

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-34112



Energy Recovery, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

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)

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

Title of each class

Trading Symbol

Name of each exchange on which registered

Common Stock, \$0.001 par value

ERII

The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934

during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of

Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an

emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth comp

any" in

Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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 n

ew or

revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of April 30, 2025, there were 54,499,225 shares of the registrant's common stock outstanding.

PART I FINANCIAL INFORMATION

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Forward-Looking Information

This Quarterly Report on Form 10-Q for the three months ended March 31, 2025, including Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (the "MD&A"), 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 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," "aims," "projects," "intends," "plans," "believes," "estimates," "seeks," "continue," "could," "may," "potential," "should," "will," "would," 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 statement. Readers are directed to risks and

uncertainties identified under Part II, Item 1A, "Risk Factors," and elsewhere in this report for factors that may cause actual results to be different from those expressed in these forward-looking statements. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statement for any reason.

Forward-looking statements in this report include, without limitation, statements about the following:

- our belief that our PX offers market-leading value with the highest technological and economic benefit;
- our belief that leveraging our pressure exchanger technology will unlock new commercial opportunities in the future;
- our belief that our PX G1300™ can contribute to help make CO₂-based refrigeration more economically viable in a broader range of climates;
- our belief that our technology helps our customer achieve environmentally sustainable operations;
- our expectation that sales outside of the U.S. will remain a significant portion of our revenue;
- the scale of the environmental impact from the use of our solutions;
- the timing of our receipt of payment for products or services from our customers;
- our belief that our existing cash and cash equivalents, our short and/or long-term investments, and the ongoing cash generated from our operations, will be sufficient to meet our anticipated liquidity needs for the foreseeable future, with the exception of a decision to enter into an acquisition and/or fund investments in our latest technology arising from rapid market adoption that could require us to seek additional equity or debt financing;
- our expectations relating to the amount and timing of recognized revenue from our projects;
- our expectation that we will continue to receive a tax benefit related to U.S. federal foreign-derived intangible income and research and development tax credit;
- the outcome of proceedings, lawsuits, disputes and claims;
- the impact of losses due to indemnification obligations;
- other factors disclosed under the MD&A and Part I, Item 3, "Quantitative and Qualitative Disclosures about Market Risk," and elsewhere in this Form 10-Q.

You should not place undue reliance on these forward-looking statements. These forward-looking statements reflect management's opinions only as of the date of the filing of this Quarterly Report on Form 10-Q. All forward-looking statements included in this document are subject to additional risks and uncertainties further discussed under Part II, Item 1A, "Risk Factors," and are based on information available to us as of May 7, 2025. We assume no obligation to update any such forward-looking statements. Certain risks and uncertainties could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are disclosed from time to time in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with, or furnished to, the Securities and Exchange Commission (the "SEC"), as well as in Part II, Item 1A, "Risk Factors," within this Quarterly Report on Form 10-Q.

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It is important to note that our actual results could differ materially from the results set forth or implied by our forward-looking statements. The factors that could cause our actual results to differ from those included in such forward-looking statements are set forth under the heading Item 1A, "Risk Factors," in our Quarterly Reports on Form 10-Q, in our Annual Reports on Form 10-K, and from time-to-time, in our results disclosed in our Current Reports on Form 8-K. In addition, when preparing the MD&A below, we presume the readers have access to and have read the MD&A in our Annual Report on Form 10-K, pursuant to Instruction 2 to paragraph (b) of Item 303 of Regulation S-K.

We provide our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, Forms 3, 4 and 5 filed by, or on behalf of, directors, executive officers and certain large shareholders, and any amendments to those documents filed or furnished pursuant to the Securities Exchange Act of 1934, free of charge on the Investor Relations section of our website, www.energyrecovery.com. These filings will become available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. From time to time, we may use our website as a channel of distribution of material company information.

We also make available in the Investor Relations section of our website our corporate governance documents including our code of business conduct and ethics and the charters of the audit, compensation and nominating and governance committees. These documents, as well as the information on the website, are not intended to be part of this Quarterly Report on Form 10-Q. We use the Investor Relations section of our website as a means of complying with our disclosure obligations under Regulation FD. Accordingly, you should monitor the Investor Relations section of our website in addition to following our press releases, SEC filings and public conference calls and webcasts.

PART I — FINANCIAL INFORMATION

Item 1 — Financial Statements (unaudited)

ENERGY RECOVERY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2025 December 31, 2024

(In thousands)

ASSETS			
Current assets:			
Cash and cash equivalents	\$	49,137	\$ 29,627
Short-term investments		34,408	48,392
Accounts receivable, net		32,389	64,066
Inventories, net		32,410	24,906
Prepaid expenses and other assets		6,248	6,665
		154,682	173,656

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ENERGY RECOVERY, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended March 31,

2025 2024

(In thousands, except per share data)

Revenue	\$	8,065	\$ 12,090
Cost of revenue		3,607	4,955
Gross profit		4,458	7,135

Operating expenses:

General and administrative		8,574	7,566
Sales and marketing		4,906	6,152
Research and development		3,001	4,351
Restructuring charges		539	—
Total operating expenses		17,020	18,069
Loss from operations		(12,562)	(10,934)

Other income (expense):

Interest income		1,073	1,442
Other non-operating income (expense), net		6	(53)
Total other income, net		1,079	1,389
Loss before income taxes		(11,483)	(9,545)
Benefit from income taxes		(1,603)	(1,285)
Net loss	\$	(9,880)	\$ (8,260)

Net loss per share:

Basic	\$	(0.18)	\$ (0.14)
Diluted	\$	(0.18)	\$ (0.14)

Number of shares used in per share calculations:

Basic and diluted		54,902	57,102
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See Accompanying Notes to Condensed Consolidated Financial Statements

ENERGY RECOVERY, INC.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

Three Months Ended March 31,

2025 **2024***(In thousands)*

Net loss	\$	(9,88	\$	(8,26
	0)		0)	
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	)	(16	)	28
Unrealized loss on investments	)	(7	)	(44
	)	(23	)	(16
Total other comprehensive loss, net of tax))	
Comprehensive loss	\$	(9,90	\$	(8,27
	3)		6)	

See Accompanying Notes to Condensed Consolidated Financial Statements

ENERGY RECOVERY, INC.**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In thousands, except shares)

	2025	2024
Common stock		
Beginning balance	\$ 66	\$
Issuance of common stock, net	1	
Ending balance	67	
Additional paid-in capital		
Beginning balance	0	235,017
Issuance of common stock, net	615	0
Stock-based compensation	5	1,925
Ending balance	0	237,552
Accumulated other comprehensive income (loss)		
Beginning balance		98
Other comprehensive loss)
Foreign currency translation adjustments		(16
Unrealized loss on investments		) (7
Total other comprehensive loss, net		) (23
Ending balance		) 75
Treasury stock		
Beginning balance	0)	(130,876)
Common stock repurchased	5)	(4,53
Ending balance	5)	(135,406)
Retained earnings		
Beginning balance	6	105,706
Net loss	0)	(9,880)
Ending balance	6	95,826
Total stockholders' equity		
	\$ 3	\$ 198,117
Common stock issued (shares)		
Beginning balance	6	66,182,909
Issuance of common stock, net	6	350,145
Ending balance	2	66,533,054
Treasury stock (shares)		
Beginning balance	5	11,397,042
Common stock repurchased	5	279,29
Ending balance	0	11,676,340

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ENERGY RECOVERY, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,			
	2025		2024	
	<i>(In thousands)</i>			
Cash flows from operating activities:				
Net loss	\$	(9,880)	\$	(8,260)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation		3	1,963	3,289
Depreciation and amortization			962	1,029
Right of use asset amortization			464	431
Accretion (amortization) of discounts (premiums) on investments			(231)	(231)
Deferred income taxes		1)	(1,648)	(1,328)
Impairment of long-lived assets			353	—
Other non-cash adjustments			21	116
Changes in operating assets and liabilities:				
Accounts receivable, net		7	31,672	21,882
Contract assets			378	—
Inventories, net		5)	(7,643)	(5,723)
Prepaid and other assets		)	(37)	(545)
Accounts payable			176	1,140
Accrued expenses and other liabilities		2)	(6,719)	(7,589)
Contract liabilities			830	2,292
Net cash provided by operating activities		8	10,677	6,497
Cash flows from investing activities:				
Maturities of marketable securities		4	27,224	16,534
Purchases of marketable securities		9)	(14,363)	(20,783)
Capital expenditures		)	(191)	(824)
Proceeds from sales of fixed assets			10	87
Net cash provided by (used in) investing activities		4	12,676	(4,986)

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ENERGY RECOVERY, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 — Description of Business and Significant Accounting Policies

Energy Recovery, Inc. and its wholly-owned subsidiaries (the “Company” or “Energy Recovery”) designs and manufactures reliable, high-performance solutions that generate cost savings by increasing energy efficiency and reducing carbon emissions across several industries. Leveraging the Company’s pressure exchanger technology, which generates little to no emissions when operating, the Company

believes its solutions lower costs, save energy, reduce waste, and minimize emissions for companies across a variety of commercial and industrial processes. As the world coalesces around the urgent need to address climate change and its impacts, the Company is helping companies reduce their energy consumption in their industrial processes, which in turn, reduces their carbon footprint. The Company believes that its customers do not have to sacrifice quality and cost savings for sustainability and the Company is committed to developing solutions that drive long-term value – both financial and environmental. The Company’s solutions are marketed, sold in, and developed for

the fluid-flow and gas markets, such as seawater and wastewater desalination, natural gas, chemical processing and CO₂-based refrigeration

systems, under the trademarks ERI[®], PX[®], Pressure Exchanger[®], PX[®] Pressure Exchanger[®] (“PX”), Ultra PX[™], PX G[™], PX G1300[®], PX PowerTrain[™], AT[™], and Aquabold[™]. The Company owns, manufactures and/or develops its solutions, in whole or in part, in the United States of America (the “U.S.”).

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Energy Recovery, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying Condensed Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in the financial statements

prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The December 31, 2024 Condensed Consolidated Balance Sheet was derived from audited financial statements and may

not include all disclosures required by GAAP; however, the Company believes that the disclosures are adequate to make the information presented not misleading.

The March 31, 2025 unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto for the fiscal year ended December 31, 2024 included in the Company’s Annual Report on Form 10-K filed with the SEC on February 26, 2025 (the “2024 Annual Report”).

The results of operations for the interim periods are not necessarily indicative of the operating results for the full fiscal year or any future periods.

ENERGY RECOVERY, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Use of Estimates

The preparation of Condensed Consolidated Financial Statements, in conformity with GAAP, requires the Company's management to make judgments, assumptions and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes.

The accounting policies that reflect the Company's significant estimates and judgments and that the Company believes are the most critical to aid in fully understanding and evaluating its reported financial results are revenue recognition; stock-based compensation expense; equipment useful life and valuation; goodwill valuation and impairment; inventory valuation and allowances, deferred taxes and valuation allowances on deferred tax assets; and evaluation and measurement of contingencies. Those estimates could change, and as a result, actual results could differ materially from those estimates.

The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of May 7, 2025, the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change, as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions. The Company undertakes no obligation to publicly update these estimates for any reason after the date of this Quarterly Report on Form 10-Q, except as required by law.

Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies in Note 1, "Description of Business and Significant Accounting Policies - Significant Accounting Policies," of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data," of the 2024 Annual Report. See Note 12, "Stock-Based Compensation - Performance Restricted Stock Units" for further discussion regarding the Company's Performance Restricted Stock Units ("PRSUs") issued during the three months ended March 31, 2025.

Recently Issued Accounting Pronouncement Not Yet Adopted

There have been no issued accounting pronouncements that have not yet been adopted during the three months ended March 31, 2025 that apply to the Company other than the pronouncements disclosed in Note 1, "Description of Business and Significant Accounting Policies - Recently Issued Accounting Pronouncement Not Yet Adopted," of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data," of the 2024 Annual Report.

ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 2 — Revenue

Disaggregation of Revenue

The following table presents the disaggregated revenues by segment, and within each segment, by geographical market based on the customer “shipped to” address, and by channel customers. Sales and usage-based taxes are excluded from revenues. See Note 9, “Segment Reporting,” for further discussion related to the Company’s segments.

	Three Months Ended Mar	
	Water	Emerging Technologies
(In thousands)		
Geographical market		
Asia ¹	\$ 3,438	\$ —
Middle East and Africa	0	1
Europe	5	—
Americas	671	—
Total revenue	\$ 4,806	\$ 1
Channel		
Aftermarket	\$ 4,027	\$ 1
Original equipment manufacturer	1	—
Megaproject	36	—
Total revenue	\$ 4,806	\$ 1

¹ Within the Asia market, India represented revenue of \$1,456, or 18% of total revenue during the three months ended March 31, 2025.

Contract Balances

The following table presents contract balances by category.

	March 31, 2025	December 31, 2024
(In thousands)		
Accounts receivable, net	\$ 32,389	\$ 64,066
Contract assets, current (included in prepaid expenses and other assets)	\$ 2,398	\$ 2,776
Contract liabilities:		
Contract liabilities, current	\$ 1,401	\$ 571
Total contract liabilities	\$ 1,401	\$ 571

ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Contract Liabilities

The Company records contract liabilities, which consist of customer deposits and deferred revenue, when cash payments are received in advance of the Company's performance. The following table presents the change in contract liability balances during the reported periods.

	March 31, 2025	December 31, 2024
<i>(In thousands)</i>		
Contract liabilities, beginning of year	\$ 57	\$ 1,187
Revenue recognized	(34)	(1,085)
Cash received, excluding amounts recognized as revenue during the period	864	469
Contract liabilities, end of period	\$ 1,401	\$ 571

Remaining Performance Obligations

As of March 31, 2025, the following table presents the revenue that is expected to be recognized related to performance obligations that are unsatisfied or partially unsatisfied.

Period	Remaining Performance Obligations
<i>(In thousands)</i>	
2025 (remaining nine months)	\$ 5,101
2026	3,418
Total	\$ 8,519

ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 3 — Net Loss Per Share

Net loss for the reported period is divided by the weighted average number of basic and diluted common shares outstanding during the reported period to calculate the basic and diluted net loss per share, respectively. Outstanding stock options to purchase common shares, unvested restricted stock units ("RSUs"), and unvested performance restricted stock units ("PRSUs") are collectively referred to as "equity awards."

• *Basic net loss per share* is computed using the weighted average number of common shares outstanding during the period.

• *Diluted net loss per share* is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Any anti-dilutive effect of equity awards outstanding is not

included in the computation of diluted net loss per share.
The following table presents the computation of basic and diluted net loss per share.

	Three Months Ended Mar	
	2025	2024
<i>(In thousands, except per share amounts)</i>		
Numerator		
Net loss	\$ (9,880)	\$ (0)
Denominator (weighted average shares)		
Basic and dilutive common shares outstanding	2	54,902
Net loss per share		
Basic	\$ (8)	\$ (0.14)
Diluted	\$ (8)	\$ (0.14)

The following table presents the equity awards that are excluded from diluted net loss per share because their effect would have been anti-dilutive.

	Three Months Ended March 31,	
	2025	2024
<i>(In thousands)</i>		
Anti-dilutive equity award shares	2,806	3,286

ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 4 — Other Financial Information

Cash, Cash Equivalents and Restricted Cash

The Condensed Consolidated Statements of Cash Flows explain the changes in the total of cash, cash equivalents and restricted cash, such as cash amounts deposited in restricted cash accounts in connection with the Company's credit cards. The following table presents a reconciliation of cash, cash equivalents and restricted cash, reported for each period within the Condensed Consolidated Balance

Sheets and the Condensed Consolidated Statements of Cash Flows that sum to the total of such amounts.

	March 31, 2025	December 31, 2024
<i>(In thousands)</i>		
Cash and cash equivalents	\$ 49,137	\$ 29,627
Restricted cash, non-current (included in other assets, non-current)	131	130
Total cash, cash equivalents and restricted cash	\$ 49,268	\$ 29,757

Accounts Receivable, net

	March 31, 2025	December 31, 2024
	<i>(In thousands)</i>	
Accounts receivable, gross	\$ 32,610	\$ 64,287
Allowance for doubtful accounts	(221)	(221)
Accounts receivable, net	\$ 32,389	\$ 64,066

Inventories, net

Inventory amounts are stated at the lower of cost or net realizable value, using the first-in, first-out method.

	March 31, 2025	December 31, 2024
	<i>(In thousands)</i>	
Raw materials	\$ 9,644	\$ 8,829
Work in process	8,054	6,417
Finished goods	15,582	10,463
Inventories, gross	33,280	25,709
Valuation adjustments for excess and obsolete inventory	(870)	(803)
Inventories, net	\$ 32,410	\$ 24,906

Accrued Expenses and Other Liabilities

	March 31, 2025	December 31, 2024
	<i>(In thousands)</i>	
Accrued expenses and other liabilities, current		
Payroll, incentives and commissions payable	\$ 4,932	\$ 10,179
Warranty reserve	1,002	1,090
Restructuring accrual	1,029	2,476
Income taxes payable	958	947
Other accrued expenses and other liabilities	3,351	3,036
Total accrued expenses and other liabilities	11,272	17,728
Other liabilities, non-current	96	57
Total accrued expenses, and current and non-current other liabilities	\$ 11,368	\$ 17,785

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ENERGY RECOVERY, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Restructuring

During the fourth quarter of fiscal year 2024, the Company implemented a restructuring plan which included reductions in its workforce in all functions of the organization, primarily in its San Leandro location, in order to lower the Company's operating cost structure,

and to position the Company for profitable growth. The Company recorded a restructuring charge of approximately \$3.0 million. This charge relates to severance and benefits, including reemployment assistance, for 38 terminated employees, which was approximately 15% of the Company's workforce. The implementation of the restructuring plan was substantially complete by the end of the first quarter of fiscal year 2025 and the Company does not expect to incur significant additional expenses related to the restructuring. All expenses associated with the

Company's restructuring plan are included in "Restructuring charges" in the Condensed Consolidated Statements of Operations.

	Segment		Corporate	Total Expense	
	Water	Emerging Technology			
	<i>(In thousands)</i>				
Amount recognized in 2024	7	1,14	832	497	2,476
Amount recognized in 2025		210	123	206	539
Total restructuring expenses recognized	\$ 7	\$ 1,35	\$ 95	\$ 70	\$ 3,015

The following table presents the change in the Company's restructuring accrual balances during the reported period:

	Severance and Benefits
	<i>(In thousands)</i>
Balance, as of December 31, 2024	\$ 2,476
Restructuring provision	539
Cash paid	(1,986)
Balance, as of March 31, 2025	\$ 99

ENERGY RECOVERY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5 — Investments and Fair Value Measurements

Fair Value of Financial Instruments

The following table presents the Company's financial assets measured on a recurring basis by contractual maturity, including pricing category, amortized cost, gross unrealized gains and losses, and fair value. As of March 31, 2025 and December 31, 2024, the Company had no financial liabilities and no Level 3 financial assets.

	Pricing Category	March 31, 2025				December 31, 2024			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>									
Cash equivalents									
Money market securities	Level 1	\$ 5,560	\$ —	\$ —	\$ 5,560	\$ 2,580	\$ —	\$ —	\$ 2,580
U.S. treasury securities	Level 2	8	5,49	—	8	5,49	—	—	—
Total cash equivalents		8	11,05	—	8	11,05	0	2,58	0
Short-term investments									
U.S. treasury securities	Level 2	0	17,38	17	7	17,39	20,30	42	5
Corporate notes and bonds	Level 2	0	16,97	41	1	17,01	27,99	52	7
Total short-term investments		0	34,35	58	8	34,40	48,29	94	2
Long-term investments									
U.S. treasury securities	Level 2	0	3,51	13	3	3,52	999	1	0
Corporate notes and bonds	Level 2	8	14,59	66	4	14,66	18,98	65	(13)
Municipal and agency notes and bonds	Level 2	9	4,99	—	8	4,99	1,79	—	(2)
Total long-term investments		7	23,10	79	5	23,18	21,78	66	(15)
Total short and long-term investments		7	57,45	137	3	57,59	70,07	160	(15)
Total		\$ 5	\$ 68,51	\$ 13	\$ 1	\$ 68,65	\$ 72,65	\$ 16	\$ (15)
		7	4	7	1	9	0	4	4

The following table presents a summary of the fair value and gross unrealized losses on the available-for-sale securities that have been in a continuous unrealized loss position, aggregated by type of investment instrument. The available-for-sale securities that were in an unrealized gain position have been excluded from the table.

	March 31, 2025		December 31, 2024	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(In thousands)</i>				
Corporate notes and bonds	—	—	9	7,56
Municipal and agency notes and bonds	3,99	(1	7	1,79
Total available-for-sale investments with unrealized loss positions	\$ 7	\$ 3,99)	\$ (1	\$ 7 9,36)
			6	(15

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ENERGY RECOVERY, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 6 — Lines of Credit

Credit Agreement

The Company entered into a credit agreement with JPMorgan Chase Bank, N.A. (“JPMC”) on December 22, 2021 (as amended, the “Credit Agreement”). The Credit Agreement, which will expire on December 21, 2026, provides a committed revolving credit line of \$50.0 million and includes both a revolving loan and a letters of credit (“LCs”) component.

Under the Credit Agreement, as of March 31, 2025, there were no revolving loans outstanding. In addition, under the LCs component, the Company utilized \$15.7 million of the maximum allowable credit line of \$30.0 million, which includes newly issued LCs and previously issued and unexpired stand-by letters of credit (“SBLCs”).

Letters of Credit

The following table presents the total outstanding LCs and SBLCs issued by the Company to its customers related to product warranty and performance guarantees.

	March 31,	December 31,
	2025	2024
<i>(In thousands)</i>		
Outstanding letters of credit	\$ 15,675	\$ 15,708

ENERGY RECOVERY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 7 — Commitments and Contingencies

Sublease

On March 10, 2025, the Company entered into an agreement to sublease its Katy, Texas operating lease. The sublease commenced on March 10, 2025 and will expire on December 31, 2029. The sublease is classified as an operating lease and has a remaining lease term

of 4.75 years as of March 31, 2025. Sublease income was immaterial during the three months ended March 31, 2025 and is recorded as a reduction of lease expense in general and administrative within the Company's Condensed Consolidated Statements of Operations.

The Company considered the sublease to be an indicator of impairment of the original lease. The Company compared the undiscounted cash flows from the sublease to the carrying value of the Katy, Texas operating lease, which included the associated right-of-use asset and leasehold improvements. The Company concluded that the carrying value was not recoverable as it exceeded the estimated

undiscounted cash flows.

The Company calculated the impairment charge by comparing the carrying value of the Katy, Texas operating lease to its fair value, which was calculated based on the net discounted cash flows associated with the sublease. The Company recorded a total impairment charge of \$0.4 million, of which \$0.2 million and \$0.2 million was recorded against the right-of-use asset and the associated leasehold improvements, respectively. The allocation of the impairment charge was based on the relative carrying value of the assets. The impairment

charge was recorded in general and administrative within the Company's Condensed Consolidated Statements of Operations.

Litigation

From time-to-time, the Company has been named in and subject to various proceedings and claims in connection with its business.

The Company may in the future become involved in litigation in the ordinary course of business, including litigation that could be material to

its business. The Company considers all claims, if any, on a quarterly basis and, based on known facts, assesses whether potential losses

are considered reasonably possible, probable and estimable. Based upon this assessment, the Company then evaluates disclosure requirements and whether to accrue for such claims in its consolidated financial statements. The Company records a provision for a liability

when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and are adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. As of March 31, 2025, the Company was not involved in any lawsuits, legal proceedings or claims that would have a material effect on the Company's financial position, results of operations, or cash flows. Therefore,

there were no material losses which were probable or reasonably possible.

ENERGY RECOVERY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 8 — Income Taxes

(In thousands, except percentages)

	Three Months Ended March 31,	
	2025	2024
Benefit from income taxes	\$ (1,603)	\$ (1,285)
Discrete items	52	76
Benefit from income taxes, excluding discrete items	<u>\$ (1,551)</u>	<u>\$ (1,209)</u>
Effective tax rate	14.0%	13.5%
Effective tax rate, excluding discrete items	13.5%	12.7%

The Company's interim period tax benefit from income taxes is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The Company's quarterly tax

provision and estimate of its annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting its pre-tax income or loss and the mix of jurisdictions to which they relate, the applicability of special tax regimes, and changes in how the Company does business.

For the three months ended March 31, 2025, the recognized benefit from income taxes resulted from the tax projection based on the full year forecasted profit and included benefits related to the U.S. federal foreign-derived intangible income ("FDII"), federal research and development ("R&D") tax credit, certain permanent differences, such as stock-based compensation shortfalls, and partial release of California valuation allowance.

For the three months ended March 31, 2024, the recognized benefit from income taxes resulted from the loss for the quarter and included benefits related to the U.S. FDII and federal R&D tax credit, partially offset by certain permanent differences, such as share-based

compensation.

The effective tax rate excluding discrete items for the three months ended March 31, 2025, as compared to the prior year, differed primarily due to lower projected R&D tax credits, increased non-deductible officer stock-based compensation, and lower projected U.S. FDII benefits.

ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 9 — Segment Reporting

The Company's Chief Operating Decision-Maker ("CODM") is its President and Chief Executive Officer. The Company continues to monitor and review its segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact its reportable segments.

The following table presents a summary of the Company's financial information by segment, including significant segment expenses, and corporate operating expenses.

Three Months Ended March 31, 2025

	Water	Emerging Technologies	Corporate	Total
<i>(In thousands)</i>				
Revenue	\$ 4	8,06	\$ 1	\$ —
Cost of revenue		3,561	46	—
Gross profit (loss)		4,503	(45)	—
Operating expenses				
General and administrative		1,573	755	6,246
Sales and marketing		3,145	1,270	491
Research and development		1,178	1,823	—
Restructuring charges		210	123	206
Total operating expenses		6,106	3,971	6,943
Operating income (loss)	\$ (3)	(1,60)	\$ (6)	\$ (3)
				\$ (2)

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ENERGY RECOVERY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 10 — Concentrations

Customer Revenue Concentration

The following table presents the customers that account for 10% or more of the Company's revenue and their related segment for each of the periods presented. Although certain customers might account for greater than 10% of the Company's revenue at any one point in time, the concentration of revenue between a limited number of customers shifts regularly, depending on when revenue is recognized. The

percentages by customer reflect specific relationships or contracts that would concentrate revenue for the periods presented and do not indicate a trend specific to any one customer.

	Segment	Three Months Ended March 31,	
		2025	2024
Customer A	Water	12%	**
Customer B	Water	**	18%
Customer C	Water	**	13%

** Zero or less than 10%.

ENERGY RECOVERY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 11 — Stockholders' Equity
Share Repurchase Program

The Company's Board, from time-to-time, has authorized a share repurchase program under which the Company may, at the discretion of management, repurchase its outstanding common stock in the open market, or in privately negotiated transactions, in compliance with applicable state and federal securities laws. The timing and amounts of any purchase under the Company's share repurchase program is based on market conditions and other factors including price, regulatory requirements, and capital availability. The Company accounts for stock repurchases under these programs using the cost method. As of March 31, 2025, the Company has repurchased 11.7 million shares of its common stock at an aggregate cost of \$135.0 million under all share repurchase programs.

February 2025 Authorization

On February 26, 2025, the Company announced that the Board authorized a share repurchase program under which the Company may repurchase its outstanding common stock, at the discretion of management, for up to \$30.0 million in aggregate cost, which included both the share value of the acquired common stock and the fees charged in connection with acquiring the common stock (the "February 2025 Authorization"). The February 2025 Authorization will expire in February 2026.

The following table presents the share repurchase activities under the February 2025 Authorization as of March 31, 2025.

	Number of Shares Purchased	Average Price Paid per Share ⁽¹⁾	Plan Activity
			<i>(In millions)</i>
February 2025 Authorization			\$ 30.0
Repurchases under February 2025 Authorization	279,295	\$16.07	) (4.5
Remaining amount under February 2025 Authorization			\$ 25.5

⁽¹⁾ Excluding commissions

ENERGY RECOVERY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 12 — Stock-based Compensation

Performance Restricted Stock Units

On January 23, 2025, the Compensation Committee of the Board adopted a new form of PRSU award agreement under the 2020 Equity Incentive Plan (the "2020 Plan"), to among other things, define the terms of the performance metrics and performance period for such PRSUs. During the three months ended March 31, 2025, the Company granted 287,298 PRSUs. PRSUs outstanding at March 31, 2025 generally vest over 3 years and are dependent upon continued employment and meeting certain cumulative revenue and cumulative adjusted EBITDA targets. Adjusted EBITDA is a non-GAAP financial measure that the Company defines as net loss which excludes i) depreciation and amortization; ii) stock-based compensation; iii) executive transition costs; iv) restructuring charges; v) impairment of long-lived assets; vi) other income, net, such as interest income and other non-operating income (expense), net; and vii) benefit from income taxes. As PRSUs vest, the units will be settled in shares of common stock. The number of potential shares issued based on PRSUs granted during the three months ended March 31, 2025 is dependent on the level of achievement of the performance targets discussed above, which ranges from 0 shares to up to 863,298 shares of common stock. The units are valued based on the Company's market price on the date of grant. As of March 31, 2025, no expense has been recognized in relation to the PRSUs as the performance conditions are not considered probable.

Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Energy Recovery, Inc. (the “Company”, “Energy Recovery”, “we”, “our” and “us”) designs and manufactures solutions that make industrial processes more efficient and sustainable. Leveraging our pressure exchanger technology, which generates little to no emissions

when operating, we believe our solutions lower costs, save energy, reduce waste, and minimize emissions for companies across a variety of commercial and industrial processes. As the world coalesces around the urgent need to address climate change and its impacts, we are helping companies reduce their energy consumption in their industrial processes, which in turn, reduces their carbon footprint. We believe that our customers do not have to sacrifice quality and cost savings for sustainability and we are committed to developing solutions that drive long-term value – both financial and environmental.

The original product application of our technology, the PX[®] Pressure Exchanger[®] (“PX”) energy recovery device, was a major contributor to the advancement of seawater reverse osmosis desalination (“SWRO”), significantly lowering the energy intensity and cost of water production globally from SWRO. Our pressure exchanger technology is being applied to the wastewater filtration market, such as battery manufacturers, mining operations, municipalities, and other manufacturing plants that discharge wastewater with significant levels of

metals and pollutants, and has also been applied to the development of our PX G1300[®] for use in the CO₂ market.

Engineering, and research and development (“R&D”), have been, and remain, an essential part of our history, culture and corporate strategy. Since our formation, we have developed leading technology and engineering expertise through the continual evolution of our pressure exchanger technology, which can enhance environmental sustainability and improve productivity by reducing waste and energy consumption in high-pressure industrial fluid-flow systems. This versatile technology works as a platform to build product applications and is at the heart of many of our products. In addition, we have engineered and developed ancillary devices, such as our hydraulic turbocharger and circulation “booster” pumps, that complement our energy recovery devices.

Segments

Our reportable operating segments consist of the water and emerging technologies segments. These segments are based on the industries in which the technology solutions are sold, the type of energy recovery device or other technology sold and the related solution and service or, in the case of emerging technologies, where revenues from new and/or potential devices utilizing our pressure exchanger technology can be brought to market. Other factors for determining the reportable operating segments include the manner in which our Chief Operating Decision Maker (“CODM”), our President and Chief Executive Officer, evaluates our performance combined with the nature of the individual business activities. In addition, our corporate operating expenses include expenditures in support of the water and emerging technologies segments. We continue to monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments.

Results of Operations

A discussion regarding our financial condition and results of operations for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, is presented below.

Revenue

As a significant portion of our revenue is derived from large project contract deliveries that are between 16 to 36 months from contract date, variability in revenue from quarter to quarter is typical, therefore year-on-year comparisons are not necessarily indicative of the trend for the full year due to these variations. There is no specific seasonality in our revenues to highlight.

Revenue by Channel Customers

	Three Months Ended March 31,				Change
	2025		2024		
	Revenue	% of Revenue	Revenue	% of Revenue	
<i>(In thousands, except percentages)</i>					
Aftermarket	\$ 8	4,02 50%	\$ 4	4,64 38%	\$ (61 (13%) 6)
Original equipment manufacturer	1	4,00 50%	6	3,34 28%	655 20%
Megaproject		36 —%	0	4,10 34%	(4,06 (99%) 4)
Total revenue	\$ 5	8,06 100%	\$ 0	12,09 100%	\$ (4,02 (33%) 5)

Revenue Attributable to Primary Geographical Markets by Segments

	Three Months Ended March 31,					
	2025			2024		
	Water	Emerging Technologies	Total	Water	Emerging Technologies	Total
<i>(In thousands)</i>						
Asia ¹	\$ 8	3,43	\$ —	\$ 8	3,43	\$ 9
Middle East and Africa	0	2,88	1	1	2,88	5
Europe	5	1,07	—	5	1,07	6
Americas		671	—		671	9
Total revenue	\$ 4	8,06	\$ 1	\$ 5	8,06	\$ 9
					12,08	\$ 0
						1 \$ 12,09

¹ Within the Asia market, India represented revenue of \$1,456, or 18% of total revenue during the three months ended March 31, 2025 *Three months ended March 31, 2025, as compared to the three months ended March 31, 2024*. The decrease in megaproject ("MPD") revenue of \$4.1 million was due primarily to lower shipments to the Middle East and Africa ("MEA") and Americas as compared to the three months ended March 31, 2024. The increase in original equipment manufacturer ("OEM") revenue of \$0.7 million was primarily due to higher shipments to the Asia and MEA markets, partially offset by lower shipments to the Americas and Europe markets. The decrease in aftermarket ("AM") revenue of \$0.6 million was due primarily to lower shipments to the America markets, partially offset by higher shipments to the Asia market.

Concentration of Revenue

See Note 10, "Concentrations," of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1, "Financial Statements (unaudited)," of this Quarterly Report on Form 10-Q (the "Notes") for further discussion regarding our concentration of revenue.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue. Cost of revenue consists primarily of raw materials, personnel costs (including stock-based compensation), manufacturing overhead, warranty costs, and depreciation expense.

	Three Months Ended March 31,		
	2025	2024	Change
<i>(In thousands, except percentage and basis point)</i>			
Gross profit	\$ 4,458	\$ 7,135	\$ (2,677)
Gross margin	55.3 %	59.0 %	(370) b ps

The decrease in gross profit and gross margin for the three months ended March 31, 2025, as compared to the prior year, was due primarily to lower sales volume spread over fixed costs during the three months ended March 31, 2025.

Operating Expenses

The total material changes of general and administrative ("G&A"), sales and marketing ("S&M") and research and development ("R&D") operating expenses for the three months ended March 31, 2025, as compared to the comparable period in the prior year, are discussed within the following overall operating expenditures, and the segment and corporate operating expenses discussions below.

Three Months Ended March 31,

	2025				2024						
	Water	Emerging Technologies	Corporate	Total	Water	Emerging Technologies	Corporate	Total			
<i>(In thousands)</i>											
General and administrative	\$ 3	\$ 1,575	\$ 756	\$ 6,244	\$ 8,572	\$ 1,928	\$ 1,016	\$ 4,626	\$ 7,566		
Sales and marketing	5	3,140	1,270	491	6	4,905	3,747	1,807	600	2	6,152
Research and development	8	1,173	1,823	—	1	3,000	1,100	3,251	—	1	4,351
Restructuring charges		210	123	206	539	—	—	—	—	—	—
Total operating expenses	\$ 6	\$ 6,101	\$ 3,973	\$ 6,940	\$ 17,027	\$ 6,766	\$ 6,076	\$ 5,226	\$ 18,069		

Three months ended March 31, 2025, as compared to the three months ended March 31, 2024

Overall Operating Expenditures. Overall operating expenditures decreased by \$1.0 million, or (5.8%). This decrease was due primarily to a decrease in employee costs, such as employee compensation and stock-based compensation, partially offset by restructuring charges, and an increase in consulting costs. Changes in non-employee costs included:

- G&A: higher consulting costs related to the enhancement of our corporate strategy as well as \$0.4 million of impairment costs associated with the sublease of our Katy, Texas lease.

- R&D: lower Emerging Technologies segment development costs.

Water Segment. Water segment operating expenses decreased by \$0.7 million, or (9.8%). This decrease was due primarily to lower employee costs, including commission costs and stock-based compensation costs.

Emerging Technologies Segment. Emerging Technologies operating expenses decreased by \$2.1 million, or (34.6%). This decrease was due primarily to lower development costs and lower employee costs, primarily related to stock-based compensation.

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Corporate Operating Expenses. Corporate operating expenses increased by \$1.7 million, or 32.9%. This increase was due primarily to increases in consulting, restructuring, and recruiting costs, as well as impairment costs associated with the sublease of the Katy, Texas lease. The increase was partially offset by lower employee costs.

Restructuring Charges. During the fourth quarter of fiscal year 2024, we implemented a restructuring plan which included reductions in our workforce in all functions of the organization, primarily in our San Leandro location, in order to lower our operating cost structure, and to position the Company for profitable growth. We recorded a restructuring charge of \$3.0 million, of which \$0.5 million was recorded during the first quarter of fiscal year 2025. This charge relates to severance and benefits, including reemployment assistance, for 38 terminated employees, which was approximately 15% of our workforce. The implementation of the restructuring plan was substantially complete by the

end of the first quarter of fiscal year 2025 and the Company does not expect to incur significant additional expenses related to the restructuring. See Note 4, "Other Financial Information – Restructuring," of the Notes for further discussion and disclosure on our restructuring program.

Other Income, Net

	Three Months Ended March 31,	
	2025	2024
<i>(In thousands)</i>		
Interest income	\$ 3	\$ 1,072
Other non-operating income (expense), net		6
Total other income, net	\$ 9	\$ 1,079

The decrease in "Total other income, net" in the three months ended March 31, 2025, as compared to the comparable period in the prior year, was primarily due to a decrease in short- and long-term investments.

Income Taxes

	Three Months Ended March 31,	
	2025	2024
<i>(In thousands, except percentages)</i>		
Benefit from income taxes	\$ (1,603)	\$ (1,285)
Discrete items	52	76
Benefit from income taxes, excluding discrete items	\$ (1,551)	\$ (1,209)
Effective tax rate	14.0%	13.5%
Effective tax rate, excluding discrete items	13.5%	12.7%

The interim period tax benefit from income taxes is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, we update our estimate of the annual effective tax rate, and if the estimated annual

effective tax rate changes, we make a cumulative adjustment in such period. The quarterly tax provision and estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax income or loss and the mix of jurisdictions to which they relate, the applicability of special tax regimes, and changes in how we do business. For the three months ended March 31, 2025, the recognized benefit from income taxes resulted from the tax projection based on the full year forecasted profit and included benefits related to the U.S. federal foreign-derived intangible income ("FDII"), federal R&D tax credit, certain permanent differences, such as stock-based compensation shortfalls, and partial release of California valuation allowance. For the three months ended March 31, 2024, the recognized benefit from income taxes resulted from the loss for the quarter and included benefits related to the U.S. FDII and federal R&D tax credit, partially offset by certain permanent differences, such as share-based compensation. The effective tax rate excluding discrete items for the three months ended March 31, 2025, as compared to the prior year, differed primarily due to lower projected R&D tax credits, increased non-deductible officer stock-based compensation, and lower projected U.S. FDI benefits.

Liquidity and Capital Resources

Overview

From time-to-time, management and our Board of Directors (the "Board") review our liquidity and future cash needs and may make a decision to (1) return capital to our shareholders through a share repurchase program or dividend payout; or (2) seek additional debt or equity financing. As of March 31, 2025, our principal sources of liquidity consisted of (i) unrestricted cash and cash equivalents of \$49.1 million that are primarily invested in money market funds and U.S. treasury securities; (ii) investment-grade short-term and long-term marketable debt instruments of \$57.6 million that are primarily invested in U.S. treasury securities, corporate notes and bonds, and municipal and agency notes and bonds; and (iii) accounts receivable, net of allowances, of \$32.4 million. As of March 31, 2025, there was unrestricted cash of \$1.1 million held outside the U.S. We invest cash not needed for current operations predominantly in investment-grade, marketable debt instruments with the intent to make such funds available for future operating purposes, as needed. Although these securities are available for sale, we generally hold these securities to maturity, and therefore, do not currently see a need to trade these securities in order to support our liquidity needs in the foreseeable future. We believe the risk of this portfolio to us is in the ability of the underlying companies or government agencies to cover their obligations at maturity, not in our ability to trade these securities at a profit. Based on current projections, we believe existing cash balances and future cash inflows from this portfolio will meet our liquidity needs for at least the next 12 months.

Credit Agreement

We entered into a credit agreement with JPMorgan Chase Bank, N.A. ("JPMC") on December 22, 2021 (as amended, the "Credit Agreement"). The Credit Agreement, which will expire on December 21, 2026, provides a committed revolving credit line of \$50.0 million and includes both a revolving loan and a letters of credit ("LCs") component. The maximum allowable LCs under the credit line component of the Credit Agreement is \$30.0 million. As of March 31, 2025, we were in compliance with all covenants under the Credit Agreement. Under the Credit Agreement, as of March 31, 2025, there were no revolving loans outstanding. In addition, as of March 31, 2025, under the LCs component, we utilized \$15.7 million of the maximum allowable credit line of \$30.0 million, which included newly issued LCs, and previously issued and unexpired stand-by letters of credits ("SBLCs"). As of March 31, 2025, there was \$15.7 million of outstanding LCs. These LCs had a weighted average remaining life of approximately 14 months. See Note 6, "Lines of Credit," of the Notes for further discussion related to the Credit Agreement.

Share Repurchase Program

The Board, from time-to-time, has authorized a share repurchase program under which we may, at our discretion, repurchase the Company's outstanding common stock in the open market, or in privately negotiated transactions, in compliance with applicable state and federal securities laws. The timing and amounts of any purchase under the share repurchase programs are based on market conditions and other factors including price, regulatory requirements, and capital availability. We account for stock repurchases under these programs using the cost method. As of March 31, 2025, we have cumulatively repurchased 11.7 million shares of the Company's common stock at an aggregate cost of \$135.0 million under all closed share repurchase programs. The following is a discussion of the current share repurchase program during the three months ended March 31, 2025. See Note 11, "Stockholders' Equity – Share Repurchase Program," of the Notes for further discussion related to share repurchase programs and a reconciliation of the latest share repurchase plan balance. On February 26, 2025, we announced that the Board authorized a share repurchase program under which we may repurchase our outstanding common stock, at the discretion of management, up to \$30.0 million in aggregate cost, which includes both the share value of the acquired common stock and the fees charged in connection with acquiring the common stock (the "February 2025 Authorization"). We began repurchasing our outstanding common stock in March 2025. The February 2025 Authorization will expire in February 2026.

Cash Flows

	Three Months Ended March 31,					
	2025		2024		Change	
	<i>(In thousands)</i>					
Net cash provided by operating activities	\$	10,678	\$	6,497	\$	4,181
Net cash provided by (used in) investing activities		12,674		(6)		17,660
Net cash (used in) provided by financing activities		(3,874)		0		(5,064)
Effect of exchange rate differences on cash and cash equivalents		33		(19)		52
Net change in cash, cash equivalents and restricted cash	\$	19,511	\$	2,682	\$	16,829

Cash Flows from Operating Activities

Net cash provided by operating activities is subject to the project driven, non-cyclical nature of our business. Operating cash flow can fluctuate significantly from reporting period to reporting period, due to the timing of receipts of large project orders. Operating cash flow may be negative in one reporting period and significantly positive in the next, consequently individual reporting period results and comparisons may not necessarily indicate a significant trend, either positive or negative.

The higher net cash provided by operating assets and liabilities for the three months ended March 31, 2025, as compared to the prior year, was due primarily to the following factors:

- *Accounts receivable and contract assets*: an increase in cash due to an increase in collections related to revenues earned late in the fourth quarter of 2024; partially offset by
- *Inventories*: a decrease in cash due to cash used to build finished goods inventory in the first quarter of 2025; and
- *Net loss*: an increase in net loss after excluding the effects of non-cash adjustments.

Cash Flows from Investing Activities

Net cash provided by (used in) investing activities primarily relates to maturities and purchases of investment-grade marketable debt instruments, such as corporate notes and bonds, and capital expenditures supporting our growth. We believe our investments in marketable debt instruments are structured to preserve principal and liquidity while at the same time maximizing yields without significantly increasing risk. The increase in net cash provided by investing activities of \$17.7 million in the three months ended March 31, 2025, as compared to the prior year, was primarily driven by less cash used for purchases of marketable debt instruments, net of cash proceeds from maturities of marketable debt instruments, of \$17.1 million and lower capital expenditures of \$0.6 million.

Cash Flows from Financing Activities

Net cash used in financing activities for the three months ended March 31, 2025 was lower as compared to the cash provided by financing activities in the prior year, due primarily to cash used for the repurchase of our common stock under the February 2025 Authorization and a decrease in cash from exercises of employee stock options granted under our equity incentive plans.

Liquidity and Capital Resource Requirements

We believe that our existing resources and cash generated from our operations will be sufficient to meet our anticipated capital requirements for at least the next 12 months. However, we may need to raise additional capital or incur additional indebtedness to continue to fund our operations or to support acquisitions in the future and/or to fund investments in our latest technology arising from rapid market adoption. These needs could require us to seek additional equity or debt financing. Our future capital requirements will depend on many factors including the continuing market acceptance of our products, our rate of revenue growth, the timing of new product introductions, the expansion of our R&D, manufacturing and S&M activities, and the timing and extent of our expansion into new geographic territories. In

addition, we may enter into potential material investments in, or acquisitions of, complementary businesses, services or technologies in the future which could also require us to seek additional equity or debt financing. Should we need additional liquidity or capital funds, these funds may not be available to us on favorable terms, or at all.

Recent Accounting Pronouncements

Refer to Note 1, "Description of Business and Significant Accounting Policies – Significant Accounting Policies," of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1, "Financial Statements (unaudited)," of this Quarterly Report on Form 10-Q.

Item 3 — Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk may be found primarily in two areas, foreign currency and interest rates.

Foreign Currency Risk

Our foreign currency exposures are due to fluctuations in exchange rates for the U.S. dollar ("USD") versus the British pound, Saudi riyal, Emirati dirham, European euro, Chinese yuan, Indian rupee and Canadian dollar. Changes in currency exchange rates could adversely affect our consolidated operating results or financial position.

Our revenue contracts have been denominated in the USD. At times, our international customers may have difficulty obtaining the USD to pay our receivables, thus increasing collection risk and potential bad debt expense. To the extent we expand our international sales, a larger portion of our revenue could be denominated in foreign currencies. As a result, our cash and operating results could be increasingly affected by changes in exchange rates.

In addition, we pay many vendors in foreign currency and, therefore, are subject to changes in foreign currency exchange rates. Our international sales and service operations incur expense that is denominated in foreign currencies. This expense could be materially affected

by currency fluctuations. Our international sales and services operations also maintain cash balances denominated in foreign currencies.

To decrease the inherent risk associated with translation of foreign cash balances into our reporting currency, we do not maintain excess cash

balances in foreign currencies.

We have not hedged our exposure to changes in foreign currency exchange rates because expenses in foreign currencies have been insignificant to date and exchange rate fluctuations have had little impact on our operating results and cash flows. In addition, we do not have any exposure to the Russian ruble.

Interest Rate and Credit Risks

The primary objective of our investment activities is to preserve principal and liquidity while at the same time maximizing yields without significantly increasing risk. We invest primarily in investment-grade short-term and long-term marketable debt instruments that are subject

to counter-party credit risk. To minimize this risk, we invest pursuant to an investment policy approved by the Board. The policy mandates high credit rating requirements and restricts our exposure to any single corporate issuer by imposing concentration limits. As of March 31, 2025, our investment portfolio of \$63.1 million, in investment-grade marketable debt instruments, such as U.S. treasury securities, corporate notes and bonds, and municipal and agency notes and bonds, are classified as either cash equivalents or short-term and/or long-term investments on our Condensed Consolidated Balance Sheets. These investments are subject to interest rate fluctuations and decrease in market value to the extent interest rates increase, which occurred during the three months ended March 31, 2025. To minimize the exposure due to adverse shifts in interest rates, we maintain investments with a weighted average maturity of approximately nine months. As of March 31, 2025, a hypothetical 1% increase in interest rates would have resulted in a less than \$0.3 million decrease in the fair value of our investments in marketable debt instruments as of such date.

Item 4 — Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report.

Based on that evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of March 31, 2025, our disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1 — Legal Proceedings

We have been, and may be from time to time, involved in legal proceedings or subject to claims incident to the ordinary course of business. We are not presently a party to any legal proceedings that we believe are likely to have a material adverse effect on our business, financial condition, or operating results. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A — Risk Factors

Except as noted below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, "Risk Factors," in the 2024 Annual Report.

Changes in U.S. policy, including the imposition of or increases in tariffs, changes to existing trade agreements and any resulting changes in international trade relations, such as reciprocal tariffs or trade wars, particularly with regard to China, may have a material adverse impact on our business, results of operations, or financial condition.

In January 2025, the global tariff landscape began to quickly change with the U.S. implementing new and/or increased tariffs on various foreign countries, either generally or with respect to certain products. Certain foreign countries, including China have, and may continue to, change their tariff policies in response to changes in the U.S. tariff policy.

These recent tariffs and the subsequent retaliatory tariffs could increase the cost of goods for our products or reduce our ability to sell products globally, particularly in China, which may adversely affect our operating results and financial condition. So far, these new tariffs and

trade policies have not had a significant impact on our business operations and financial results, primarily due to our prior efforts to accumulate and maintain inventories at favorable cost levels. However, there is no guarantee that we can avoid the impact of tariff and related economic effects in the future, and these trade measures and retaliations may directly impact our business by increasing trade-related

costs or affecting the demand for our products globally, and specifically in China.

Any further unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from selling products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government

takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 — Defaults Upon Senior Securities

None.

Item 4 — Mine Safety Disclosures

Not applicable.

Item 5 — Other Information

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10b5-1 Plans

During the three months ended March 31, 2025, no director or officer (within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) has adopted or terminated a Rule 10b5-1 trading arrangement (as defined in Item 408 of Regulation S-K).

Form Equity Incentive Plan Agreement

On January 23, 2025, the Compensation Committee of the Board adopted a new form of performance restricted stock unit ("PRSU") award agreement under the 2020 Equity Incentive Plan (the "2020 Plan"), to among other things, define the terms of the performance metrics and performance period for such PRSUs.

Item 6 — Exhibits

A list of exhibits filed or furnished with this report or incorporated herein by reference is found in the Exhibit Index below.

Exhibit Number	Exhibit Description
10.1*	Offer of Employment by and between Energy Recovery, Inc. and Ram Ramanan as Chief Technology Officer
10.2*	Professional Services Agreement by and between Energy Recovery, Inc. and Farshad Ghasripour
31.1*	Certification of Principal Executive Officer, pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer, pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part I, "Financial Information" of this Quarterly Report on Form 10-Q.
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.

* Filed herewith.

** The certification furnished in Exhibit 32.1 is not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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 thereunto duly authorized.

ENERGY RECOVERY, INC.

Date May 7, 2025
:

By: /s/ DAVID W. MOON

David W. Moon
President and Chief Executive Officer
(Principal Executive Officer)

Date May 7, 2025
:

By: /s/ MICHAEL S. MANCINI

Michael S. Mancini
Chief Financial Officer
(Principal Financial Officer)

February 11, 2025

Mr. Ram Ramanan

Re: Offer of Employment with Energy Recovery, Inc. as Chief Technical Officer

Dear Ram:

We are pleased to offer you a full-time position with Energy Recovery, Inc. (the "Company"), as Chief Technical Officer, reporting to David Moon, President and Chief Executive Officer, based in our headquarters in San Leandro, California, and subject to the following terms and conditions.

Start Date and Salary. Your start date will be March 3, 2025. In connection with your role, you will receive a bi-weekly salary of \$13461.54 per pay period (annualized \$350,000.00), less deductions authorized or required by law, which will be paid bi-weekly in accordance with the Company's standard payroll procedures.

Annual Incentive Plan. You will be eligible to participate in the Company's Annual Incentive Plan ("AIP") pursuant to which you may receive up to 60% of your base salary as a bonus for achieving certain performance goals established by the Board of Directors each year. For 2025, your AIP payout, if any, will be prorated based on your start date with the Company.

Sign-on Equity Grants:

Stock Options: In connection with your employment, you will be granted an option to purchase \$400,000 worth of the Company's common stock under the Company's 2020 Incentive Plan. The option will vest over a four (4) year period, with twenty-five percent (25%) of the option vesting on the one year anniversary of the grant date and 1/36th monthly thereafter. The grant date of the award will be approximately your start date with the Company and the exercise price per share will be equal to the closing price on NASDAQ of a share of the Company's common stock on the grant day. The option award will in all cases be subject to the terms and conditions of the Company's 2020 Incentive Plan, award agreement, and notice of grant.

Restricted Stock Units: As part of this offer you will be granted an equity award equal to approximately \$400,000 of Restricted Stock Units ("RSUs") under the Company's 2020 Incentive Plan. The RSUs will vest over a four (4) year period, with twenty-five percent (25%) of the RSUs under this award vesting and settled (i.e., paid or distributed to you) on each of the first four anniversaries of the vesting commencement date assuming you are employed on such anniversary date and have been in continuous service from the vesting commencement date. The vesting commencement date shall be set forth on the RSU award agreement and will generally be the 15th day of the month occurring on or after the first day of your employment. This equity award will in all cases be subject to the terms and conditions of the Company's 2020 Incentive Plan, the RSU award agreement and the notice of grant.

Performance Restricted Stock Units: As part of this offer you will be granted an equity award equal to approximately \$200,000 of Performance Restricted Stock Units ("PRSUs") under the Company's 2020 Incentive Plan. The PSUs will vest on December 31, 2027, provided you are employed on such date and have been in continuous service from vesting commencement date.

The PSUs are subject to achievement goals set forth in the Performance Restricted Stock Unit Grant Notice & Performance Restricted Stock Unit Agreement. Actual payout may range from 0% - 200% of grant depending on company performance. This equity award will in all cases be subject to the terms and conditions of the Company's 2020 Incentive Plan, the PRSU agreement and the notice of grant.

Long Term Incentive Plan. Subject to the approval and discretion of the Company's Board of Directors or its Compensation Committee, each year you may be granted equity awards under the Company's 2020 Incentive Plan. The awards will generally be in the form of options to purchase the Company's common stock, restricted stock units (RSUs) and/or performance stock units (PSUs) or some combination thereof. The exercise price per share of an option award or the value of the RSUs and PSUs will be equal to the closing price on NASDAQ of a share of the Company's common stock on the day the Committee approves your grant, and all awards will be subject to the terms and conditions of the 2020 Incentive Plan or such other Plan the Board and shareholders may approve and any award agreement.

Change of Control. In connection with your appointment, you will be named as a Participant in the Company's Change in Control Plan ("CCP"), as amended.

Termination for Convenience. In connection with your appointment, you will be named as a Participant in the Company's Severance Plan, as amended.

Stock Ownership Guidelines. In connection with your appointment, you will be subject to the Stock Ownership Guidelines as amended.

Benefits. As a full-time employee, you will be eligible to receive employee benefits including, paid-time-off under the company's DTO "Discretionary Time Off" policy, medical, dental and vision insurance for you and your dependents; as well as long-term disability and life insurance. Your eligibility to participate in these programs will begin the first of the month following your date of hire. Please note that the benefits program may change from time to time at the Company's discretion.

Employment Status. Although your status may change, your employment with the Company remains "at will", meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause. Any contrary representations which may have been made to you are superseded by this offer letter. In addition, although your job duties, compensation, benefits, as well as the Company's personnel policies and procedures may change in the future, the "at will" nature of your employment may not be changed.

Please note that this offer is conditional upon your ability to present employment eligibility and properly complete the Form I-9 by the third work day after your date of hire as required by the Immigration Reform & Control Act of 1986. A copy of the form will be provided to you.

Background & Reference Checks. It is Energy Recovery, Inc. policy to conduct background, drug, and professional reference checks prior to employment. This offer is contingent upon acceptable results of both the basic background check (online Background Verification Request form sent separately) and professional reference checks. This offer is also contingent upon

your successfully passing a pre-employment drug test in accordance with Energy Recovery Inc.'s Drug-Free Workplace Policy.

Please accept this offer of employment as of the start date set forth above by signing your name and setting forth the agreed start date below. Then return this letter to me by February 14, 2025. If your acceptance is not received by this date, we shall assume that you have declined the offer and it shall be null and void. Please call me if you have any questions regarding the information outlined herein.

Sincerely,

David Moon
President and Chief Executive Officer

I hereby accept the foregoing offer of employment and acknowledge that no representations, offer, commitments, other than those contained herein, have been issued, given, or made to me whatsoever. I understand that this agreement does not constitute a guarantee of employment for a fixed period.

Ram Ramanan Date

Professional Services Agreement

This Professional Services Agreement (“Agreement”), is entered into as of March 15, 2025 (“Effective Date”) between Energy Recovery, Inc., a Delaware corporation, with headquarters at 1717 Doolittle Drive, San Leandro, CA 94577 (“ERII”), and Farshad Ghasripour, (“Consultant”); and collectively referred to herein as the Parties.

NOW THEREFORE, in consideration of the mutual promises and agreements set forth in this Agreement, the receipt and sufficiency of which is hereby acknowledged, ERII and Consultant agree as follows:

Engagement of Services.

Project Assignments. ERII wishes Consultant to undertake the Services set forth in the project assignment attached to this Agreement as Exhibit A. ERII may from time to time offer Consultant other projects that will be described and set forth in a project assignment in the form of Exhibit A (each a “Project Assignment”). Each Project Assignment will, upon execution by both parties, form a part of this Agreement and be subject to these terms and conditions, except to the extent, if any, otherwise expressly set forth in the applicable Project Assignment, which shall control in the case of a conflict.

Performance of Services. Consultant will perform the services set forth in each Project Assignment (the “Services”), in a timely and professional manner consistent with applicable industry standards and terms set forth in the applicable Project Assignment. Subject to the terms and conditions of this Agreement, including without limitation, the preceding sentence, the manner and means by which Consultant chooses to complete the Services are in Consultant’s sole discretion and control. In performing the Services, Consultant agrees to provide his own equipment, tools and other materials at his own expense. Under certain circumstances agreed to in advance by ERII, ERII will make its facilities and equipment available to Consultant as is reasonably necessary for the provision of the Services. Consultant may not subcontract or otherwise delegate its obligations under this Agreement. For any work performed on the premises of ERII, Consultant will comply with ERII’s security, confidentiality, health and safety policies.

No Conflict of Interest. Consultant represents and warrants that entering into this Agreement or the performance of the Services under this Agreement do not conflict with or violate any of his duties or any agreement of which Consultant is a party or third party beneficiary. Consultant agrees during the term of any Project Assignment not to accept work, enter into any agreement, or accept any obligation that is inconsistent or incompatible with his obligations under this Agreement, or the scope of Services rendered to ERII under any applicable Project Assignment.

Compensation. As full compensation for Services performed by Consultant, ERII will pay Consultant a fee for Services rendered as set forth in the applicable Project Assignment. Unless other terms are set forth in the applicable Project Assignment, ERII will pay Consultant any undisputed portion of invoices for Services within thirty (30) calendar days of the date that ERII receives Consultant’s invoice. Except as may be agreed to in a Project Assignment regarding reimbursed expenses, Consultant will be responsible for all expenses incurred in performing Services under this Agreement. Upon termination of this Agreement (other than for Consultant’s material breach), Consultant will be paid fees on a proportional basis for Services performed, up to and including the effective date of such termination.

In the event that ERII disputes any invoice, ERII will promptly notify consultant of any such dispute. The Parties will work in good faith to resolve any disputed invoices within thirty (30) calendar days of notice to Consultant of the disputed invoices by ERII.

For the duration of the term of Contractor status with ERII, Consultant will be eligible for continued vesting of previous equity grants as specified by the terms and conditions of the ERII's 2020 Incentive Plan, award agreements, and notice of grants.

Independent Contractor Relationship. Consultant's relationship with ERII will be that of an independent contractor and nothing in this Agreement should be construed to create a partnership, joint venture, fiduciary, agency or employer-employee relationship between the parties. Consultant is not the agent of ERII and is not authorized and will not have any authority to make any representation, contract or commitment on behalf of ERII. Further, nothing in this Agreement will be construed to confer upon any third party other than the parties hereto a right of action under this Agreement or in any manner whatsoever. Consultant understands and agrees that Consultant will not be entitled to any of the employee benefits which ERII may make available to its employees. Consultant will not represent or promise to any subcontractor or employee Consultant hires or employs, with ERII's consent as required by Section 1.2, to assist him in the performance of the Services that they will be entitled to any of the employee benefits which ERII may make available to its employees.

Taxes. Consultant will be solely responsible for all taxes and the filing of tax returns, social security, disability and other contributions with respect to Consultant's income from the payments made by ERII under this Agreement. ERII will not withhold or make payments for social security, unemployment insurance or disability insurance contributions, or obtain worker's compensation insurance for Consultant or any of his employees or agents.

Acceptance of Deliverables. ERII will have thirty (30) calendar days from its receipt of any deliverable under any Project Assignment or such longer period as may be set forth in the particular Project Assignment to review and evaluate the deliverable to determine whether the deliverable meets, to ERII's reasonable satisfaction, the requirements set forth in such Project Assignment. If no written rejection is given to Consultant by ERII within such thirty (30) day period, such deliverable will be deemed accepted. If ERII does not accept such deliverable, ERII will, at Consultant's request, use commercially reasonable efforts to provide Consultant with a list or description of the defects or other problems in the deliverable that led to the rejection. Consultant will have thirty (30) calendar days following ERII's notice of rejection in which to correct in the deliverable such that it meets the requirements set forth in the applicable Project Assignment and to deliver a corrected deliverable to ERII for its review and acceptance as set forth above.

Confidential Information.

Consultant agrees and acknowledges that during the performance of the Services, Consultant may receive and have access to confidential, proprietary, and trade secret information about ERII and/or its clients ("Confidential Information"). Consultant understands that "Confidential Information" shall include, but is not limited to the following: (i) products, plans, designs, drawings, software, developments, improvements, and methods of operation, (ii) product specifications, data, know-how, formulae, processes, designs, inventions, and ideas, (iii) marketing plans and strategies, business plans, and related information, (iv) the business relationships between ERII and its vendors, suppliers, and the persons and entities with whom and with which ERII has contacted; (v) ERII financial information, including profit performance and financial requirements, as well as the salaries and terms of compensation of other employees; (vi) past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, vendor and supplier lists, pricing information, manuals, computer software and databases, computer systems, structures, and architectures, (vii) names and addresses of employees, and (viii) all other confidential information of, about, or concerning ERII.

Confidential Information excludes information that Consultant can establish through written records:

- (a) is already in public domain prior to disclosure by ERII. Information shall not be deemed to be in the public domain merely because such information is embraced by more general disclosures in the public domain, and any combination of features shall not be deemed to be within the foregoing exceptions merely because individual features are in the public domain if the combination itself and its principles of operation are not in the public domain.
- (b) Can be disclosed as authorized by ERII or as required by law or any regulatory or government authority, provided that in such latter case, Consultant shall provide prompt prior written notice thereof to the ERII to enable ERII to seek a protective order or otherwise prevent the disclosure.
- (c) is already known to Consultant (if Consultant can prove such knowledge to the ERII by documentary evidence);
- (d) has been obtained by Consultant without restriction as to disclosure from a third party legitimately in possession of it;
- (e) is or becomes public knowledge save by a breach of this Agreement.

The burden of establishing these exceptions shall be with Consultant and shall apply only in the event and to the extent that Consultant provides ERII with written documentation or records of the Information in substantially the same degree of specificity as in the disclosure of the Information is made hereunder.

Consultant agrees to hold in strictest confidence during the term of this Agreement and after its termination, all Confidential Information of ERII and all Confidential Information of companies or persons other than ERII given to ERII under an agreement or understanding prohibiting its disclosure. Consultant will not use or disclose any such Confidential Information except for the benefit of ERII or to perform the Services. Consultant agrees to abide by the Company policies and regulations for the protection of its Confidential Information and understands and agrees that the unauthorized disclosure or misuse of such confidential, proprietary or trade secret information could irreparably damage ERII and/or third parties dealing with the ERII.

Consultant will ensure that each of his subcontractors or employees (if any) who will have access to the Confidential Information executes an agreement, the form of which may be subject to the approval of ERII in its sole discretion (the "Confidentiality Agreement"), obligating the subcontractor or employee to keep all Confidential Information confidential and not to use the Confidential Information in any way, commercially or otherwise, except in performing the Services.

Disclosure and Assignment of Inventions.

Upon delivery to ERII, all Deliverables, including any and all intellectual property forming a part thereof, will be and are solely owned by ERII. All Services, including without limitation, all Deliverables arising out of such Services, are "works made for hire" for the benefit of and owned by ERII within the meaning of the United States Copyright Act. To the extent any of the Deliverables are not considered works made for hire under such Act, Consultant hereby assigns the copyright and all other right, title and interest that Consultant may have or may acquire in the respective Deliverable, all other finished products provided hereunder, and all elements forming a part thereof, including, but not limited to, any and all intellectual property created, contained or forming a part of any of the foregoing to ERII in the United States and elsewhere throughout the world.

Consultant agrees that all worldwide rights, title and interest in any designs, ideas, techniques, inventions, feedback, formulae, business or marketing information or plans, projections or analyses, discoveries, technical information, programs, prototypes, Confidential Information, improvements or creations that Consultant creates, conceives, discovers, reduces to practice or makes, alone or with others, in the course of performing the Services, whether or not patentable or registerable under copyright, trademark or similar laws (collectively "Inventions") will be disclosed promptly and fully to ERII and

will be owned by and will belong exclusively to ERII. Consultant further agrees to assign, and hereby does irrevocably transfer and assign to ERII, his entire right, title and interest in and to all such Inventions, and any modifications or improvements to such Inventions that may be made, including the right to keep them as trade secrets, to file and execute patent applications on them, to use and disclose them without prior patent application, to file registrations for copyright or trademark on them in its own name, or to follow any other procedure that ERII deems appropriate. Consultant agrees to waive any moral rights Consultant may have or acquire in the Inventions, and to the extent any such moral rights cannot be waived, Consultant hereby grants ERII an exclusive, irrevocable, royalty free license to reproduce, distribute, sell, modify, make derivative works of, translate, publish, dispose of, and use any such moral rights and to authorize others to exercise the foregoing rights.

Consultant represents and warrants that, in the course of performing the Services, Consultant will not use or disclose to ERII any confidential or privileged information of any third party without the written consent of that third party. In addition, Consultant agrees that the Services will not incorporate or use any pre-existing material from a third party, including any patented or patentable inventions or any copyrighted or copyrightable material without ERII's prior written knowledge and consent. To the extent that the Services include any patented inventions, inventions subject to a patent application or copyrighted material that were first conceived of, reduced to practice, discovered, created or composed by Consultant prior to the date of this Agreement, Consultant shall grant ERII and its affiliates a royalty-free, nonexclusive, and irrevocable license to reproduce, distribute, sell, modify, make derivative works of, translate, publish, use and dispose of such inventions and material and to sub-license the foregoing rights.

Consultant agrees to execute (or have executed) all documents and to take all other action reasonably requested by ERII to enable the ERII or its affiliates to secure, perfect, record or preserve the ownership, assignment and license rights in the copyrights described in Section 7.1, the Inventions as defined in Section 7.2 and the inventions or materials set forth in Section 7.3 anywhere in the world.

Consultant agrees to take all legally necessary action to ensure that all employees or Consultants engaged by Consultant in the performance of this Agreement will be bound by and comply with the terms of this Section 7. Consultant represents and warrants that Consultant has or will have with Consultant's employees or Consultants written agreements sufficient to ensure that all rights, including moral rights, in the Inventions will be assigned and licensed to ERII or its affiliates as set forth under this Section 7.

Representations and Warranties. Consultant represents, warrants and covenants that the Services, including, without limitation, any deliverables required hereunder, will substantially conform to the requirements for such Services and/or deliverables as set forth or referenced in any Project Assignment. Consultant further represents and warrants that all Inventions disclosed hereunder will be original and that the use thereof by ERII or its customers, representatives, distributors or dealers will not infringe any patent, copyright, trade secret or other intellectual property right of any third party. ERII represents, warrants and covenants that it has the full power and authority to enter into this Agreement and to perform its obligations under this Agreement.

Indemnification.

Indemnity. Consultant will indemnify and hold harmless, and at ERII's request defend, ERII and its parent, subsidiaries, affiliates, successors and assigns and its and their officers, directors, employees, sublicensees, and agents from and against any and all third party claims, losses, liabilities, damages, settlements, expenses and costs including, without limitation, attorneys' fees and court costs which arise out of or relate to any willful or negligent act or omission of Consultant or any material breach or claim or threat thereof that, if true, would be a material breach of this Agreement by Consultant, including, without limitation, (i) any obligation imposed by law on ERII to pay any withholding

taxes, social security, unemployment or disability insurance, or similar items in connection with compensation received by Consultant pursuant to this Agreement, (ii) any claims made upon ERII by his employees or subcontractors for employee benefits provided by ERII to its employees, (iii) any action by a third party against ERII that is based on any claim that (a) any Services or Inventions provided under this Agreement, or their results, infringe a patent, copyright or other proprietary right or violate a trade secret or any non-disclosure agreement, or (b) any breach or alleged breach of this Agreement by Consultant set forth in Section 8.

ERII will indemnify and hold harmless, and at Consultant's request defend, Consultant and Consultant's affiliates, successors and assigns Consultant from and against any and all third party claims, losses, liabilities, damages, settlements, expenses and costs including, without limitation, attorneys' fees and court costs which arise out of or relate to any willful or negligent act or omission of ERII or any material breach or claim or threat thereof that, if true, would be a material breach of this Agreement by ERII, including, without limitation, any breach or alleged breach of any representation or warranty of ERII set forth in Section 8.

Notice; Cooperation; Settlement. The party to be indemnified will notify the indemnifying party promptly of any claim or liability for which indemnification is sought ("Claim"). The indemnified party may, at its option and expense, participate and appear on an equal footing with the indemnifying party in the defense of any Claim. The indemnifying party may not settle any Claim without the prior written approval of the indemnified party, which approval will not be unreasonably withheld or delayed.

Termination.

Term. This Agreement will commence on the Effective Date and continue through October 31, 2025. This Agreement may be renewed for successive six (6) month periods only by mutual written agreement of the parties.

Termination for Convenience. ERII may terminate this Agreement at its convenience, with or without cause, upon thirty (30) calendar days prior written notice to Consultant, provided that it compensates Consultant for any unpaid guaranteed minimums under any Project Assignment then in effect.

Termination for Cause. If either party materially defaults in any of its obligations under this Agreement, the non-defaulting party, at its option, will have the right to terminate this Agreement by written notice unless the defaulting party remedies the default within thirty (30) calendar days after receipt of written notice of such default. ERII may also terminate this Agreement immediately for any breach by Consultant of Section 6.

Effect of Termination. Upon the effective date of any termination of this Agreement, Consultant will immediately cease performing Services under this Agreement. Unless this Agreement has been terminated by ERII for material breach by Consultant, ERII agrees to pay Consultant compensation due for Services actually rendered, in accordance with Section 2, and such amounts will be in full satisfaction of any obligation or liability of ERII to Consultant for payments due to Consultant under this Agreement. Sections 3, 6, 7, 8, 9, 10.4, 10.5, 11 and 12 will survive the expiration or termination of this Agreement. Termination of this Agreement by either party will not act as a waiver of any breach of this Agreement and will not act as a release of either party from any liability for breach of such party's obligations under this Agreement. Neither party will be liable to the other for damages of any kind solely as a result of terminating this Agreement in accordance with its terms, and termination of this Agreement by a party will be without prejudice to any other right or remedy of such party under this Agreement or applicable law.

Delivery of Materials. Upon any termination of this Agreement or at any time upon ERII's request, Consultant will promptly return to ERII any and all Confidential Information of, and other materials, tools or equipment provided by ERII. Upon any termination and receipt of payment therefore, Consultant will also promptly deliver to ERII all work product, including Inventions and partial work then in progress for deliverables under a Project Assignment.

Limitation of Liability.

To the extent permitted by applicable law, and except for damages arising from a breach of Section 6 and any damages or amounts paid pursuant to a party's indemnification obligations under Section 9, in no event will either party be liable to the other under any legal theory for any indirect, consequential, exemplary or incidental damages, however caused, arising out of or relation to this Agreement, even if a party has been advised of the possibility of such damages.

General Provisions.

Governing Law; Venue. This Agreement is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties.

Severability. If any provision of this Agreement is determined to be invalid, illegal or unenforceable, that provision of the Agreement will be enforced to the maximum extent permissible so as to affect the intent of the parties and the validity or enforceability of the other provisions will not be affected.

Assignment. Consultant will not and will not have the right to assign, transfer, delegate or otherwise dispose of, this Agreement or any of Consultant's rights or obligations under this Agreement without the prior written consent of ERII. Subject to the foregoing, this Agreement will be binding upon and will inure to the benefit of the parties and their respective successors and permitted assigns.

Notices. Any notice, request, demand, or other communication required or permitted hereunder will be in writing, will reference this Agreement and will be deemed to be properly given: (a) when delivered personally; (b) when sent by email to email address set forth in this section, (c) five (5) business days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) two (2) business days after deposit with a private industry overnight courier, with written confirmation of receipt. All notices will be sent to the address set forth below and to the notice of the person executing this Agreement (or to such other address or person as may be designated by a party by giving written notice to the other party pursuant to this Section).

To Energy Recovery:
1717 Doolittle Drive
San Leandro, CA 94577
Attn.: Legal Department
Email: legaldepartment@energyrecovery.com

Counterparts. This Agreement may be executed (including, without limitation, by facsimile signature) in multiple counterparts, with the same effect as if the parties had signed the same document.

Each counterpart so executed will be deemed to be an original, and all such counterparts will be construed together and will constitute one Agreement.

Entire Agreement; Amendment. This Agreement (including the Exhibits attached hereto, which are incorporated herein by reference) are the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior or contemporaneous representations, discussions, proposals, negotiations, conditions, communications and agreements, whether written or oral, between the parties relating to the subject matter hereof and all past courses of dealing or industry custom. No modification of or amendment to this Agreement will be effective unless in writing and signed by each of the parties.

Equitable Remedies. Because the Services are personal and unique and because Consultant will have access to Confidential Information of ERII, ERII will have the right to enforce this Agreement and any of its provisions by injunction, specific performance or other equitable relief without prejudice to any other rights and remedies that Company may have for a breach of this Agreement and without the requirement of posting a bond.

Construction of Agreement. This Agreement has been negotiated by the respective parties hereto and their attorneys and the language of this Agreement shall not be construed otherwise for or against any party hereto.

In Witness Whereof, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

ERII

By: By:

Name: Name:

Title: Title:

Date: Date:

Exhibit A
PROJECT ASSIGNMENT

1. **Services to be provided by Consultant:** Projects as assigned and agreed upon by the CEO (Chief Executive Officer) or CTO (Chief Technology Officer).
2. **Compensation and Billing:** ERII shall pay Consultant at a hourly rate of \$166.00 per hour. Consultant shall submit invoices bi-weekly. Invoices will itemize Services provided by date, number of hours and a brief description of the Services performed. Consultant will be solely responsible for expenses incurred in the performance of the Services unless ERII has approved the expense for reimbursement in advance.
3. **Term.** The term of this Project Assignment is through October 31, 2025, starting from March 15, 2025 (the Effective Date). Thereafter, upon thirty (30) calendar days' notice, the term of this Project Assignment may be extended in consecutive 6-week periods.

Except to the extent, if any, otherwise expressly set forth in this Project Assignment, which controls in case of a conflict, this Project Assignment is governed by the terms of the Professional Services Agreement, dated in effect between ERII and Consultant.

ERII

By: By:

Name: Name:

Title: Title:

Date: Date:

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David W. Moon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Recovery, Inc. for the period ended March 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

/s/ DAVID W. MOON

Name: David W. Moon
Title: President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael S. Mancini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Recovery, Inc. for the period ended March 31, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

/s/ MICHAEL S. MANCINI

Name: Michael S. Mancini
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002***

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, David W. Moon, President and Chief Executive Officer of Energy Recovery, Inc., and Michael S. Mancini, Chief Financial Officer of Energy Recovery, Inc., each hereby certify that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2025, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and
2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Quarterly Report and results of operations of the Company for the period covered by the Quarterly Report.

IN WITNESS WHEREOF, the undersigned has set his hand hereto:

Date: May 7, 2025

/s/ DAVID W. MOON

David W. Moon

President and Chief Executive Officer

Date: May 7, 2025

/s/ MICHAEL S. MANCINI

Michael S. Mancini

Chief Financial Officer

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Energy Recovery, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.