

REFINITIV

## DELTA REPORT

### 10-Q

ERII - ENERGY RECOVERY, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1383

■ CHANGES	19
■ DELETIONS	443
■ ADDITIONS	921

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

**(Mark**

*(Mark One)*

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

For the quarterly period ended **March 31, 2024**

**June 30, 2024**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number:001-34112



**Energy Recovery, Inc.**

**(Exact**

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

**Delaware** **01-0616867**

*(State or Other Jurisdiction of Incorporation) (I.R.S. Employer Identification No.)*

**Delaware**  
*(State or Other Jurisdiction of Incorporation)*

**01-0616867**

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

**1717 Doolittle Drive, San Leandro, California94577**

*(Address of Principal Executive Offices)*

*(Zip Code)*

**(510) 483-7370**

**(Registrant's**

*(Registrant's Telephone Number, Including Area Code)*

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

<b>Title of each class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock, \$0.001 par value ERII</b>		<b>The Nasdaq Stock Market LLC</b>

**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)

during the preceding 12 months (or for such shorter period that the registrant was required to file such reports)

requirements for the past 90 days. Yes

**D**

**bNo**

**..**

**..**

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required

## ENERGY RECOVERY, INC.

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## **Forward-Looking Information**

This Quarterly Report on Form 10-Q for the three and six months ended March 31, 2024 June 30, 2024, including Part I, Item 2, "Management's "Management's Discussion and Analysis of Financial Condition and Results of Operations" Operations" (the "MD&A" "MD&A" harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statement limited to, statements about our expectations, objectives, anticipations, plans, hopes, beliefs, inten Forward-looking statements represent our current expectations about future events, are based on assump

uncertainties. If the risks or uncertainties occur or the assumptions prove incorrect, then our results or implied by the forward-looking statements. Our forward-looking statements are not guarantees of future performance. Words such as "expects," "anticipates," "aims," "projects," "intends," "plans," "believes," "estimates," "seeks," "continue," "could," "may," "potential," "should," "will," "would," "expects," "anticipates," "aims," "projects," "intends," "may," "potential," "should," "will," "would," variations of such words and similar expressions are all forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially and adversely from those expressed in any forward-looking statement. Uncertainties identified under Part II, Item 1A, "Risk Factors," and elsewhere in this report are different from those expressed in these forward-looking statements. Except as required by law, we are not updating 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

.

our belief that our

PX G1300

"

can contribute to help make

CO

2

-based refrigeration 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;

.

It is important to note that our actual results could differ materially from the results set forth or implied by the forward-looking statements. The factors that could cause our actual results to differ from those included in such forward-looking statements are described under the heading Item 1A, "Risk Factors," in our Quarterly Reports on Form 10-Q, in our Annual Report on Form 10-K for the most recent fiscal year, and in our Current Reports on Form 8-K. In addition, when preparing the MD&A, we are required to disclose information that we believe is important to investors. We have access to and have read the MD&A in our Annual Report on Form 10-K, pursuant to Instruction 2 to Regulation S-K.

We provide our Annual Reports on Form 10K, 10-K, Quarterly Reports on Form 10Q, 10-Q, Current Reports on Form 8-K, and Schedule 14A, Forms 3, 4 and 5 filed by, or on behalf of, directors, executive officers and certain large stockholders. We also furnish information to the SEC on our website, [www.energyrecovery.com](http://www.energyrecovery.com). These filings will become available as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. From time to time, we may use our website as a channel for distributing 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. The information on our website, as well as the information on the website, are not intended to be part of this Quarterly Report on Form 10-Q. A copy of the information on our website as a means of complying with our disclosure obligations under Regulation FD. A copy of the information on our website in addition to following our press releases, SEC filings and the information on the website.

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**PART I -- FINANCIAL INFORMATION**  
**Item 1 -- Financial Statements (unaudited)**  
**ENERGY RECOVERY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
<b>ASSETS</b>		
<b>Current assets:</b>		
<b>Cash and cash equivalents</b>	\$ 70,781	\$ 68,098
<b>Short-term investments</b>	46,577	40,445
<b>Accounts receivable, net</b>	25,055	46,937
<b>Inventories, net</b>	31,671	26,149
<b>Prepaid expenses and other assets</b>	4,288	3,843
<b>Total current assets</b>	178,372	185,472
<b>Long-term investments</b>	12,137	13,832
<b>Deferred tax assets, net</b>	11,652	10,324
<b>Property and equipment, net</b>	17,889	18,699
<b>Operating lease, right of use asset</b>	11,038	11,469
<b>Goodwill</b>	12,790	12,790
<b>Other assets, non-current</b>	387	388
<b>Total assets</b>	\$ 244,265	\$ 252,974

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$	\$
3,492	3,000	
Accrued expenses and other liabilities	8,342	15,583
Lease liabilities	1,854	1,791
Contract liabilities	3,449	1,097
<b>Total current liabilities</b>	<b>17,137</b>	<b>21,471</b>
Lease liabilities, non-current	10,959	11,488
Other liabilities, non-current	132	207
<b>Total liabilities</b>	<b>28,228</b>	<b>33,166</b>
<b>Commitments and contingencies (Note 7)</b>		
<b>Stockholders' equity:</b>		
Common stock	65	65

**ENERGY RECOVERY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

<b>Three Months Ended March 31,</b>		
<b>2024</b>	<b>2023</b>	
<b>(In thousands, except per share data)</b>		
Revenue	\$	\$
12,090	13,401	
Cost of revenue	4,955	5,246
<b>Gross profit</b>	<b>7,135</b>	<b>8,155</b>
<b>Operating expenses:</b>		
General and administrative	7,566	7,066
Sales and marketing	6,152	4,894
Research and development	4,351	4,306
<b>Total operating expenses</b>	<b>18,069</b>	<b>16,266</b>
Loss from operations	(	(
10,934	8,111	
	)	)
<b>Other income (expense):</b>		
Interest income	1,442	621
Other non-operating income (expense), net	( 35	
	53	
	)	
<b>Total other income, net</b>	<b>1,389</b>	<b>656</b>
Loss before income taxes	(	(
9,545	7,455	
	)	)
Benefit from income taxes	(	(
1,285	1,159	
	)	)
<b>Net loss</b>	<b>\$</b>	<b>\$</b>
(	(	
<b>8,260</b>	<b>6,296</b>	

		)	)
<b>Net loss per share:</b>			
<b>Basic</b>		\$	\$
		(	(
	<b>0.14</b>	<b>0.11</b>	

**ENERGY RECOVERY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**Three Months Ended March 31,**

**2024** **2023**

**(In thousands)**

<b>Net loss</b>	\$	\$
	(	(
	<b>8,260</b>	<b>6,296</b>
	)	)
<b>Other comprehensive income (loss), net of tax</b>		
<b>Foreign currency translation adjustments</b>	<b>28</b>	(
		<b>17</b>
		)
<b>Unrealized gain (loss) on investments</b>		(
	<b>44</b>	<b>95</b>
		)
<b>Total other comprehensive income (loss), net of tax</b>	<b>( 78</b>	
		<b>16</b>
		)
<b>Comprehensive loss</b>	<b>\$</b>	<b>\$</b>
	(	(
	<b>8,276</b>	<b>6,218</b>
	)	)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<i>(In thousands)</i>				
Net loss	\$ (642)	\$ (1,665)	\$ (8,902)	\$ (7,961)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	9	114	37	97
Unrealized gain (loss) on investments	(10)	30	(54)	125
Total other comprehensive income (loss), net of tax	(1)	144	(17)	222
Comprehensive loss	\$ (643)	\$ (1,521)	\$ (8,919)	\$ (7,739)

See *Accompanying Notes to Condensed Consolidated Financial Statements*

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Energy Recovery, Inc. | Q1<sup>1</sup>2024 Q2<sup>1</sup>2024 Form 10-Q | 3

**ENERGY RECOVERY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' STOCKHOLDERS' EQUITY**

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>(In thousands, except shares)</b>		
<b>Common stock</b>		
Beginning and ending balance	\$ 65	\$ 64
<b>Additional paid-in capital</b>		
Beginning balance	217,617	204,957
Issuance of common stock, net	1,190	165
Stock-based compensation	3,315	2,218
Ending balance	222,122	207,340
<b>Accumulated other comprehensive loss</b>		
Beginning balance	( 44	( 349
	)	)
<b>Other comprehensive (loss) income</b>		
Foreign currency translation adjustments	28	( 17
	)	)
Unrealized (loss) gain on investments	( 95	44
	)	)
Total other comprehensive (loss) income, net	( 78	16
	)	)
Ending balance	( 60	( 271
	)	)
<b>Treasury stock</b>		
Beginning and ending balance	( 80,486	( 80,486
	)	)

**ENERGY RECOVERY, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Three Months Ended March 31,**

**2024**

**(In thousands)**

**Cash flows from operating activities:**

**Net loss**

<b>Adjustments to reconcile net loss to cash provided by operating activities</b>
<b>Stock-based compensation</b>
<b>Depreciation and amortization</b>
<b>Right of use asset amortization</b>
<b>Accretion (amortization) of discounts (premiums) on investments</b>
<b>Deferred income taxes</b>
<b>Other non-cash adjustments</b>
<b>Changes in operating assets and liabilities:</b>
<b>Accounts receivable, net</b>
<b>Contract assets</b>
<b>Inventories, net</b>
<b>Prepaid and other assets</b>
<b>Accounts payable</b>
<b>Accrued expenses and other liabilities</b>
<b>Contract liabilities</b>
<b>Net cash provided by operating activities</b>
<b>Cash flows from investing activities:</b>
<b>Maturities of marketable securities</b>

### Note 1

1

## **-Description of Business and Significant Accounting Policies**

Energy Recovery, Inc. and its wholly-owned subsidiaries (the "Company" "Company" or "Energy Recovery" "E high-performance solutions that provide cost savings through improved energy efficiency in commercial applications across several industries. Leveraging the Company's 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 or for companies across a variety of commercial and industrial processes. As the world coalesces around the urgent need to address the Company is helping companies reduce their energy consumption in their industrial processes, which footprint. The Company believes that its customers do not have to sacrifice quality and cost savings committed to developing solutions that drive long-term value -- both financial and environmental. The sold in, and developed for, the fluid-flow and gas markets, such as seawater and wastewater desalination

and CO<sub>2</sub>-based refrigeration systems, under the trademarks ERI  
(R)  
®, PX  
(R)  
®, Pressure Exchanger  
(R)  
®, PX  
(R) ® Pressure Exchanger  
(R)  
("PX" ® ("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

#### **Use of Estimates**

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

The accounting policies that reflect the Company's significant estimates and judgments and the critical to aid in fully understanding and evaluating its reported financial results are revenue recognition, equipment useful life and valuation; goodwill valuation and impairment; deferred taxes and valuation a evaluation and measurement of contingencies. Those estimates could change, and as a result, actual results those estimates.

The Company is not aware of any specific event or circumstance that would require an update to its estimates revision of the carrying value of its assets or liabilities as of May 1, 2024 July 31, 2024, 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 estimates under different assumptions or conditions. The Company undertakes no obligation to publicly reason after the date of this Quarterly Report on Form 10-Q, except as required by law.

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**ENERGY RECOVERY, INC.**

**NOTES TO**

**CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Energy Recovery, Inc. | Q1'2024 Form 10-Q**

### Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies in Note "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 2023 Annual Report.

### Recently Issued Accounting Pronouncement Not Yet Adopted

There have been no issued accounting pronouncements that have not yet been adopted during the three

March 31,

2024

June 30, 2024

### Note 2

-

#### — Revenue

##### Disaggregation of Revenue

The following table

present

s present the disaggregated revenues by segment, and within each segment, by geographical market based

customer "shipped to" "shipped to" address, and by channel customers. Sales and usage-based taxes are

"

##### Segment Reporting

," for further discussion related to the Company's segments.

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2020		
Water	Emerging	Total	Water	Emerging	Total	
	Technologies		Technologies			
(In thousands)						
Geographical market						
Middle East and Africa	\$ 4,785	\$ 1	\$ 4,786	\$ 2,739	\$ -	\$ 2,739
Americas	3,939	-	3,939	3,208	30	3,238
Asia	1,979	-	1,979	6,114	-	6,114
Europe	1,386	-	1,386	1,235	75	1,310
Total revenue	\$ 12,089	\$ 1	\$ 12,090	\$ 13,296	\$ 105	\$ 13,401
Channel						
Aftermarket	\$ 4,643	\$ 1	\$ 4,644	\$ 3,322	\$ -	\$ 3,322
Megaproject	4,100	-	4,100	3,243	-	3,243
Original equipment manufacturer	3,346	-	3,346	6,731	105	6,836
Total revenue	\$ 12,089	\$ 1	\$ 12,090	\$ 13,296	\$ 105	\$ 13,401
Three Months Ended June 30, 2024 Six Months Ended June 30, 2024						
	Water	Emerging	Total	Water	Emerging	Total
	Technologies			Technologies		
(In thousands)						
Geographical market						
Middle East and Africa	\$ 14,467	\$ 245	\$ 14,712	\$ 19,252	\$ 246	\$ 19,498
Asia	7,962	36	7,998	9,941	36	9,977
Americas	1,967	-	1,967	5,906	-	5,906
Europe	2,522	-	2,522	3,908	-	3,908

Total revenue	\$ 26,918	\$ 281	\$ 27,199	\$ 39,007	\$ 282	\$ 39,289
<b>Channel</b>						

### Contract Balances

The following table presents contract balances by category.

	March 31, 2024	December 31, 2023
<b>(In thousands)</b>		
Accounts receivable, net	\$ 25,055	\$ 46,937
Contract assets, current (included in prepaid expenses and other assets)	592	592
Contract liabilities:		
Contract liabilities, current	\$ 3,449	\$ 1,097
Contract liabilities, non-current (included in other liabilities, non-current)	30	90
<b>Total contract liabilities</b>	<b>\$ 3,479</b>	<b>\$ 1,187</b>

	June 30, 2024	December 31, 2023
<b>(In thousands)</b>		
Accounts receivable, net	\$ 20,670	\$ 46,937
Contract assets:		
Contract assets, current (included in prepaid expenses and other asset)	-\$	592
Contract assets, non-current (included in other assets, non-current)	528	-\$
<b>Total contract assets</b>	<b>\$ 528</b>	<b>\$ 592</b>
Contract liabilities:		
Contract liabilities, current	\$ 3,214	\$ 1,097
Contract liabilities, non-current (included in other liabilities, non-current)	-\$	90
<b>Total contract liabilities</b>	<b>\$ 3,214</b>	<b>\$ 1,187</b>

### Contract Liabilities

The Company records contract liabilities, which consist of customer deposits and deferred revenue, which are received in advance of the Company's performance. The following table presents significant contract liabilities.

	March 31, 2024	December 31, 2023
<b>(In thousands)</b>		
Contract liabilities, beginning of year	\$ 1,187	\$ 1,316
Revenue recognized	(1,038)	(1,254)
Cash received, excluding amounts recognized as revenue during the period	3,330	1,125
<b>Contract liabilities, end of period</b>	<b>\$ 3,479</b>	<b>\$ 1,187</b>

### Note 3

#### – Net Loss Per Share

Net loss for the reported period is divided by the weighted average number of basic and diluted common shares outstanding for the reported period to calculate the basic and diluted net loss per common share, respectively.

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

Three Months Ended March 31,	
2024	2023
(In thousands, except per share amounts)	
Numerator	
Net loss	\$ \$
	( (
	8,260 6,296
	) )
Denominator (weighted average shares)	
Basic and dilutive common shares outstanding	57,102 56,228
Net loss per share	
Basic	\$ \$
	( (
	0.14 0.11
	) )
Diluted	\$ \$
	( (
	0.14 0.11
	) )

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(In thousands, except per share amounts)				
Numerator				
Net loss	\$ (642)	\$ (1,665)	\$ (8,902)	\$ (7,961)
Denominator (weighted average shares)				
Basic and dilutive common shares outstanding	57,366	56,363	57,234	56,296
Net loss per share				
Basic	\$ (0.01)	\$ (0.03)	\$ (0.15)	\$ (0.14)
Diluted	\$ (0.01)	\$ (0.03)	\$ (0.15)	\$ (0.14)

The following table presents the equity awards that are excluded from diluted net loss per share because they are anti-dilutive.

Three Months Ended March 31,	
2024	2023
(In thousands)	

#### 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 compensation plans. The following table presents a reconciliation of cash, cash equivalents and restricted cash, reported for each period with the Company's Consolidated Balance Sheets and the Condensed Consolidated Statements of Cash Flows that sum to the total of such amounts.

March 31,	December 31, March 31,
2024	2023
(In thousands)	

Cash and cash equivalents	\$	\$	\$
	70,781	68,098	66,332
Restricted cash, non-current (included in other assets, non-current)	126	127	123
Total cash, cash equivalents and restricted cash		\$	\$
	70,907	68,225	66,455

	June 30, 2024	December 31, 2023	June 30, 2023
(In thousands)			
Cash and cash equivalents	\$ 40,313	\$ 68,098	\$ 44,239
Restricted cash, non-current (included in other assets, non-current)	30	127	126
Total cash, cash equivalents and restricted cash	\$ 40,443	\$ 68,225	\$ 44,365

#### Accounts Receivable, net

	March 31, 2024	December 31, 2023
(In thousands)		
Accounts receivable, gross	\$ 25,193	\$ 47,075
Allowance for doubtful accounts	( 138	( 138
	)	)
Accounts receivable, net	\$ 25,055	\$ 46,937

	June 30, 2024	December 31, 2023
(In thousands)		
Accounts receivable, gross	\$ 20,840	\$ 47,075
Allowance for doubtful accounts	( 170)	( 138)

#### 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 category, amortized cost, gross unrealized gains and losses, and fair value. As of the dates reported financial liabilities and no Level 3 financial assets.

March 31, 2024		December 31, 2023					
Pricing	Amortized Cost	Gross Gains	Gross Losses	Fair Value Cost	Amortized Gains	Gross Losses	Fair Value
Category							
	Cost	Unrealized Gains	Unrealized Losses	Value	Unrealized Gains	Unrealized Losses	Value
(In thousands)							
Cash equivalents							
Money market securities	Level 1 25,233	-	-	25,233	18,767	-	- 18,76
Short-term investments							
U.S. treasury securities	Level 2 6,406	-	( 6,403	4,900	1	( 4,900	1
		3				)	)
Corporate notes and bonds	Level 2 33,246	1	( 33,207	25,674	11	( 25,66	18
		40				)	)

Municipal and agency Level 2 notes and bonds	6,971	-	( 6,967	9,887	-	( 9,878
		4			9	
		)			)	
<b>Total short-term investments</b>	<b>46,623</b>	<b>1</b>	<b>( 46,577</b>	<b>40,461</b>		
			June 30, 2024	December 31, 2023		
	Pricing	Amortized Cost	Gross Unrealized	Gross Unrealized	Fair Value	
Category						
			(In thousands)	Gains	Losses	
<b>Cash equivalents</b>				Gains	Losses	
Money market securities	Level 1	\$ 2,144	\$ -	\$ 2,144	\$ 18,767	\$ -
						18,767
<b>Short-term investments</b>						
U.S. treasury securities	Level 2	12,872	1	(6)	12,867	4,900
						1
Corporate notes	Level 2	40,278	2	(56)	40,224	25,674
						11
Municipal and agency bonds	Level 2	7,622	-	(16)	7,606	9,887
						-
<b>Total short-term investments</b>		<b>\$ 60,772</b>	<b>3</b>	<b>(78)</b>	<b>60,697</b>	<b>40,461</b>
notes and bonds						
<b>Long-term investments</b>						
	Level 2	3,742	1	-	3,742	-

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

	March 31, 2024		December	
	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized
		Losses		Losses
(In thousands)				
<b>U.S. treasury</b>				
	June 30, 2024		December 31, 2023	
	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized
		Losses		Losses
	(In thousands)			
U.S. treasury securities	\$ 8,957	\$ (6)	\$ 2,931	\$ (1)
Corporate notes and bonds	41,947	(65)	15,276	(21)
Municipal and agency notes and bonds	20,594	(24)	12,956	(16)
<b>Total available-for-sale investments with unrealized loss positions</b>	<b>\$ 71,498</b>	<b>(95)</b>	<b>\$ 31,163</b>	<b>(38)</b>

#### Sales of Available-for-Sale Investments

The following table presents the sales of available-for-sale investments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024		2023	
	(In thousands)		2024	2023
Corporate notes and bonds	\$ -	\$ 2,966	\$ -	\$ 2,966
Realized losses on sales of securities	\$ -	\$ 5,406	\$ -	\$ ( 2,931
		3		1
		)		)
Corporate notes	were immaterial during the three and bonds			37
		45		21
		)		)
Municipals	six months ended June 30, 2024 and agency notes and bonds			9,06
		10		16
		)		)
<b>Total available-for-sale investments with unrealized loss positions</b>		<b>\$ 5,406</b>		<b>\$ 9,06</b>

52,034	( 31,163
58	38
)	)

2023.

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**ENERGY RECOVERY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**Note 6**

-

**— Lines of Credit**

**Credit Agreement**

The Company entered into a credit agreement with JPMorgan Chase Bank, N.A.

("

("JPMC

")") on December 22, 2021December 22, 2021 (as amended, the

"

**Credit Agreement**

")"). The Credit Agreement, which will expire on December 21, 2026

December 21, 2026, provides a committed revolving credit line of

\$50.0 million and includes both a revolving loan and a letters of credit ("

("LCs

")") component.

Under the Credit Agreement, as of March 31, 2024

June 30, 2024, there were no revolving loans outstanding. In addition, under the LCs component,

the Company utilized \$

20.319.1 million of the maximum allowable credit line of \$30.0 million, which includes newly issued LC

issued and unexpired stand-by letters of credit ("SBLCs" ("SBLCs")) and certain non-expired commitments

Pledge Agreement with Citibank, N.A. which are guaranteed under the Credit Agreement.

**Letters of Credit**

The following table presents the total outstanding LCs and SBLCs issued by the Company to its customer

warranty and performance guarantees.

March 31, 2024	December 31, 2023
(In thousands)	
Outstanding letters of credit	\$ \$
18,293	19,945

	June 30, 2024	December 31, 2023
		(In thousands)
Outstanding letters of credit	\$ 18,086	\$ 19,945

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**ENERGY RECOVERY, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

## Note 7

-

### — Commitments and Contingencies

#### Litigation

From time-to-time, the Company has been named in and subject to various proceedings and claims in conn

The Company may in the future become involved in litigation in the ordinary course of business, includ

its business. The Company considers all claims, if any, on a quarterly basis and, based on known fact

are considered reasonably possible, probable and estimable. Based upon this assessment, the Company t

requirements and whether to accrue for such claims in its consolidated financial statements. The Comp

when it is both probable that a liability has been incurred and the amount of the loss can be reasonab

reviewed at least quarterly and are adjusted to reflect the impacts of negotiations, settlements, ruli

information and events pertaining to a particular case. As of **March 31, 2024**

**June 30, 2024**, the Company was not involved in any lawsuits, legal proceedings or claims that would have a material effect on the **Company's** financial position,

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

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### ENERGY RECOVERY, INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### (Unaudited)

Energy Recovery, Inc. | **Q1 2024** **Q2 2024** Form 10-Q | **14**

**15**

## Note 8

-

### — Income Taxes

	<b>Three Months Ended Ma</b>	
	<b>2024</b>	<b>2023</b>
<b>(In thousands, except percentages)</b>		
<b>Benefit from</b>		

	Three Months Ended June 30,		Six Months Ended June 30,		
	2024	2023	2024	2023	
(In thousands, except percentages)					
Provision for (benefit from) income taxes	\$ 242	\$ (265)	\$ (1,043)	\$ (1,424)	
Discrete items	64	141	140	629	
Provision for (benefit from) income taxes, excluding discrete items	\$ 242	\$ (903)	\$ (795)		
Effective tax rate	(60.5%)	13.7%	10.5%	15.2%	
Effective tax rate, excluding discrete items	(76.2%)	6.4%	9.1%	8.5%	
The Company's interim period tax provision for and (benefit from) income taxes, \$					
	(	(			
	1,285	1,159			
	)	)			
Discrete items	76	488			
Benefit from income taxes, excluding discrete items	\$	\$			
	(	(			
	1,209	671			
	)	)			
Effective tax rate	13.5	15.5			
	%	%			
Effective tax rate, excluding discrete items	12.7	9.0			
	%	%			
The Company's interim period tax benefit from income taxes					
respectively, 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 annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes period. The Company's Company's quarterly tax provision and estimate of its annual effective tax rate are subject to variation including variability in accurately predicting its pre-tax income or loss and the mix of jurisdictions special tax regimes, and changes in how the Company does business.					
For the three and six months ended					
March 31, 2024					

## Note 9

-

### Segment Reporting

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

The following table presents a summary of the Company's financial information by

	Three Months Ended March 31,			
	2024		2023	
Water	Emerging	Total	Water	Emerging
	Technologies		Technologies	Total
(In thousands)				
Revenue	\$	\$	\$	\$
	12,089	1	12,090	13,296
Cost of revenue	4,954	1	4,955	5,101
Gross profit (loss)	7,135	-	7,135	8,195
			( 8,155)	

					40	
					)	
<b>Operating expenses</b>						
General and administrative	1,922	1,018	2,940	1,938	968	2,906
Sales and marketing	3,745	1,807	5,552	3,175	1,170	4,345
Research and development	1,100	3,251	4,351	1,180	3,126	4,306
<b>Total operating expenses</b>	<b>6,767</b>	<b>6,076</b>	<b>12,843</b>	<b>6,293</b>	<b>5,264</b>	<b>11,557</b>
<b>Operating income (loss)</b>		\$	\$	(	\$	\$
	368			( 5,708	1,902	( 3,402
				6,076 )		5,304 )
				)		)
Less: Corporate operating expenses	5,226			4,709		
<b>Loss from operations</b>		\$	\$			
				( (		
	10,934			8,111		
	)			)		

	Three Months Ended June 30, 2024				Six Months Ended June 30, 2024			
	Water	Emerging Technologies	Corporate	Total	Water	Emerging Technologies	Corporate	Total
	(In thousands)							
Revenue	\$ 26,918	\$ 281	\$ —	\$ 27,199	\$ 39,007	\$ 282	\$ —	\$ 39,289
Cost of revenue	9,345	288	—	9,633	14,299	289	—	14,588
Gross profit (loss)	17,573	(7)	—	17,566	24,708	(7)	—	24,701
Operating expenses								
General and	1,912	984	6,636	9,532	3,834	2,002	11,262	17,098

## Note 10

-

### — Concentrations

#### Customer Revenue Concentration

The following table presents the customers that account for 10% or more of the Company's revenue and their related segment for each of the periods presented. Although certain customers might account for greater than 10% of the Company's revenue at any one point in time, the concentration of revenue between a limited number of customers shifts regularly, depending on percentages by customer reflect specific relationships or contracts that would concentrate revenue for indicate a trend specific to any one customer.

Three Months Ended March 31,		
Segment	2024	2023
Customer A Water	** 27	
	%	
Customer B Water	18 **	
	%	
Customer C Water	13 **	
	%	
Customer D Water	** 11	
	%	

\*\*

	Segment	Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
Customer A	Water	**	20%	**	13%
Customer B	Water	19%	18%	13%	11%
Customer C	Water	18%	**	12%	**
Customer D	Water	15%	**	11%	**
Customer E	Water	**	**	**	12%
Customer F	Water	**	11%	**	**
Customer G	Water	**	10%	**	**

\*\* Zero or less than 10%.

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### ENERGY RECOVERY, INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Energy Recovery, Inc. | Q1<sup>1</sup>2024 Q2<sup>1</sup>2024 Form 10-Q | 18

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## Item 2 - Management's - Management's Discussion and Analysis of Financial

### Operations

#### Overview

Energy Recovery, Inc. (the "Company" "Company", "Energy Recovery" "Energy Recovery", "we" "we", "our" "ou industrial processes more efficient and sustainable. Leveraging our pressure exchanger technology, when operating, we believe our solutions lower costs, save energy, reduce waste, and minimize emission commercial and industrial processes. As the world coalesces around the urgent need to address climate helping companies reduce their energy consumption in their industrial processes, which in turn, reduce that our customers do not have to sacrifice quality and cost savings for sustainability and we are com

long-term value - both financial and environmental.

The original product application of our technology, the PX

(R)® Pressure Exchanger

(R)

("

® ("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

battery manufacturers, mining operations, municipalities, and other manufacturing plants that discharge

metals and pollutants, and has also been applied to the development of our PX G1300

(R)® for use in the CO<sub>2</sub> 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

pressure exchanger technology, which can enhance environmental sustainability and improve productivity consumption in high-pressure industrial fluid-flow systems. This versatile technology works as a platform at the heart of many of our products. In addition, we have engineered and developed ancillary devices and circulation "booster" pumps, that complement our energy recovery devices.

## Results of Operations

A discussion regarding our financial condition and results of operations for the three and six months ended **March 31, 2024**

**June 30, 2024**, compared to the three and six months ended **March 31, 2023**

**June 30, 2023**, is presented below.

### Revenue

Variability in revenue from quarter to quarter is typical, therefore year-on-year comparisons are not for the full year due to these variations. There is no specific seasonality in our revenues to highlight.

#### Revenue

We generally track our revenues by **Channel Customers**

**Three Months Ended March 31,**

	2024	2023	
Revenue	% of Revenue	% of Revenue	Change
<i>(In thousands, except percentages)</i>			
Aftermarket	\$ 38%	\$ 25%	\$ 40%
4,644	3,322	1,322	

channels. The channels we recognize and channel definitions we utilize are as follows:

•Megaproject	4,100	34%	3,243	24%	857	26%	
Original equipment manufacturer	3,346	28%	6,836	51%	(3,490)	(51%("MPD"))	Total revenue
	12,090		13,401		(1,311)		

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

**Three Months Ended March 31,**

	2024	2023	
Water	Emerging Technologies	Total Water Technologies	Emerging Technologies
<i>(In thousands)</i>			
Middle East and Africa	\$ 1	\$ 4,786	\$ 2,739
Americas	-	3,939	3,208
Asia	-	1,979	6,114
Europe	-	1,386	1,235
<b>Total revenue</b>	<b>\$ 1</b>	<b>12,090</b>	<b>13,296</b>

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

are large-scale in revenue for the

three nature and generally have shipment timelines from 16 to 36 months ended

**March 31, 2024**

, as compared to the prior year

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

**Three Months Ended June 30,**

**2024** **2023**

	Water	Emerging	Total	Water	Emerging	Total
	Technologies			Technologies		
(In thousands)						
Middle East and Africa	\$ 14,467	\$ 245	\$ 14,712	\$ 10,990	\$ 108	\$ 11,098
Asia	7,962	36	7,998	7,378	—	7,378
Americas	1,967	—	1,967	1,329	—	1,329
Europe	2,522	—	2,522	817	101	918
Total revenue	\$ 26,918	\$ 281	\$ 27,199	\$ 20,514	\$ 209	\$ 20,723
<u>Six Months Ended June 30,</u>						
2024 2023						
	Water	Emerging	Total	Water	Emerging	Total
	Technologies			Technologies		
(In thousands)						
Middle East and Africa	\$ 19,252	\$ 246	\$ 19,498	\$ 13,729	\$ 108	\$ 13,837
Asia	9,941	36	9,977	13,492	—	13,492
Americas	5,906	—	5,906	4,537	30	4,567
Europe	3,908	—	3,908	2,052	176	2,228
Total revenue	\$ 39,007	\$ 282	\$ 39,289	\$ 33,810	\$ 314	\$ 34,124

Three months ended March 31,

2024

June 30, 2024, as compared to the three months ended June 30, 2023

The increase in MPD revenue of \$3.6 million was due primarily to customers' project timing, and execut

specifically related to an increase of shipments in the Middle East and Africa ("MEA") and Asia market

The increase in OEM revenue of \$2.2 million was due primarily to:

• **Desalination:** The increase in revenue of \$2.4 million was due primarily to higher shipments in the Eu

partially offset by a decrease in shipments to the Asia market.

• **Wastewater:** Revenues were stable compared to the prior year, with an increase in shipments to the Asia

partially offset by \$1.3 million a decrease in shipments to the Europe market.

• **Emerging Technology:** The decrease in revenue of \$0.2 million was due primarily to an installment in

The increase in AM revenue of \$0.6 million was due primarily to higher shipments to the Americas, Asia

offset by lower shipments to the MEA market.

Six months ended June 30, 2024, as compared to the six months ended June 30, 2023

The increase in MPD revenue of \$4.5 million was due primarily to customers' project timing, and executi

specifically in the MEA and Americas markets, partially offset by lower shipments to the Asia market.

The decrease in OEM revenue of \$1.2 million was primarily due to:

• **Desalination:** The increase in revenue of \$0.1 million was due primarily to higher shipments to the Eu

which were partially offset by lower shipments to the Asia market.

• **Wastewater:** The decrease in revenue of \$1.2 million was due primarily to lower shipments in all marke

### Concentration of Revenue

See Note 10, ■

■ Concentrations

■ ■ Revenue by Geographic Location and Country, ■

■ of the Notes to Condensed Consolidated Financial

Statements in Part I, Item 1, ■ Financial ■ Financial Statements (unaudited), ■ of this Quarterly Report

■ 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 mater

share-based compensation), manufacturing overhead, warranty costs, and depreciation expense and other

		Three Months Ended March 31,			
		2024		2023	
Gross Profit	Gross Margin %	Gross Profit	Gross Margin %	Gross Profit	Change in Gross Profit
(In thousands, except percentages)					
Gross profit and gross margin	\$ 59.0%		\$ 60.9%	\$ (12.5%)	
	7,135		8,155	(1,020)	

		Three Months Ended June 30,				Six Months Ended June 30,						
		2024		2023		2024		2023				
Gross Profit	Gross Margin %	Gross Profit	Gross Margin %	Change in Gross Profit	Gross Profit	Gross Margin %	Gross Profit	Gross Margin %	Change in Gross Profit			
(In thousands, except percentages)												
Gross profit and gross margin	\$ 17,566	64.6%	\$ 13,543	65.4%	\$ 4,023	29.7%	\$ 24,701	62.9%	\$ 21,698	63.6%	\$ 3,003	13.8%

gross margin increase in gross profit for the three and six months ended

March 31, 2024

June 30, 2024, as compared to the prior year, was due primarily to an increase in sales of PXs, partially offset by a decrease in revenue and a slightly lower gross margin.

March 31, 2024

June 30, 2024, as compared to the prior year, was due primarily to higher manufacturing costs and an increase in inventory scrap, partially offset by lower cost of product sold costs related to product mix.

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Energy Recovery, Inc. | Q1'2024 Form 10-Q

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**Emerging Technologies Segment.** Emerging Technologies segment operating expenses of \$5.6 million, increased by \$0.4 million, or 7.4%. This increase was due primarily to a higher compensation costs, share-based compensation expenses, executive transition costs, and a reduction in headcount and an increase in travel and employee severance costs. Other non-employee costs included:

**Corporate Operating Expenses.** Corporate operating expenses of \$7.2 million, increased by \$2.2 million, or 41.2%.

lower consultant costs and professional fees;

.

S&M

: This increase

was due primarily to higher consulting and commission costs partially offset by lower marketing expenses; and

.

R&D

:

lower

facility and other costs.

Water

Segment.

Water segment operating expenses

increase

by

\$0.5 million

, or

7.5%

, in related to the three enhancement of our corporate growth strategy.

	Six Months Ended June 30,				2023			
	2024				2023			
	Water	Emerging Technologies	Corporate	Total	Water	Emerging Technologies	Corporate	Total
(In thousands)								
General and administrative	\$ 3,834	\$ 2,002	\$ 11,262	\$ 17,098	\$ 3,798	\$ 1,915	\$ 8,622	\$ 14,335
Sales and marketing	7,582	3,507	1,167	12,256	6,295	2,611	1,080	9,986
Research and development	2,173	6,122	—	8,295	2,023	6,051	—	8,074
Total operating	\$ 13,589	\$ 11,631	\$ 12,429	\$ 37,649	\$ 12,116	\$ 10,577	\$ 9,702	\$ 32,395

expenses.

Six months ended

March 31, 2024

June 30, 2024, as compared to the prior year six months ended June 30, 2023

### Other Income, Net

	Three Months Ended March 31,			
	2024		2023	
	(In thousands)			
Interest income		\$	\$	
	1,442		621	
Other non-operating (expense) income, net (53)		35		

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024		2023	
	(In thousands)			
Interest income	\$ 1,663	\$ 782	\$ 3,105	\$ 1,403
Other non-operating expense, net	(49)	(126)	(102)	(91)
Total other income, net	\$ 1,614	\$ 656	\$ 3,003	\$ 1,312
The increase in "Total other income, net"		\$	\$	
	1,389		656	

The

increase

in "

Total other income, net

" in the three and six months ended

March 31, 2024

June 30, 2024, as compared to the comparable periods in

the prior year, was due primarily to an increase in interest yields and an increase in short- and long

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## Income Taxes

	Three Months Ended March 31,	
	2024	2023
(In thousands, except percentages)		
Benefit from income taxes	\$ (1,285)	\$ (1,159)
Discrete items	76	488
Benefit from income taxes, excluding discrete items	\$ (1,209)	\$ (671)
Effective tax rate	13.5%	15.5%
Effective tax rate, excluding discrete items	12.7%	9.0%

## Liquidity and Capital Resources

### Overview

From time-to-time, management and our Board of Directors review our liquidity and future cash needs and (1) return capital to our shareholders through a share repurchase program or dividend payout; or (2) seek to

As of **March 31, 2024**

June 30, 2024, our principal sources of liquidity consisted of (i) unrestricted cash and cash equivalents of \$40.3 million; (ii) investment-grade short-term and long-term marketable debt instruments of \$58.7 million

notes and bonds, and municipal and agency notes and bonds; and (iii) accounts receivable, net of allowances of \$20.7 million. As of

**March 31, 2024**

June 30, 2024, there was unrestricted cash of \$1.0 million held outside the U.S. We invest predominantly in investment-grade, marketable debt instruments with the intent to make such funds available as needed. Although these securities are available for sale, we generally hold these securities to maintain the ability of the underlying companies or government agencies to cover their obligations at maturity, at a profit. Based on current projections, we believe existing cash balances and future cash inflows will meet our liquidity needs for at least the next 12 months.

### Credit Agreement

We entered into a credit agreement with JPMorgan Chase Bank, N.A.

("

("JPMC

")) on December 22, 2021 (as amended, the "

Credit

Agreement

"). The Credit Agreement, which will expire on December 21, 2026

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.

T

he The maximum allowable LCs under the credit line component of the

Credit Agreement is \$30.0 million

\$30.0 million. As of March 31, 2024

June 30, 2024, we were in compliance with all covenants under the Credit Agreement.

Under the Credit Agreement, as of **March 31, 2024**

**June 30, 2024**, there were no revolving loans outstanding. In addition, as of **March 31, 2024**  
**June 30, 2024**, under

### Cash Flows

	Six Months Ended June 30,		
	2024	2023	Change
(In thousands)			
Net cash provided by operating activities	\$ 14,570	\$ 4,523	10,047
Net cash used in investing activities	(43,830)	(17,036)	(26,794)
Net cash provided by financing activities	1,502	379	1,123
Effect of exchange rate differences on cash and cash equivalents	(24)	41	(65)
Net change in cash, cash equivalents and restricted cash	\$ (27,785)	\$ (12,093)	\$ (15,689)

### Cash Flows Three Months Ended March 31,

2024	2023	Change	
			(In thousands)

#### from Operating Activities

Net cash provided by operating activities	\$	\$	\$
	6,497	8,657	(2,160)
Net cash (used in) provided by investing activities	(4,986)	1,167	(6,153)
Net cash provided by financing activities	1,190	165	1,025
Effect of exchange rate differences on cash and cash equivalents	(19)	8	(27)
Net change in cash, cash equivalents and restricted cash	\$	\$	\$
	2,682	9,997	(7,315)

#### Cash Flows from Operating Activities

Net cash provided by operating activities is subject to the project driven, non-cyclical nature of our fluctuate significantly from year to year, due to the timing of receipts of large project orders. Ope and significantly positive in the next, consequently individual quarterly results and comparisons may trend, either positive or negative.

The lowerhigher net cash provided by operating assets and liabilities for the threesix months ended March 31, 2024

June 30, 2024, as compared to the prior year, was due primarily to the following factors:

.

a

#### decrease factors:

•Accounts receivable and contract assets: an increase in cash provided by accounts receivables related and the timing of billings related to shipments of product or certification of installations, and collections on the account receivable balances;

.

•Accounts payable: an increase in cash used for inventory for projects in 2024 and 2025

;

and

.

lower

### Recent Accounting Pronouncements

Refer to Note 1, <sup>¶</sup>

¶Description of Business and Significant Accounting Policies

-

- Significant Accounting Policies

,  
, " of the Notes to  
Condensed Consolidated Financial Statements in Part I, Item 1, "Financial" Financial Statements (unaudited).

### 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") ("U

riyal, Emirati dirham, European euro, Chinese yuan, Indian rupee and Canadian dollar. Changes in currency affect our consolidated operating results or financial position.

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

In addition, we pay many vendors in foreign currency and, therefore, are subject to changes in foreign international sales and service operations incur expense that is denominated in foreign currencies. The by currency fluctuations. Our international sales and services operations also maintain cash balances decrease the inherent risk associated with translation of foreign cash balances into our reporting currency balances in foreign currencies.

We have not hedged our exposure to changes in foreign currency exchange rates because expenses in foreign are insignificant to date and exchange rate fluctuations have had little impact on our operating results and 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 significantly increasing risk. We invest primarily in investment-grade short-term and long-term market to counter-party credit risk. To minimize this risk, we invest pursuant to an investment policy approach mandates high credit rating requirements and restricts our exposure to any single corporate issuer by

As of **March 31, 2024**

June 30, 2024, our investment portfolio of **\$58.7 million**

**\$97.7 million**, in investment-grade marketable debt instruments, such as U.S. treasury

### 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 **Interim** Chief evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of of the end of the period covered by this report.

Based on that evaluation, our President and Chief Executive Officer and our **Interim** Chief **Financial** **Acc**

of **March 31, 2024**

June 30, 2024, 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 the affected, or are reasonably likely to materially affect, our internal control over financial reporting

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**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 our business. We are not presently a party to any legal proceedings that we believe are likely to have a material adverse effect on our financial condition, or operating results. Regardless of the outcome, such proceedings or claims can result in significant costs of defense and settlement costs, diversion of resources and other factors, and there can be no assurance that a favorable outcome will be obtained.

**Item 1A -- Risk Factors**

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

**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.

*Table of Contents***Item 5 -- Other Information****As set forth below, during**

During the three months ended

March 31, 2024

June 30, 2024, ~~one~~ director and ~~one~~ officer (within the meaning of Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) has adopted or terminated any Rule 10b5-1 trading arrangement and/or ~~Rule~~ non-Rule 10b5-1 trading arrangement (as defined in Item 408 of Regulation S-K).

Name	Title	Date of Adoption or Status	Plan Type
		Termination	(2)
		(1)	
Joshua Ballard	Chief Financial Officer	January 3, 2024	Termination Rule 10b5-1 trading arrangement
Arve Hanstveit	Director	March 15, 2024	Termination Rule 10b5-1 trading arrangement
			(4)

(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.

(3)

The trading arrangement covered the sale of up to 12,500 shares of our common stock and was scheduled to expire on

September 13, 2024  
or upon  
the completion of all sales thereunder.  
(4)  
The trading arrangement covered the sale of up to  
76,000  
shares of our common stock and was scheduled to expire on  
March 15, 2024  
or upon the  
completion of all sales thereunder.

## Item 6 -- Exhibits

A list of exhibits filed or furnished with this report or incorporated herein by reference is found in

### Exhibit 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**

I, David W. Moon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Recovery, Inc. for the period ended March 31, 2024June 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial position of the registrant as of the date of such financial statements;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and am involved in (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that they are effective; (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; (c) Evaluated the effectiveness of the registrant'sregistrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of such controls and procedures based on such evaluation; and (d) Disclosed in this report any change in the registrant'sregistrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant'sregistrant's audited financial statements:

  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information;
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2024 /s/ DAVID W. MOON  
Name: David W. Moon  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

Date: July 31, 2024

/s/ DAVID W. MOON  
Name: David W. Moon  
Title: President and Chief Executive Officer  
*(Principal Executive Officer)*

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

I, **Joshua Ballard, Brandon Young**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Recovery, Inc. for the period ended **March 31, 2024** **June 30, 2024**;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to fairly present in all material respects the financial condition of the registrant as of the end of the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the operating results and cash flows of the registrant for the period covered by this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and I:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information required to be disclosed by the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Exchange Act rules and forms;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's ability to prepare financial statements in accordance with generally accepted accounting principles;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the **registrant's**:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data;
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting;

Date: May 1, 2024 /s/ JOSHUA BALLARD  
 Name: Joshua Ballard  
 Title: Chief Financial Officer  
 (Principal Financial and Accounting Officer)

Date: July 31, 2024

/s/ BRANDON YOUNG  
 Name: Brandon Young  
 Title: Interim Chief Accounting Officer  
 (Principal Financial and Accounting Officer)

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act" "Exchange Act Rules"), I, **Joshua Ballard, Brandon Young**, certify that:

1. The **Company's** **Quarterly Report** on Form 10-Q for the period ended **March 31, 2024** **June 30, 2024**, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report" "Quarterly Report"), fully complies with the requirements of Section 13(a) of the Exchange Act;
2. The information contained in the **Quarterly Report** fairly presents, in all material respects, the financial condition of the **Company** as of the end of the period covered by the **Quarterly Report**.

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

Date: May 1, 2024	/s/ DAVID W. MOON
	David W. Moon
	President and Chief Executive Officer
Date: May 1, 2024	/s/ JOSHUA BALLARD
	Joshua Ballard
	Chief Financial Officer

Date: July 31, 2024

/s/ DAVID W. MOON

\_\_\_\_\_  
David W. Moon

*President and Chief Executive Officer*

Date: July 31, 2024

/s/ BRANDON YOUNG

\_\_\_\_\_  
Brandon Young

*Interim Chief Accounting Officer*

\* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission

{graphic omitted}  
{graphic omitted}  
{graphic omitted}

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