# 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 September 30, 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®

## Energy Recovery, Inc.

*(Exact Name of Registrant as Specified in its Charter)*

| **Delaware** | **01-0616867** |
|---|---|
| *(State or Other Jurisdiction of Incorporation)* | *(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 company" 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 new 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 October 31, 2025, there were 52,972,096 shares of the registrant's common stock outstanding.

# TABLE OF CONTENTS

# Forward-Looking Information

*This Quarterly Report on Form 10-Q for the three and nine months ended September 30, 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," and 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 $CO_2$-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 November 5, 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.*

*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

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | (In thousands) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 47,103 | $ 29,627 |
| Short-term investments | 23,278 | 48,392 |
| Accounts receivable, net | 44,016 | 64,066 |
| Inventories, net | 33,566 | 24,906 |
| Prepaid expenses and other assets | 7,658 | 6,665 |
| Total current assets | 155,621 | 173,656 |
| Long-term investments | 9,556 | 21,832 |
| Deferred tax assets, net | 9,711 | 9,004 |
| Property and equipment, net | 13,341 | 15,424 |
| Operating lease, right of use asset | 8,198 | 9,695 |
| Goodwill | 12,790 | 12,790 |
| Other assets, non-current | 428 | 391 |
| Total assets | $ 209,645 | $ 242,792 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,744 | $ 3,109 |
| Accrued expenses and other liabilities | 12,068 | 17,728 |
| Lease liabilities | 2,472 | 2,020 |
| Contract liabilities | 1,933 | 571 |
| Total current liabilities | 21,217 | 23,428 |
| Lease liabilities, non-current | 7,527 | 9,297 |
| Other liabilities, non-current | 69 | 57 |
| Total liabilities | 28,813 | 32,782 |
| Commitments and contingencies (Note 7) | | |
| Stockholders' equity: | | |
| Common stock | 67 | 66 |
| Additional paid-in capital | 242,344 | 235,010 |
| Accumulated other comprehensive income | 34 | 98 |
| Treasury stock | (163,367) | (130,870) |
| Retained earnings | 101,754 | 105,706 |
| Total stockholders' equity | 180,832 | 210,010 |
| Total liabilities and stockholders' equity | $ 209,645 | $ 242,792 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

# ENERGY RECOVERY, INC.
# CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | (In thousands, except per share data) | | | |
| Revenue | $ 32,000 | $ 38,584 | $ 68,116 | $ 77,873 |
| Cost of revenue | 11,442 | 13,472 | 25,146 | 28,060 |
| Gross profit | 20,558 | 25,112 | 42,970 | 49,813 |
| Operating expenses: | | | | |
| General and administrative | 7,514 | 7,673 | 23,757 | 24,771 |
| Sales and marketing | 5,714 | 6,413 | 15,980 | 18,669 |
| Research and development | 3,668 | 3,969 | 10,120 | 12,264 |
| Restructuring charges | — | — | 539 | — |
| Total operating expenses | 16,896 | 18,055 | 50,396 | 55,704 |
| Income (loss) from operations | 3,662 | 7,057 | (7,426) | (5,891) |
| Other income (expense): | | | | |
| Interest income | 847 | 1,711 | 2,860 | 4,816 |
| Other non-operating income (expense), net | 45 | 57 | 25 | (45) |
| Total other income, net | 892 | 1,768 | 2,885 | 4,771 |
| Income (loss) before income taxes | 4,554 | 8,825 | (4,541) | (1,120) |
| Provision for (benefit from) income taxes | 680 | 344 | (589) | (699) |
| Net income (loss) | $ 3,874 | $ 8,481 | $ (3,952) | $ (421) |
| Net income (loss) per share: | | | | |
| Basic | $ 0.07 | $ 0.15 | $ (0.07) | $ (0.01) |
| Diluted | $ 0.07 | $ 0.15 | $ (0.07) | $ (0.01) |
| Number of shares used in per share calculations: | | | | |
| Basic | 53,162 | 57,756 | 54,101 | 57,409 |
| Diluted | 53,466 | 58,290 | 54,101 | 57,409 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

# ENERGY RECOVERY, INC.
# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | | (In thousands) | | |
| Net income (loss) | $ 3,874 | $ 8,481 | $ (3,952) | $ (421) |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | (68) | (94) | (31) | (57) |
| Unrealized gain (loss) on investments | 65 | 304 | (33) | 250 |
| Total other comprehensive income (loss), net of tax | (3) | 210 | (64) | 193 |
| Comprehensive income (loss) | $ 3,871 | $ 8,691 | $ (4,016) | $ (228) |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(In thousands, except shares)* | | | |
| **Common stock** | | | | |
| Beginning balance | $ 67 | $ 66 | $ 66 | $ 65 |
| Issuance of common stock, net | — | — | 1 | 1 |
| Ending balance | 67 | 66 | 67 | 66 |
| **Additional paid-in capital** | | | | |
| Beginning balance | 239,883 | 225,240 | 235,010 | 217,617 |
| Issuance of common stock, net | 380 | 4,293 | 1,363 | 5,794 |
| Stock-based compensation | 2,081 | 2,376 | 5,971 | 8,498 |
| Ending balance | 242,344 | 231,909 | 242,344 | 231,909 |
| **Accumulated other comprehensive income** | | | | |
| Beginning balance | 37 | (61) | 98 | (44) |
| Other comprehensive (loss) income | | | | |
| Foreign currency translation adjustments | (68) | (94) | (31) | (57) |
| Unrealized (loss) gain on investments | 65 | 304 | (33) | 250 |
| Total other comprehensive (loss) income, net | (3) | 210 | (64) | 193 |
| Ending balance | 34 | 149 | 34 | 149 |
| **Treasury stock** | | | | |
| Beginning balance | (152,660) | (80,486) | (130,870) | (80,486) |
| Common stock repurchased | (10,707) | — | (32,497) | — |
| Ending balance | (163,367) | (80,486) | (163,367) | (80,486) |
| **Retained earnings** | | | | |
| Beginning balance | 97,880 | 73,754 | 105,706 | 82,656 |
| Net (loss) income | 3,874 | 8,481 | (3,952) | (421) |
| Ending balance | 101,754 | 82,235 | 101,754 | 82,235 |
| **Total stockholders' equity** | $ 180,832 | $ 233,873 | $ 180,832 | $ 233,873 |
| **Common stock issued (shares)** | | | | |
| Beginning balance | 66,637,788 | 65,571,275 | 66,182,906 | 65,029,459 |
| Issuance of common stock, net | 71,876 | 459,312 | 526,758 | 1,001,128 |
| Ending balance | 66,709,664 | 66,030,587 | 66,709,664 | 66,030,587 |
| **Treasury stock (shares)** | | | | |
| Beginning balance | 12,954,253 | 8,148,512 | 11,397,045 | 8,148,512 |
| Common stock repurchased | 775,610 | — | 2,332,818 | — |
| Ending balance | 13,729,863 | 8,148,512 | 13,729,863 | 8,148,512 |
| **Total common stock outstanding (shares)** | 52,979,801 | 57,882,075 | 52,979,801 | 57,882,075 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

# ENERGY RECOVERY, INC.
# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2025 | 2024 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net loss | $ (3,952) | $ (421) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities | | |
| Stock-based compensation | 6,106 | 8,512 |
| Depreciation and amortization | 2,819 | 3,050 |
| Right of use asset amortization | 1,434 | 1,317 |
| Accretion (amortization) of discounts (premiums) on investments | (308) | (1,049) |
| Deferred income taxes | (707) | (705) |
| Impairment of long-lived assets | 353 | — |
| Inventory reserve adjustment | 575 | 136 |
| Other non-cash adjustments | (91) | 171 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 19,946 | 15,060 |
| Contract assets | (17) | (882) |
| Inventories, net | (9,320) | (7,686) |
| Prepaid and other assets | (1,063) | (2,159) |
| Accounts payable | 1,212 | 879 |
| Accrued expenses and other liabilities | (6,656) | (6,467) |
| Contract liabilities | 1,362 | 1,811 |
| Net cash provided by operating activities | 11,693 | 11,567 |
| Cash flows from investing activities: | | |
| Maturities of marketable securities | 60,150 | 59,423 |
| Purchases of marketable securities | (22,480) | (80,490) |
| Capital expenditures | (668) | (1,194) |
| Proceeds from sales of fixed assets | 10 | 90 |
| Net cash provided by (used in) investing activities | 37,012 | (22,171) |
| Cash flows from financing activities: | | |
| Net proceeds from issuance of common stock | 1,364 | 5,795 |
| Repurchase of common stock | (32,178) | — |
| Payment of excise tax associated with repurchase of common stock | (603) | — |
| Net cash (used in) provided by financing activities | (31,417) | 5,795 |
| Effect of exchange rate differences on cash and cash equivalents | 58 | (23) |
| Net change in cash, cash equivalents and restricted cash | 17,346 | (4,832) |
| Cash, cash equivalents and restricted cash, beginning of year | 29,757 | 68,225 |
| Cash, cash equivalents and restricted cash, end of period | $ 47,103 | $ 63,393 |

*See Accompanying Notes to Condensed Consolidated Financial Statements*

# 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 $CO_2$-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 September 30, 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.

### 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 November 5, 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.

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

### 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 nine months ended September 30, 2025.

### Recently Issued Accounting Pronouncement Not Yet Adopted

Other than the accounting pronouncement discussed below, there have been no issued accounting pronouncements that have not yet been adopted during the nine months ended September 30, 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.

In July 2025, the Financial Accounting Standards Board issued Accounting Standards Update *2025-05*, *Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"). ASU 2025-05 provides a practical expedient for measuring expected credit losses on current accounts receivables and contract assets by assuming that conditions at the balance sheet date remain unchanged over the life of the asset. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, and interim periods within those years, with early adoption permitted. The Company believes the adoption of ASU-2025-05 will not have a material impact on results of operations, cash flows, or financial condition.

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

## Note 2 — Revenue

### Disaggregation of Revenue

The following tables present 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 September 30, 2025 | | | Nine Months Ended September 30, 2025 | | |
|---|---|---|---|---|---|---|
| | Water | Emerging Technologies | Total | Water | Emerging Technologies | Total |
| | (In thousands) | | | | | |
| **Geographical market**[1] | | | | | | |
| Middle East and Africa | $ 16,685 | $ — | $ 16,685 | $ 28,889 | $ 93 | $ 28,982 |
| Asia | 11,088 | — | 11,088 | 22,534 | 65 | 22,599 |
| Europe | 1,639 | — | 1,639 | 11,770 | 55 | 11,825 |
| Americas | 2,516 | 72 | 2,588 | 4,638 | 72 | 4,710 |
| Total revenue | $ 31,928 | $ 72 | $ 32,000 | $ 67,831 | $ 285 | $ 68,116 |
| **Channel** | | | | | | |
| Megaproject | $ 18,400 | $ — | $ 18,400 | $ 33,238 | $ — | $ 33,238 |
| Original equipment manufacturer | 8,890 | 72 | 8,962 | 21,128 | 192 | 21,320 |
| Aftermarket | 4,638 | — | 4,638 | 13,465 | 93 | 13,558 |
| Total revenue | $ 31,928 | $ 72 | $ 32,000 | $ 67,831 | $ 285 | $ 68,116 |

[1] Within the geographical markets, the following countries represent revenue in excess of 10%.

| | Three Months Ended September 30, 2025 | | Nine Months Ended September 30, 2025 | |
|---|---|---|---|---|
| | Total | Percentage | Total | Percentage |
| | (In thousands, except percentages) | | | |
| Morocco | $ 9,261 | 29 % | $ 10,897 | 16 % |
| India | $ 4,916 | 15 % | $ 6,749 | 10 % |
| Saudi Arabia | $ 4,095 | 13 % | ** | ** |
| Spain | ** | ** | $ 8,977 | 13 % |
| China | ** | ** | $ 6,791 | 10 % |

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

| | Three Months Ended September 30, 2024 | | | Nine Months Ended September 30, 2024 | | |
|---|---|---|---|---|---|---|
| | Water | Emerging Technologies | Total | Water | Emerging Technologies | Total |
| | | | (In thousands) | | | |
| **Geographical market**[1] | | | | | | |
| Middle East and Africa | $ 28,043 | $ 153 | $ 28,196 | $ 47,295 | $ 399 | $ 47,694 |
| Asia | 6,829 | — | 6,829 | 16,770 | 36 | 16,806 |
| Europe | 2,421 | 87 | 2,508 | 6,329 | 87 | 6,416 |
| Americas | 1,051 | — | 1,051 | 6,957 | — | 6,957 |
| Total revenue | $ 38,344 | $ 240 | $ 38,584 | $ 77,351 | $ 522 | $ 77,873 |
| **Channel** | | | | | | |
| Megaproject | $ 29,009 | $ — | $ 29,009 | $ 48,924 | $ — | $ 48,924 |
| Original equipment manufacturer | 4,832 | 87 | 4,919 | 15,087 | 123 | 15,210 |
| Aftermarket | 4,503 | 153 | 4,656 | 13,340 | 399 | 13,739 |
| Total revenue | $ 38,344 | $ 240 | $ 38,584 | $ 77,351 | $ 522 | $ 77,873 |

[1] Within the geographical markets, the following countries represent revenue in excess of 10%.

| | Three Months Ended September 30, 2024 | | Nine Months Ended September 30, 2024 | |
|---|---|---|---|---|
| | Total | Percentage | Total | Percentage |
| | | (In thousands, except percentages) | | |
| Saudi Arabia | $ 11,101 | 29 % | $ 13,833 | 18 % |
| United Arab Emirates | $ 8,650 | 22 % | $ 14,304 | 18 % |
| Morocco | $ 5,636 | 15 % | $ 11,872 | 15 % |
| India | $ 4,708 | 12 % | $ 9,341 | 12 % |

## Contract Balances

The following table presents contract balances by category.

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | (In thousands) | |
| Accounts receivable, net | $ 44,016 | $ 64,066 |
| Contract assets, current (included in prepaid expenses and other assets) | $ 2,793 | $ 2,776 |
| | | |
| Contract liabilities: | | |
| Contract liabilities, current | $ 1,933 | $ 571 |
| Total contract liabilities | $ 1,933 | $ 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.

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | *(In thousands)* | |
| Contract liabilities, beginning of year | $ 571 | $ 1,187 |
| Revenue recognized | (274) | (1,085) |
| Cash received, excluding amounts recognized as revenue during the period | 1,636 | 469 |
| Contract liabilities, end of period | $ 1,933 | $ 571 |

### Remaining Performance Obligations

As of September 30, 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 |
|---|---|
| | *(In thousands)* |
| 2025 (remaining three months) | $ 4,786 |
| Total | $ 4,786 |

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

## Note 3 — Net Income (Loss) Per Share

Net income (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 income (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 income (loss) per share* is computed using the weighted average number of common shares outstanding during the period.
- *Diluted net income (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 income (loss) per share.

The following tables present the computation of basic and diluted net income (loss) per share.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(In thousands, except per share amounts)* | | | |
| Numerator | | | | |
| Net income (loss) | $ 3,874 | $ 8,481 | $ (3,952) | $ (421) |
| | | | | |
| Denominator (weighted average shares) | | | | |
| Basic common shares outstanding | 53,162 | 57,756 | 54,101 | 57,409 |
| Stock options | 169 | 316 | — | — |
| RSUs | 135 | 218 | — | — |
| Diluted common shares outstanding | 53,466 | 58,290 | 54,101 | 57,409 |
| | | | | |
| Net income (loss) per share | | | | |
| Basic | $ 0.07 | $ 0.15 | $ (0.07) | $ (0.01) |
| Diluted | $ 0.07 | $ 0.15 | $ (0.07) | $ (0.01) |

The following tables present the equity awards that are excluded from diluted net income (loss) per share because their effect would have been anti-dilutive.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(In thousands)* | | | |
| Anti-dilutive equity award shares | 1,048 | 1,077 | 2,949 | 2,876 |

# 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.

| | September 30, 2025 | December 31, 2024 | September 30, 2024 |
|---|---|---|---|
| | | (In thousands) | |
| Cash and cash equivalents | $ 47,103 | $ 29,627 | $ 63,261 |
| Restricted cash, non-current (included in other assets, non-current) | — | 130 | 132 |
| Total cash, cash equivalents and restricted cash | $ 47,103 | $ 29,757 | $ 63,393 |

### Accounts Receivable, net

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | (In thousands) | |
| Accounts receivable, gross | $ 44,341 | $ 64,287 |
| Allowance for doubtful accounts | (325) | (221) |
| Accounts receivable, net | $ 44,016 | $ 64,066 |

### Inventories, net

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

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | (In thousands) | |
| Raw materials | $ 8,494 | $ 8,829 |
| Work in process | 8,030 | 6,417 |
| Finished goods | 18,260 | 10,463 |
| Inventories, gross | 34,784 | 25,709 |
| Valuation adjustments for excess and obsolete inventory | (1,218) | (803) |
| Inventories, net | $ 33,566 | $ 24,906 |

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

### Accrued Expenses and Other Liabilities

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | *(In thousands)* | |
| Accrued expenses and other liabilities, current | | |
| Payroll, benefits, incentives and commissions payable | $ 7,471 | $ 10,179 |
| Warranty reserve | 987 | 1,090 |
| Restructuring accrual | 226 | 2,476 |
| Income taxes payable | 44 | 947 |
| Other accrued expenses and other liabilities | 3,340 | 3,036 |
| Total accrued expenses and other liabilities | 12,068 | 17,728 |
| | | |
| Other liabilities, non-current | 69 | 57 |
| Total accrued expenses, and current and non-current other liabilities | $ 12,137 | $ 17,785 |

### 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 in total, of which $0.5 million was recorded during the nine months ended September 30, 2025. The Company did not record any restructuring charge during the three months ended September 30, 2025. The total restructuring charge recorded 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 | | | |
|---|---|---|---|---|
| | Water | Emerging Technology | Corporate | Total Expense |
| | | *(In thousands)* | | |
| Amount recognized in 2024 | 1,147 | 832 | 497 | 2,476 |
| Amount recognized in 2025 | 210 | 123 | 206 | 539 |
| Total restructuring expenses recognized | $ 1,357 | $ 955 | $ 703 | $ 3,015 |

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

| | Severance and Benefits |
|---|---|
| | *(In thousands)* |
| Balance, as of December 31, 2024 | $ 2,476 |
| Restructuring provision | 539 |
| Cash paid | (2,789) |
| Balance, as of September 30, 2025 | $ 226 |

# 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 September 30, 2025 and December 31, 2024, the Company had no financial liabilities and no Level 3 financial assets.

| | | September 30, 2025 | | | | December 31, 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pricing Category | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | | | | | *(In thousands)* | | | | |
| **Cash equivalents** | | | | | | | | | |
| Money market securities | Level 1 | $ 9,926 | $ — | $ — | $ 9,926 | $ 2,580 | $ — | $ — | $ 2,580 |
| U.S. treasury securities | Level 2 | 15,966 | — | — | 15,966 | — | — | — | — |
| Total cash equivalents | | 25,892 | — | — | 25,892 | 2,580 | — | — | 2,580 |
| **Short-term investments** | | | | | | | | | |
| U.S. treasury securities | Level 2 | 10,043 | 8 | — | 10,051 | 20,303 | 42 | — | 20,345 |
| Corporate notes and bonds | Level 2 | 13,178 | 49 | — | 13,227 | 27,995 | 52 | — | 28,047 |
| Total short-term investments | | 23,221 | 57 | — | 23,278 | 48,298 | 94 | — | 48,392 |
| **Long-term investments** | | | | | | | | | |
| U.S. treasury securities | Level 2 | 3,460 | 20 | — | 3,480 | 999 | 1 | — | 1,000 |
| Corporate notes and bonds | Level 2 | 6,050 | 26 | — | 6,076 | 18,983 | 65 | (13) | 19,035 |
| Municipal and agency notes and bonds | Level 2 | — | — | — | — | 1,799 | — | (2) | 1,797 |
| Total long-term investments | | 9,510 | 46 | — | 9,556 | 21,781 | 66 | (15) | 21,832 |
| Total short and long-term investments | | 32,731 | 103 | — | 32,834 | 70,079 | 160 | (15) | 70,224 |
| Total | | $ 58,623 | $ 103 | $ — | $ 58,726 | $ 72,659 | $ 160 | $ (15) | $ 72,804 |

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

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.

| | September 30, 2025 | | December 31, 2024 | |
|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses[1] | Fair Value | Gross Unrealized Losses |
| | | (In thousands) | | |
| U.S. treasury securities | $ 9,878 | $ — | $ — | $ — |
| Corporate notes and bonds | — | — | 7,569 | (13) |
| Municipal and agency notes and bonds | — | — | 1,797 | (2) |
| Total available-for-sale investments with unrealized loss positions | $ 9,878 | $ — | $ 9,366 | $ (15) |

[1] Gross unrealized losses on the available-for-sale securities were not material as of September 30, 2025.

# 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. 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 September 30, 2025, there were no revolving loans outstanding. In addition, under the LCs component, the Company utilized $18.2 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.

| | September 30, 2025 | December 31, 2024 |
|---|---|---|
| | *(In thousands)* | |
| Outstanding letters of credit | $ 18,210 | $ 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 4.3 years as of September 30, 2025. Sublease income was immaterial during the three and nine months ended September 30, 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 during the nine months ended September 30, 2025, of which $0.2 million and $0.2 million was recorded against the right-of-use asset and the associated leasehold improvements, respectively. No impairment charges were recorded during the three months ended September 30, 2025. 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 September 30, 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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | (In thousands, except percentages) | | | |
| Provision for (benefit from) income taxes | $ 680 | $ 344 | $ (589) | $ (699) |
| Discrete items | (117) | 426 | (87) | 566 |
| Provision for (benefit from) income taxes, excluding discrete items | $ 563 | $ 770 | $ (676) | $ (133) |
| Effective tax rate | 14.9% | 3.9% | 13.0% | 62.4% |
| Effective tax rate, excluding discrete items | 12.4% | 8.7% | 14.9% | 11.8% |

The Company's interim period tax provision for (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 and nine months ended September 30, 2025, the recognized provision for and (benefit from) income taxes, respectively, 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 and nine months ended September 30, 2024, the recognized provision for and (benefit from) income taxes, respectively, resulted from the tax projection based on the full year forecasted profit and included benefits related to the U.S. FDII, federal R&D tax credit, certain permanent differences, such as share-based compensation shortfalls, and partial release of California valuation allowance.

The effective tax rate excluding discrete items for the nine months ended September 30, 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.

On July 4, 2025, the One Big Beautiful Bill ("OBBA") Act, which includes a broad range of tax reform provisions, was signed into law in the United States. During the three and nine months ended September 30, 2025, the Company recorded its best estimate of the impact of the OBBA on the income tax provision. The Company will continue to evaluate the elections available within the OBBA, which may impact the timing of permanent and temporary differences within the Company's tax provision.

# 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 tables present a summary of the Company's financial information by segment, including significant segment expenses, and corporate operating expenses.

| | Three Months Ended September 30, 2025 | | | | Nine Months Ended September 30, 2025 | | | |
|---|---|---|---|---|---|---|---|---|
| | Water | Emerging Technologies | Corporate | Total | Water | Emerging Technologies | Corporate | Total |
| | (In thousands) | | | | | | | |
| Revenue | $ 31,928 | $ 72 | $ — | $ 32,000 | $ 67,831 | $ 285 | $ — | $ 68,116 |
| Cost of revenue | 11,323 | 119 | — | 11,442 | 24,810 | 336 | — | 25,146 |
| Gross profit (loss) | 20,605 | (47) | — | 20,558 | 43,021 | (51) | — | 42,970 |
| Operating expenses | | | | | | | | |
| General and administrative | 1,418 | 669 | 5,427 | 7,514 | 4,314 | 1,995 | 17,448 | 23,757 |
| Sales and marketing | 3,704 | 1,557 | 453 | 5,714 | 10,129 | 4,396 | 1,455 | 15,980 |
| Research and development | 1,820 | 1,848 | — | 3,668 | 4,602 | 5,518 | — | 10,120 |
| Restructuring charges | — | — | — | — | 210 | 123 | 206 | 539 |
| Total operating expenses | 6,942 | 4,074 | 5,880 | 16,896 | 19,255 | 12,032 | 19,109 | 50,396 |
| Operating income (loss) | $ 13,663 | $ (4,121) | $ (5,880) | $ 3,662 | $ 23,766 | $ (12,083) | $ (19,109) | $ (7,426) |

| | Three Months Ended September 30, 2024 | | | | Nine Months Ended September 30, 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | Water | Emerging Technologies | Corporate | Total | Water | Emerging Technologies | Corporate | Total |
| | (In thousands) | | | | | | | |
| Revenue | $ 38,344 | $ 240 | $ — | $ 38,584 | $ 77,351 | $ 522 | $ — | $ 77,873 |
| Cost of revenue | 13,334 | 138 | — | 13,472 | 27,633 | 427 | — | 28,060 |
| Gross profit | 25,010 | 102 | — | 25,112 | 49,718 | 95 | — | 49,813 |
| Operating expenses | | | | | | | | |
| General and administrative | 1,803 | 906 | 4,964 | 7,673 | 5,637 | 2,908 | 16,226 | 24,771 |
| Sales and marketing | 3,777 | 1,977 | 659 | 6,413 | 11,359 | 5,484 | 1,826 | 18,669 |
| Research and development | 1,145 | 2,824 | — | 3,969 | 3,318 | 8,946 | — | 12,264 |
| Total operating expenses | 6,725 | 5,707 | 5,623 | 18,055 | 20,314 | 17,338 | 18,052 | 55,704 |
| Operating income (loss) | $ 18,285 | $ (5,605) | $ (5,623) | $ 7,057 | $ 29,404 | $ (17,243) | $ (18,052) | $ (5,891) |

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

## Note 10 — Concentrations

### Customer Revenue Concentration

The following tables present 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.

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | Segment | 2025 | 2024 | 2025 | 2024 |
| Customer A | Water | 26% | ** | 12% | ** |
| Customer B | Water | ** | 14% | ** | 14% |
| Customer C | Water | ** | 11% | ** | 11% |
| Customer D | Water | 13% | ** | ** | ** |
| Customer E | Water | 10% | ** | ** | ** |
| Customer F | Water | ** | 17% | ** | ** |
| Customer G | Water | ** | 10% | ** | ** |

** Zero or less than 10%.

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

## Note 11 — Stockholders' Equity

### Share Repurchase Programs

The Company's Board, from time-to-time, has authorized share repurchase programs 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 programs 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 September 30, 2025, the Company has repurchased 13.7 million shares of its common stock at an aggregate cost of $162.7 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 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"). The February 2025 Authorization will expire in February 2026.

The following table presents the share repurchase activities under the February 2025 Authorization as of September 30, 2025.

| | Number of Shares Purchased | Average Price Paid per Share[(1)] | Plan Activity |
|---|---|---|---|
| | | | *(In millions)* |
| February 2025 Authorization | | | $ 30.0 |
| Repurchases under February 2025 Authorization | 2,183,648 | $13.72 | (30.0) |
| Remaining amount under February 2025 Authorization | | | $ — |

(1) Excluding commissions

Of the 2,183,648 shares purchased, 626,440 and 2,183,648 were purchased during the three and nine months ended September 30, 2025 for $8.4 million and $30.0 million, respectively. The Company completed all purchases under the February 2025 Authorization in August 2025.

*August 2025 Authorization*

On August 6, 2025, the Board announced a share repurchase program under which the Company may repurchase its outstanding common stock, at the discretion of management, for up to $25.0 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 "August 2025 Authorization"). The August 2025 Authorization will expire in May 2026. The Company began to purchase under the August 2025 Authorization in August 2025.

The following table presents the share repurchase activities under the August 2025 Authorization as of September 30, 2025.

| | Number of Shares Purchased | Average Price Paid per Share[(1)] | Plan Activity |
|---|---|---|---|
| | | | *(In millions)* |
| August 2025 Authorization | | | 25.0 |
| Repurchases under August 2025 Authorization | 149,170 | $14.58 | (2.2) |
| Remaining amount under August 2025 Authorization | | | $ 22.8 |

(1) Excluding commissions

All of the 149,170 shares were purchased during the three and nine months ended September 30, 2025 for $2.2 million.

# 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 and nine months ended September 30, 2025, the Company granted 3,847 and 304,600 PRSUs, respectively.

PRSUs outstanding as of September 30, 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 income (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) provision for (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 and nine months ended September 30, 2025 is dependent on the level of achievement of the performance targets discussed above, which ranges from 0 shares to up to 11,541 and 913,800 shares of common stock, respectively. The units are valued based on the Company's market price on the date of grant. As of September 30, 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 $CO_2$ 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 turbochargers 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 and nine months ended September 30, 2025, compared to the three and nine months ended September 30, 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.

We generally track our revenues by channels. The channels we recognize and channel definitions we utilize are as follows:

- *Megaproject ("MPD") channel:* The MPD channel has been the main driver of our long-term growth as revenue from this channel benefits from a growing number of projects as well as an increase in the capacity of these projects in some cases. MPD projects are large-scale in nature and generally have shipment timelines from 16 to 36 months from contract date. Recognition of revenue is dependent on customers' project timing and execution of these projects.
- *Original Equipment Manufacturer ("OEM") channel:* The OEM channel reflects sales to a wide variety of industries in the desalination, wastewater, and the refrigeration markets. This channel contains projects smaller in size and revenue, and of shorter duration compared to those projects in the MPD channel.
- *Aftermarket ("AM") channel:* The AM channel represents support and services rendered to our installed customer base. AM revenue generally fluctuates from year-to-year and is dependent on our customers' timing of product upgrades, as well as their replenishment of spare parts and supplies.

#### *Revenue by Channel Customers*

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | 2024 | | | |
| | Revenue | % of Revenue | Revenue | % of Revenue | Change | |
| | *(In thousands, except percentages)* | | | | | |
| Megaproject | $ 18,400 | 58% | $ 29,009 | 75% | $ (10,609) | (37%) |
| Original equipment manufacturer | 8,962 | 28% | 4,919 | 13% | 4,043 | 82% |
| Aftermarket | 4,638 | 14% | 4,656 | 12% | (18) | —% |
| Total revenue | $ 32,000 | 100% | $ 38,584 | 100% | $ (6,584) | (17%) |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | 2024 | | | |
| | Revenue | % of Revenue | Revenue | % of Revenue | Change | |
| | *(In thousands, except percentages)* | | | | | |
| Megaproject | $ 33,238 | 49% | $ 48,924 | 63% | $ (15,686) | (32%) |
| Original equipment manufacturer | 21,320 | 31% | 15,210 | 19% | 6,110 | 40% |
| Aftermarket | 13,558 | 20% | 13,739 | 18% | (181) | (1%) |
| Total revenue | $ 68,116 | 100% | $ 77,873 | 100% | $ (9,757) | (13%) |

#### *Revenue Attributable to Primary Geographical Markets by Segments*

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | | 2024 | | |
| | Water | Emerging Technologies | Total | Water | Emerging Technologies | Total |
| | (In thousands) | | | | | |
| Middle East and Africa | $ 16,685 | $ — | $ 16,685 | $ 28,043 | $ 153 | $ 28,196 |
| Asia | 11,088 | — | 11,088 | 6,829 | — | 6,829 |
| Europe | 1,639 | — | 1,639 | 2,421 | 87 | 2,508 |
| Americas | 2,516 | 72 | 2,588 | 1,051 | — | 1,051 |
| Total revenue | $ 31,928 | $ 72 | $ 32,000 | $ 38,344 | $ 240 | $ 38,584 |

Within the geographical markets, the following countries represented revenue in excess of 10%.

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | Revenue | Percentage | Revenue | Percentage |
| | (In thousands) | | | |
| Morocco | $ 9,261 | 29 % | $ 5,636 | 15 % |
| Saudi Arabia | $ 4,095 | 13 % | $ 11,101 | 29 % |
| United Arab Emirates | ** | ** | $ 8,650 | 22 % |
| India | $ 4,916 | 15 % | $ 4,708 | 12 % |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2025 | | | 2024 | | |
| | Water | Emerging Technologies | Total | Water | Emerging Technologies | Total |
| | (In thousands) | | | | | |
| Middle East and Africa | $ 28,889 | $ 93 | $ 28,982 | $ 47,295 | $ 399 | $ 47,694 |
| Asia | 22,534 | 65 | 22,599 | 16,770 | 36 | 16,806 |
| Europe | 11,770 | 55 | 11,825 | 6,329 | 87 | 6,416 |
| Americas | 4,638 | 72 | 4,710 | 6,957 | — | 6,957 |
| Total revenue | $ 67,831 | $ 285 | $ 68,116 | $ 77,351 | $ 522 | $ 77,873 |

Within the geographical markets, the following countries represented revenue in excess of 10%.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2025 | | 2024 | |
| | Revenue | Percentage | Revenue | Percentage |
| | (In thousands) | | | |
| Morocco | $ 10,897 | 16 % | $ 11,872 | 15 % |
| United Arab Emirates | ** | ** | $ 14,304 | 18 % |
| Saudi Arabia | ** | ** | $ 13,833 | 18 % |
| China | $ 6,791 | 10 % | ** | ** |
| India | $ 6,749 | 10 % | $ 9,341 | 12 % |
| Spain | $ 8,977 | 13 % | ** | ** |

*Three months ended September 30, 2025, as compared to the three months ended September 30, 2024*

The decrease in MPD revenue of $10.6 million was due primarily to lower shipments of products to the Middle East and Africa ("MEA") and Europe markets, partially offset by higher shipments of products to the Asia market.

The increase in OEM revenue of $4.0 million was due primarily to:

- *Desalination:* The increase in revenue of $3.0 million was due primarily to higher shipments of products to the Americas, Asia and Europe markets.
- *Wastewater:* The increase in revenue of $1.0 million was due primarily to higher shipments of products to the Asia and Europe markets.

The decrease in AM revenue of $18 thousand was primarily due to higher shipments of products to the Asia markets, partially offset by lower shipments of products to the Europe and MEA markets .

*Nine months ended September 30, 2025, as compared to the nine months ended September 30, 2024*

The decrease in MPD revenue of $15.7 million was due primarily to lower shipments to the MEA and Americas markets, partially offset by higher shipments of products to the Europe market.

The increase in OEM revenue of $6.1 million was primarily due:

- *Desalination*: The increase in revenue of $3.3 million was due primarily to higher shipments of products to the Asia market.
- *Wastewater*: The increase in revenue of $2.8 million was due primarily to higher shipments to the Asia and Europe markets.

The decrease in AM revenue of $0.2 million was due primarily to lower shipments to the Americas market, partially offset by higher shipments of products to the Asia markets.

### *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 September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Change | 2025 | 2024 | Change |
| | | | *(In thousands, except percentage and basis point)* | | | |
| Gross profit | $ 20,558 | $ 25,112 | $ (4,554) | $ 42,970 | $ 49,813 | $ (6,843) |
| Gross margin | 64.2% | 65.1% | (90) bps | 63.1 % | 64.0 % | (90) bps |

The decrease in gross profit and gross margin for the three months ended September 30, 2025, as compared to the prior year, was due primarily to costs related to product mix and tariffs, partially offset by a decrease in indirect manufacturing costs.

The decrease in gross profit and gross margin for the nine months ended September 30, 2025, as compared to the prior year, was due primarily to costs related to product mix and tariffs, partially offset by a decrease in indirect manufacturing costs during the nine months ended September 30, 2025.

## Operating Expenses

The total material changes of general and administrative ("G&A"), sales and marketing ("S&M") and R&D operating expenses for the three and nine months ended September 30, 2025, as compared to the comparable periods in the prior year, are discussed within the following overall operating expenditures, and the segment and corporate operating expenses discussions below.

| | Three Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2024 | | | |
| | Water | Emerging Technologies | Corporate | Total | Water | Emerging Technologies | Corporate | Total |
| | (In thousands) | | | | | | | |
| Operating expenses | | | | | | | | |
| General and administrative | $ 1,418 | $ 669 | $ 5,427 | $ 7,514 | $ 1,803 | $ 906 | $ 4,964 | $ 7,673 |
| Sales and marketing | 3,704 | 1,557 | 453 | 5,714 | 3,777 | 1,977 | 659 | 6,413 |
| Research and development | 1,820 | 1,848 | — | 3,668 | 1,145 | 2,824 | — | 3,969 |
| Total operating expenses | $ 6,942 | $ 4,074 | $ 5,880 | $ 16,896 | $ 6,725 | $ 5,707 | $ 5,623 | $ 18,055 |

*Three months ended September 30, 2025, as compared to the three months ended September 30, 2024*

*Overall Operating Expenditures.* Overall operating expenditures decreased $1.2 million, or (6.4%). This decrease was due primarily to lower employee compensation costs and lower Emerging Technologies segment development costs, partially offset by an increase in consulting costs.

*Water Segment.* Water segment operating expenses increased by $0.2 million, or 3.2%. This increase was due primarily to higher marketing costs and bad debt expense.

*Emerging Technologies Segment.* Emerging Technologies segment operating expenses decreased by $1.6 million, or (28.6%). This decrease was due primarily to lower employee compensation costs as well as lower development costs.

*Corporate Operating Expenses.* Corporate operating expenses increased by $0.3 million, or 4.6%. This increase was due primarily to higher consulting costs incurred.

| | Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2024 | | | |
| | Water | Emerging Technologies | Corporate | Total | Water | Emerging Technologies | Corporate | Total |
| | (In thousands) | | | | | | | |
| General and administrative | $ 4,314 | $ 1,995 | $ 17,448 | $ 23,757 | $ 5,637 | $ 2,908 | $ 16,226 | $ 24,771 |
| Sales and marketing | 10,129 | 4,396 | 1,455 | 15,980 | 11,359 | 5,484 | 1,826 | 18,669 |
| Research and development | 4,602 | 5,518 | — | 10,120 | 3,318 | 8,946 | — | 12,264 |
| Restructuring charges | 210 | 123 | 206 | 539 | — | — | — | — |
| Total operating expenses | $ 19,255 | $ 12,032 | $ 19,109 | $ 50,396 | $ 20,314 | $ 17,338 | $ 18,052 | $ 55,704 |

*Nine months ended September 30, 2025, as compared to the nine months ended September 30, 2024*

*Overall Operating Expenditures.* Overall operating expenditures decreased by $5.3 million, or (9.5%). This decrease was due primarily to a decrease in employee costs, such as employee compensation and stock-based compensation, lower Emerging Technologies segment development costs and lower facility expenses, partially offset by restructuring and impairment 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 $1.1 million, or (5.2%). This decrease was due primarily to lower employee costs, including stock-based compensation costs, partially offset by an increase in consulting costs.

*Emerging Technologies Segment.* Emerging Technologies operating expenses decreased by $5.3 million, or (30.6%). This decrease was due primarily to lower employee costs, including stock-based compensation, as well as lower development costs.

*Corporate Operating Expenses.* Corporate operating expenses increased by $1.1 million, or 5.9%. This increase was primarily due to higher consulting costs, restructuring charges and impairment costs associated with the sublease of the Katy, Texas lease incurred during the nine months ended September 30, 2025, 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 approximately $3.0 million, of which $0.5 million was recorded during the nine months ended September 30, 2025. The company did not record a restructuring charge during the three months ended September 30, 2025. The total restructuring 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | *(In thousands)* | | | |
| Interest income | $ 847 | $ 1,711 | $ 2,860 | $ 4,816 |
| Other non-operating income (expense), net | 45 | 57 | 25 | (45) |
| Total other income, net | $ 892 | $ 1,768 | $ 2,885 | $ 4,771 |

The decrease in “Total other income, net” in the three and nine months ended September 30, 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| | (In thousands, except percentages) | | | |
| (Benefit from) provision for income taxes | $ 680 | $ 344 | $ (589) | $ (699) |
| Discrete items | (117) | 426 | (87) | 566 |
| (Benefit from) provision for income taxes, excluding discrete items | $ 563 | $ 770 | $ (676) | $ (133) |
| Effective tax rate | 14.9% | 3.9% | 13.0% | 62.4% |
| Effective tax rate, excluding discrete items | 12.4% | 8.7% | 14.9% | 11.8% |

The interim period tax provision for (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 and nine months ended September 30, 2025, the recognized provision for and (benefit from) income taxes, respectively, 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 and nine months ended September 30, 2024, the recognized provision for and (benefit from) income taxes, respectively, resulted from the tax projection based on the full year forecasted profit and included benefits related to the U.S. FDII, federal R&D tax credit, certain permanent differences, such as share-based compensation shortfalls, and partial release of California valuation allowance.

The effective tax rate excluding discrete items for the nine months ended September 30, 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.

# 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 September 30, 2025, our principal sources of liquidity consisted of (i) unrestricted cash and cash equivalents of $47.1 million that are held in cash accounts and invested in money market funds and U.S. treasury securities; (ii) investment-grade short-term and long-term marketable debt instruments of $32.8 million that are primarily invested in U.S. treasury securities and corporate notes and bonds; and (iii) accounts receivable, net of allowances, of $44.0 million. As of September 30, 2025, there was unrestricted cash of $0.5 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. 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 September 30, 2025, we were in compliance with all covenants under the Credit Agreement.

Under the Credit Agreement, as of September 30, 2025, there were no revolving loans outstanding. In addition, as of September 30, 2025, under the LCs component, we utilized $18.2 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"). These LCs had a weighted average remaining life of approximately 12 months.

See Note 6, "Lines of Credit," of the Notes for further discussion related to the Credit Agreement.

## Share Repurchase Programs

The Board, from time-to-time, has authorized share repurchase programs 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 September 30, 2025, we have cumulatively repurchased 13.7 million shares of the Company's common stock at an aggregate cost of $162.7 million under all closed share repurchase programs. The following is a discussion of the current share repurchase program during the three and nine months ended September 30, 2025. See Note 11, "Stockholders' Equity – Share Repurchase Programs," 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 and completed all purchases under the program in August 2025.

On August 6, 2025, the Board announced a share repurchase program under which we may repurchase our outstanding common stock, at the discretion of management, up to $25.0 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 "August 2025 Authorization"). We began repurchasing our outstanding common stock under the August 2025 Authorization in August 2025. The August 2025 Authorization will expire in May 2026.

## Cash Flows

| | Nine Months Ended September 30, 2025 | Nine Months Ended September 30, 2024 | Change |
|---|---|---|---|
| | (In thousands) | | |
| Net cash provided by operating activities | $ 11,693 | $ 11,567 | $ 126 |
| Net cash provided by (used in) investing activities | 37,012 | (22,171) | 59,183 |
| Net cash (used in) provided by financing activities | (31,417) | 5,795 | (37,212) |
| Effect of exchange rate differences on cash and cash equivalents | 58 | (23) | 81 |
| Net change in cash, cash equivalents and restricted cash | $ 17,346 | $ (4,832) | $ 22,178 |

### 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 nine months ended September 30, 2025, as compared to the prior year, was due primarily to the following factors:

- *Accounts receivable:* an increase in cash provided due to an increase in collections related to revenues earned late in the fourth quarter of 2024; partially offset by
- *Inventory:* an increase in cash used primarily related to the increase in PXs manufactured for project deliveries in the fourth quarter of 2025.

### 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 $59.2 million in the nine months ended September 30, 2025, as compared to the prior year, was driven by a decrease in purchases of marketable debt instruments, net of proceeds from maturities of marketable debt instruments, of $58.7 million and a decrease in capital expenditures of $0.5 million.

### Cash Flows from Financing Activities

Net cash used in financing activities for the nine months ended September 30, 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 August 2025 Authorization and payment of associated excise tax, as well as 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 September 30, 2025, our investment portfolio of $48.8 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 a decrease in market value to the extent interest rates increase. To minimize the exposure due to adverse shifts in interest rates, we maintain investments with a weighted average maturity of approximately four months. As of September 30, 2025, a hypothetical 1% increase in interest rates would have resulted in a less than $0.2 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 September 30, 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 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

### 10b5-1 Plans

As set forth below, during the three months ended September 30, 2025, one officer (within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) has terminated and no officers adopted a Rule 10b5-1 trading arrangement (as defined in Item 408 of Regulation S-K).

| Name | Title | Date of Adoption or Termination (1) | Status (2) | Plan Type |
|---|---|---|---|---|
| Rodney Clemente | SVP, Water | July 31, 2025 | Termination | Rule 10b5-1 trading arrangement |

(1) Effective (a) date of adoption; or (b) date of termination, of registrant's Rule 10b5-1 trading arrangement.

(2) Activity related to registrant's Rule 10b5-1 trading arrangement.

## 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 |
|---|---|
| 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: November 5, 2025 | By: | /s/ DAVID W. MOON |
| | | David W. Moon |
| | | President and Chief Executive Officer |
| | | (Principal Executive Officer) |
| Date: November 5, 2025 | By: | /s/ MICHAEL S. MANCINI |
| | | Michael S. Mancini |
| | | Chief Financial Officer |
| | | (Principal Financial Officer) |