure motive fluid contacts driven fluid, expelling it at high pressure



Pressure is exchanged continuously as the rotor spins at high speed

INVESTING IN MULTI-DISCIPLINARY ENGINEERING TALENT

Significant investments in R&D team in recent years to strengthen our capabilities

- Over 5x increase in R&D headcount since 2013 – one-third of ERI holds engineering degrees
- Expertise in critical disciplines to incubate and commercialize new industrial fluid-flow solutions

Team focused on incubation of new products with clear commercialization objectives and returns

- Late 2019 reorganization provided further transparency and accountability



EVOLVING MANUFACTURING CAPABILITIES

Advanced ceramics manufacturing capabilities help drive water success

- Vertically integrated ceramics manufacturing facility located in-house in CA
 - Creates potential competitive barrier to entry
- Best practices ensure high-quality production process
 - Approximately 99.9% of every PX Pressure Exchanger passes final stringent quality control before shipping



Ceramics expertise directly translates to tungsten carbide for Oil & Gas applications

- Production follows comparable path – from powder to final machining
- Rigid quality control and precision manufacturing



DISTRIBUTION STRATEGY LEVERAGES OUR STRENGTHS IN EACH MARKET

Global Water Distribution Channel

- Sales and technical service organization's tenure and global reach delivers advantages in a relationship-driven market
 - Entrenched, stable team located in 11 countries across 5 continents
- Strong relationships and extensive database enable early project identification

Oil & Gas Strategy Differs Due to Our Position

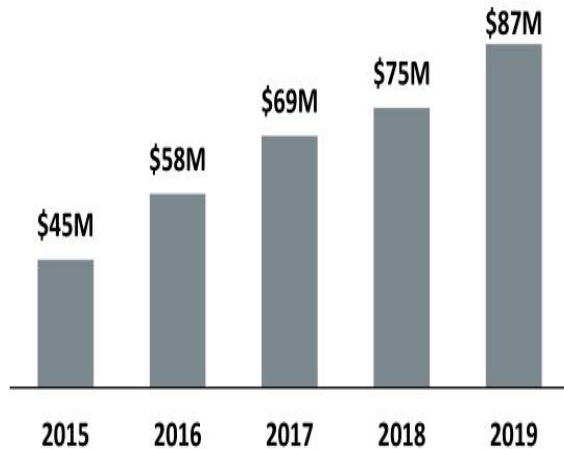
- Licensing model is an effective method for a newcomer in a mature, competitive market
 - De-risks market entry
 - Partnerships provide faster credibility
 - Eliminates need to build our own distribution channel
 - Reduces time to market



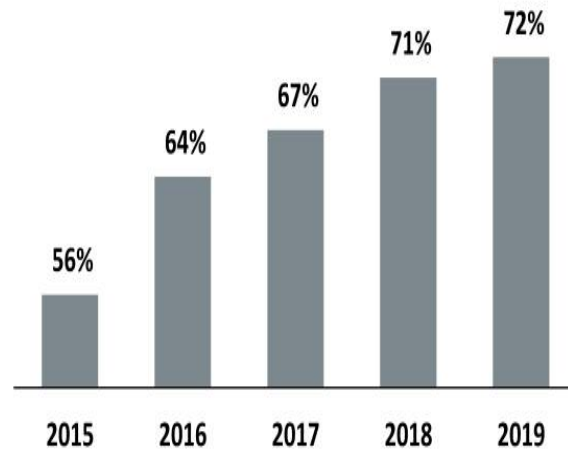
Water sales and service personnel located in United States, Canada, Spain, India, China, Saudi Arabia, United Arab Emirates, Jordan, Egypt, Mexico, Peru

HISTORICAL FINANCIAL RESULTS

Revenue: 18% CAGR 2015-2019



Product Gross Margin Strength



Cash Rich, Unlevered Balance Sheet

We are positioned to make critical investments in our business

- Exploring opportunities to expand our water business
- Commercialization and subsequent launch of VorTeq
- Incubation efforts pushing the technical and commercial boundaries of our PX Pressure Exchanger technology



Water – Global Demand Trends Driving Robust Future Outlook for Energy Recovery



FRESH WATER SCARCITY IS INCREASING

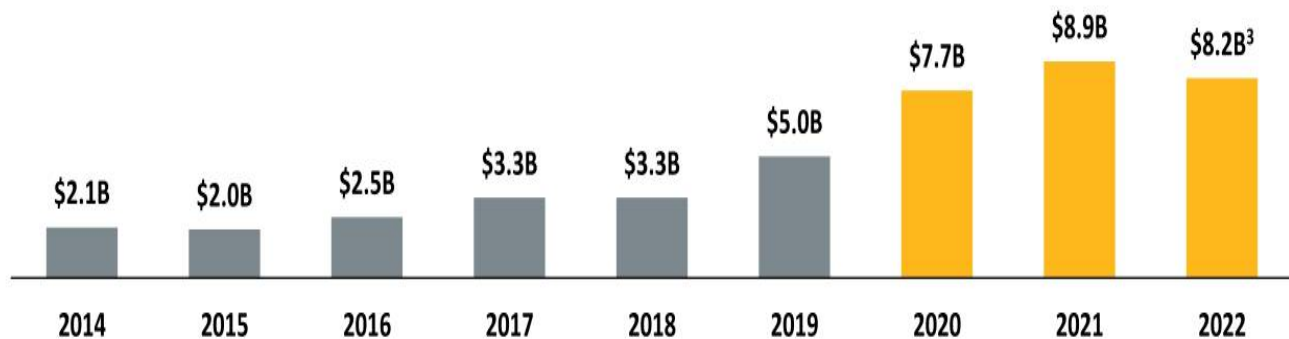
Fresh water demand is increasing, creating global demand gaps

- Water demand driven by population growth, industrialization, rapid urbanization, climate change
- The world will only have 60% of the water it needs by 2030¹
- Potable water demand expected to increase by roughly 30% by 2050¹

Desalinating seawater is an increasingly important part of meeting global water demand

- We are well-positioned to be part of the global supply solution
- SWRO expertise and commanding market position offers potential springboard to growth

Continued Growth in SWRO Desalination CAPEX Spend 2014 – 2022²



¹United Nations World Water Development Report; ²DesalData Forecasts

³Third year projections typically dips due to limited market visibility

THERMAL DESALINATION DECOMMISSIONING CREATING INCREMENTAL DEMAND

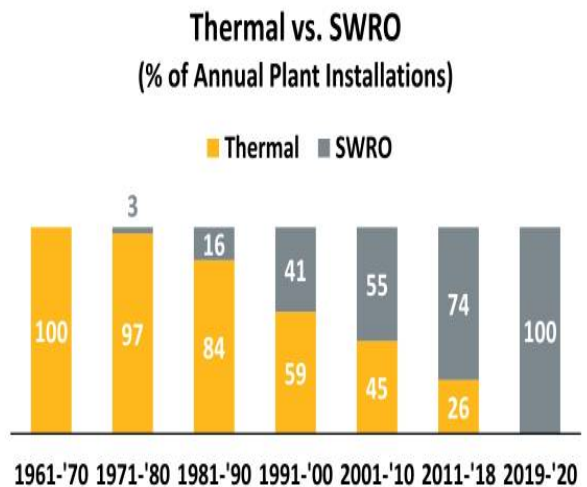
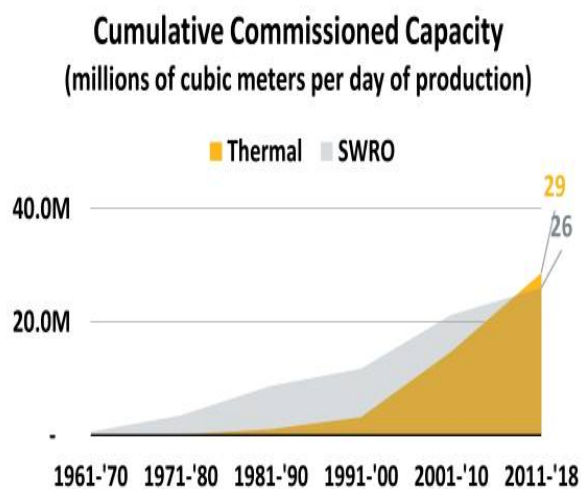
Thermal seawater desalination was the dominant technology through the 1990s

- Operational savings from devices like the PX made SWRO significantly cheaper than thermal
 - Thermal OPEX costs today are roughly 2x higher than SWRO
 - \$1B SWRO retrofit of two Saudi thermal plants will generate OPEX savings of \$360M/year¹

Potential for roughly \$0.5 Billion in Energy Recovery Device sales to maintain current water supply²

- Cost saving opportunities could accelerate pace of thermal to SWRO retrofits

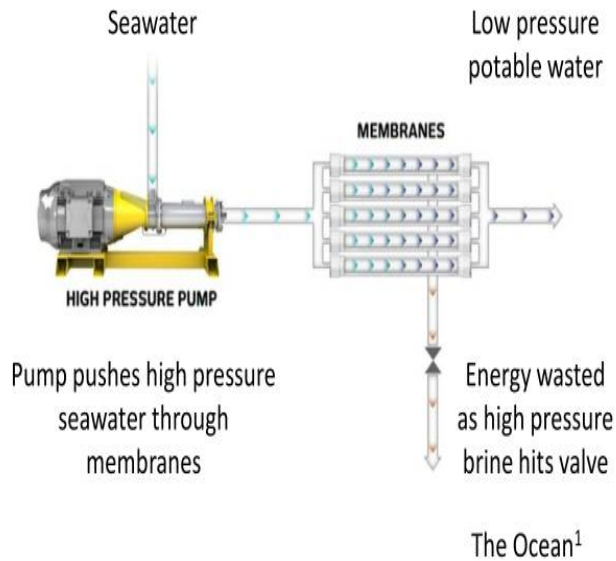
Desalination Capacity Increases and Percent Market Share by Decade



¹DesalData Forecasts; ²Energy Recovery estimates

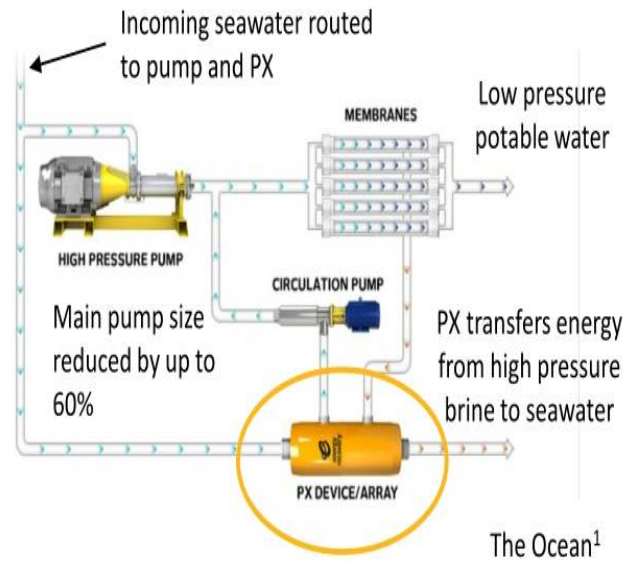
PX PRESSURE EXCHANGER RECYCLES HYDRAULIC ENERGY, REDUCES ENERGY COSTS

Without Energy Recovery Devices (ERDs)



- Energy consumption and costs made SWRO uneconomical historically
- Approx. 60% of energy wasted during SWRO prior to implementation of ERDs

With PX Pressure Exchanger



- PX lowers energy consumption by up to 60%
- Recycles energy, reduces high pressure pump size, making SWRO more economical
- PX durability lowers facility lifecycle cost

¹Ocean or other geological mass

Energy Recovery Devices

PX Pressure Exchanger



- Most widely used ERD in SWRO
- Unmatched efficiencies for desalination up to 98%
- Highest uptime in the market (99.8%)
- Designed for up to 25+ years of useful life

AT Turbocharger



- Efficiencies up to 80%
- Volute insert technology for best efficiency range
- Lower initial capital costs

OUR WATER SOLUTIONS

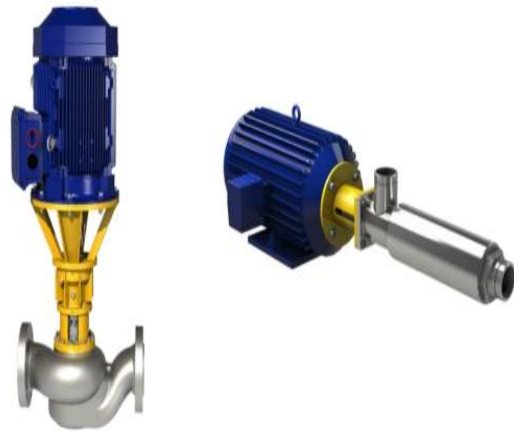
Pump Products

AquaBold High Pressure Pump



- Water lubricated bearing for long life and low maintenance
- Cast, duplex stainless-steel hydraulics for higher quality and uptime

Vertical and Horizontal Circulation Pumps



- Specialized pumps pair with PX application
- Designed for long life with low maintenance
- Reliable performance in high suction pressure operating environments

GLOBAL REACH OF ENERGY RECOVERY WATER SOLUTIONS



17M cubic
meters/day of
potable water
produced

Helps produce water
to meet daily
consumption of
>50M people

\$2.0B/year saved for
customers

>11.5M metric tons
CO₂ emissions
prevented/year –
equal to >2.4M cars

>20,000 devices
installed worldwide

Energy Recovery estimates, assumes all deployed devices are in operation



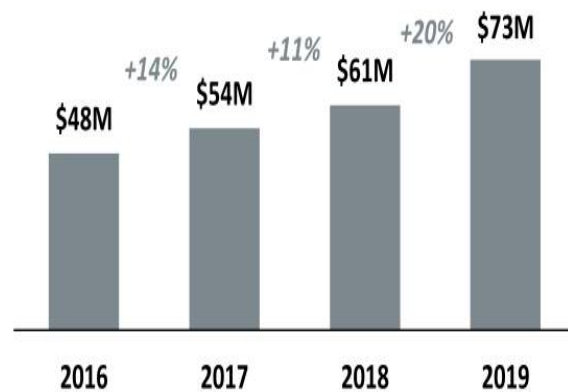
Confidential & Proprietary

OUR IP AND GLOBAL FOOTPRINT HAVE DRIVEN GROWTH AND PROFITABILITY

Global Water Demand Drives Growth

- Global demand for water continues to take on increased levels of importance
- Larger numbers of projects, in increasingly greater size, are appearing in our backlog and pipeline
- Despite continued backlog execution and record revenue, the backlog remains robust

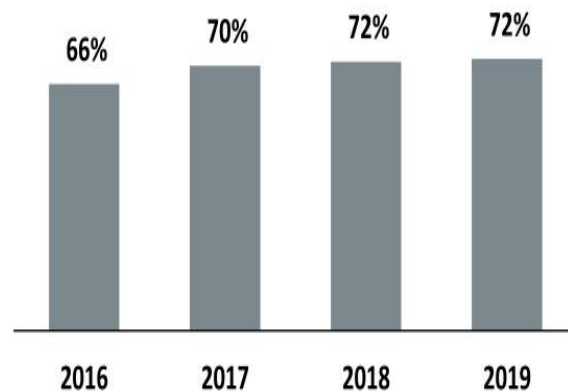
Historical Water Revenues



Extended growth cycle

- Evidence of extended cycle and upward shift in global water demand curve
- Revenue growth trend since 2014 suggests a secular water demand shift
- Entered 2020 with largest backlog ever

Historical Water Gross Margins



Exceptional margins

- Margin improvement reflects increased MPD demand

FOCUSED ON EXPANDING OUR WATER BUSINESS

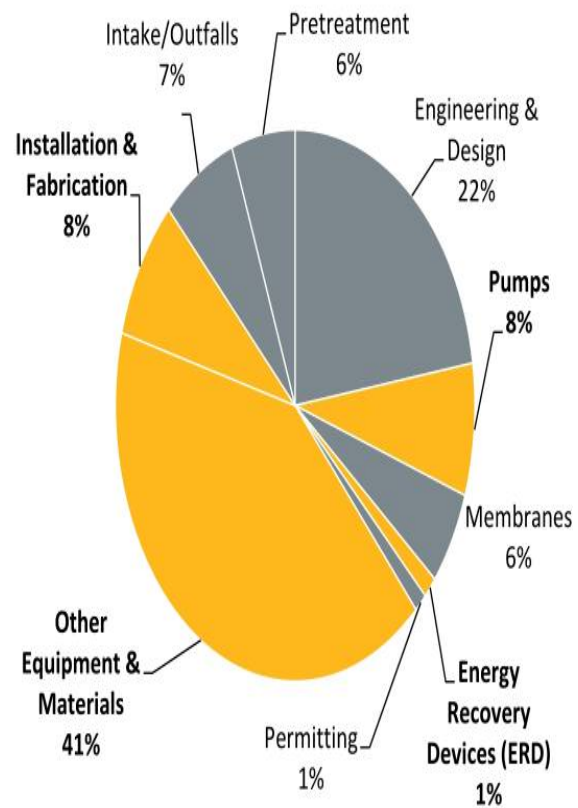
We currently focus on only 1-2% of a project's capital spend

- Energy recovery devices make up a small fraction of CAPEX and are critical to make plant operations affordable
- We have a small offering of high efficiency Pumps (<1%)
- Currently no exposure to other areas of desalination spend

Leverage our market leadership presence

- Our desalination position and distribution channel is a springboard to expand sales
- Improving our existing solutions to further increase competitive advantage
- Focused on increasing offering in pumps and packaged/engineered solutions
- Utilize demand for and recognition of our strong PX Pressure Exchanger brand

Average Desal Project Capital Spend¹



■ Energy Recovery product segments (current/potential)

Energy Recovery dominates the ERD segment and has select offerings in Pumps

¹DesalData Forecasts for 2023



Oil & Gas – Material Progress Made on Path to Commercializing VorTeq Technology



WE ARE APPLYING OUR WATER EXPERTISE TO OIL & GAS

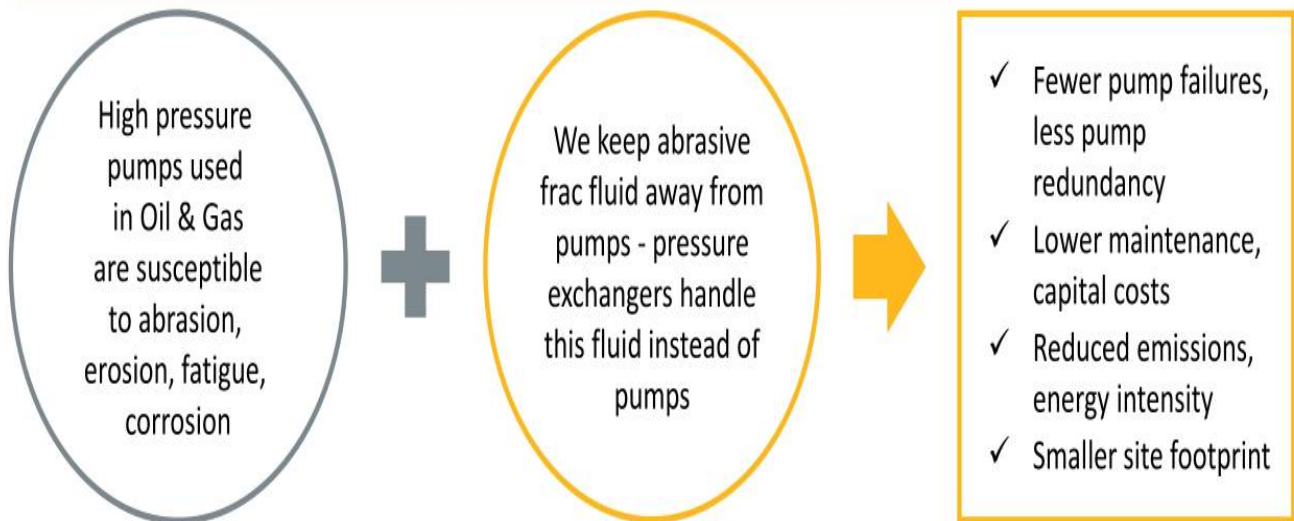
Water and Oil & Gas have similarities

- High pressure fluid-flow environments
- Potential to transfer pressure energy from a high-pressure fluid to a low-pressure fluid
- Opportunities to eliminate waste in system – increase efficiencies and decrease costs

Leveraging Water experience to develop Oil & Gas solutions

- Advanced fluid & structural mechanics, bearing performance, and material expertise of R&D
- Precision manufacturing coupled with enhanced experimental capabilities
- In-house simulation tools to model performance and results

Our Solutions Can Protect Pumps



VORTEQ AGREEMENT & COMMERCIALIZATION PATH

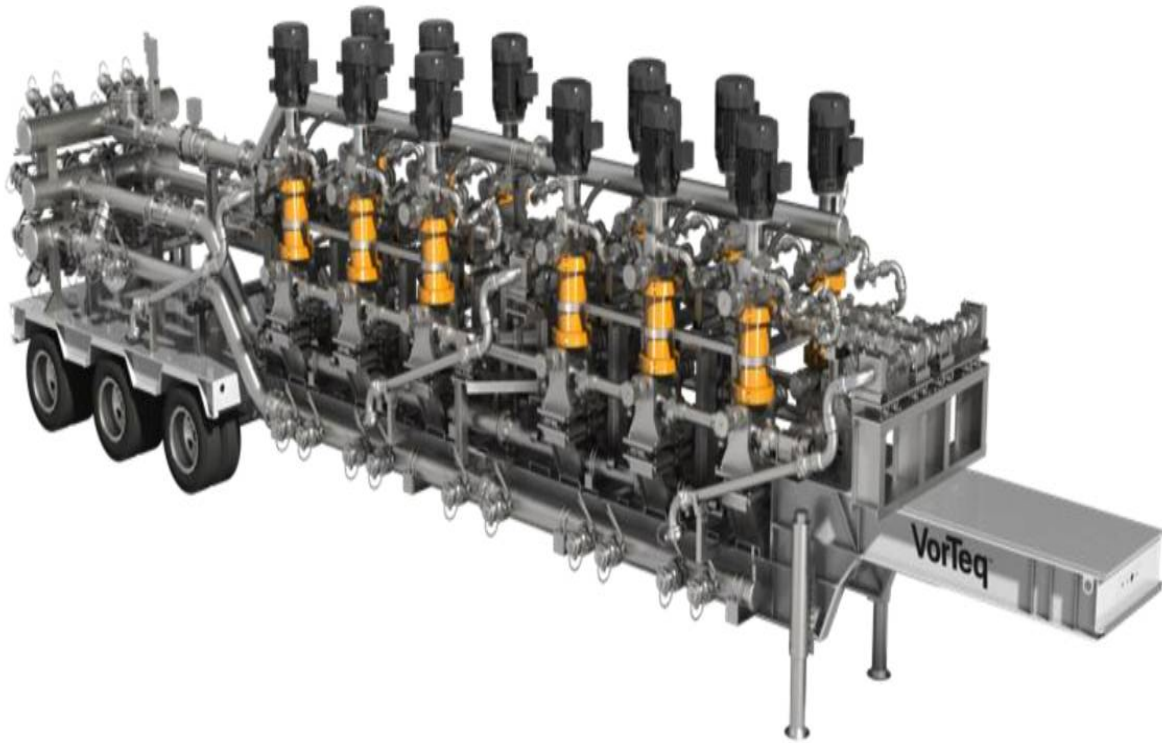
Entered into a 15-year license agreement with Schlumberger Technology Corporation

- Exclusive rights to VorTeq for on-shore hydraulic fracturing
 - Upfront **\$75M** exclusivity fee
 - Two separate **\$25M** milestone payments (for a total of **\$50M**) subject to certain KPIs
 - ✓ Milestone 1 (M1): Frac at product licensee test facility
 - ✓ Milestone 2 (M2): Frac at customer exploration & production (E&P) well
 - Commercialization Highlights:
 - ✓ \$1.5MM per VorTeq per year
 - ✓ Acceptance standards inclusive of M1 and M2, as well as other performance tests
 - ✓ Product licensee responsible for missile manufacturing; ERI provides PX Pressure Exchangers, housing and motors
 - ✓ Five years from first unit to full deployment across product licensee fleets

Liberty Oilfield Services carve-out (our early-stage test partner)

- Rights for up to 20 VorTeq units for up to 5 years
- We provide full missile and cartridges – vendors have been qualified
- Commercialization standards differ and thus speed to market may be faster
- Pricing based on contractual ROIC

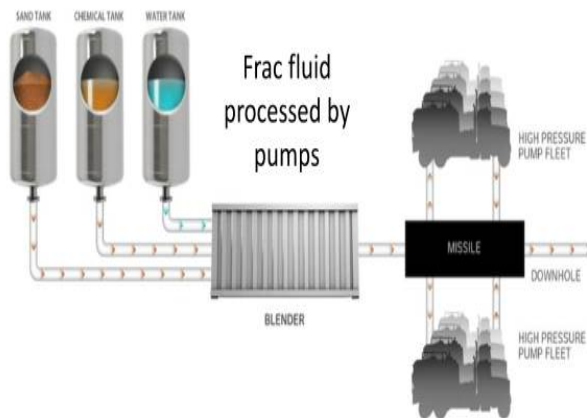
VORTEQ



- Hydraulic fracturing technology solution
 - Houses 12 pressure exchangers
 - Designed to isolate and save frac pumps
- Hydraulic fracturing technology solution
 - Houses 12 pressure exchangers
 - Designed to isolate and save frac pumps

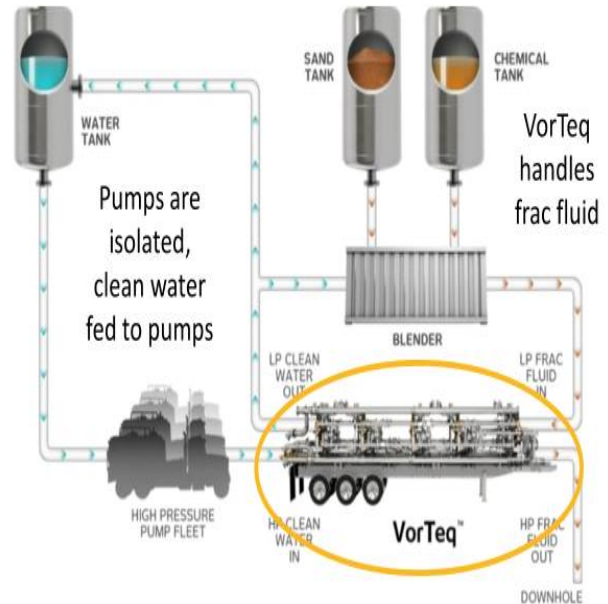
VORTEQ PROTECTS HIGH PRESSURE PUMPS, REDUCES COSTS

Status Quo



- Pumps handle frac fluid (water, chemicals and sand)
- Pumps quickly destroyed

With VorTeq



- Capital savings (\$1M - \$2M¹) – less pump redundancy = less waste
- Maintenance savings (\$3M - \$4M¹)

¹Energy Recovery Estimates – savings measured in pumps/year pumps/fleet

OUR COMMERCIAL DEVELOPMENT CENTER IS CRITICAL TO GROWTH

Rigorous VorTeq testing ongoing

- Center uses industry standard equipment to simulate pressures, flow, and operating conditions of a frac site
- Allows us to confirm system reliability and repeatability in real-world conditions

Expanded testing capabilities help accelerate the path to commercialization

- Continuous access to testing resources speeds R&D cycle from design concept to validation and implementation

An investment in the long-term success of our Oil & Gas business

- Houses advanced equipment to machine, inspect and test tungsten carbide components
- Enables rigorous testing of tungsten carbide pressure exchangers prior to field deployment
- Designed to scale up or down according to our needs





Strategic Summary



ENERGY RECOVERY – A BALANCED RISK / REWARD APPROACH

Water

Steady, Visible Growth

- Global water demand outlook remains robust in 2020 despite economic challenges globally due to COVID and falling oil prices
- Thermal to SWRO technology transition adds to potential long-term demand trends

Oil & Gas

Applying PX Expertise Beyond Water

- VorTeq – Commercial Development Center is delivering results
- Significant progress to commercialization made in 2019
- Preparations for M1 testing underway
- Ongoing search for live well test frac

Incubation

Refocus on new verticals in 2020

- Leveraging learnings from VorTeq to improve R&D and commercialization strategies
- Reorganization of teams to increase accountability and transparency
- Focus on ROI, size of potential investments and timelines
- Exploit multi-functional aspects of PX

Financially Flexible Balance Sheet

- Cash is king
- Solid net cash position provides strategic options amid global crises
- Core business is secure
- Growth remains a focus



Thank You



