

NASDAQ:ERII

# Energy Recovery

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Investor Presentation



June 2023

# Forward-Looking Statement

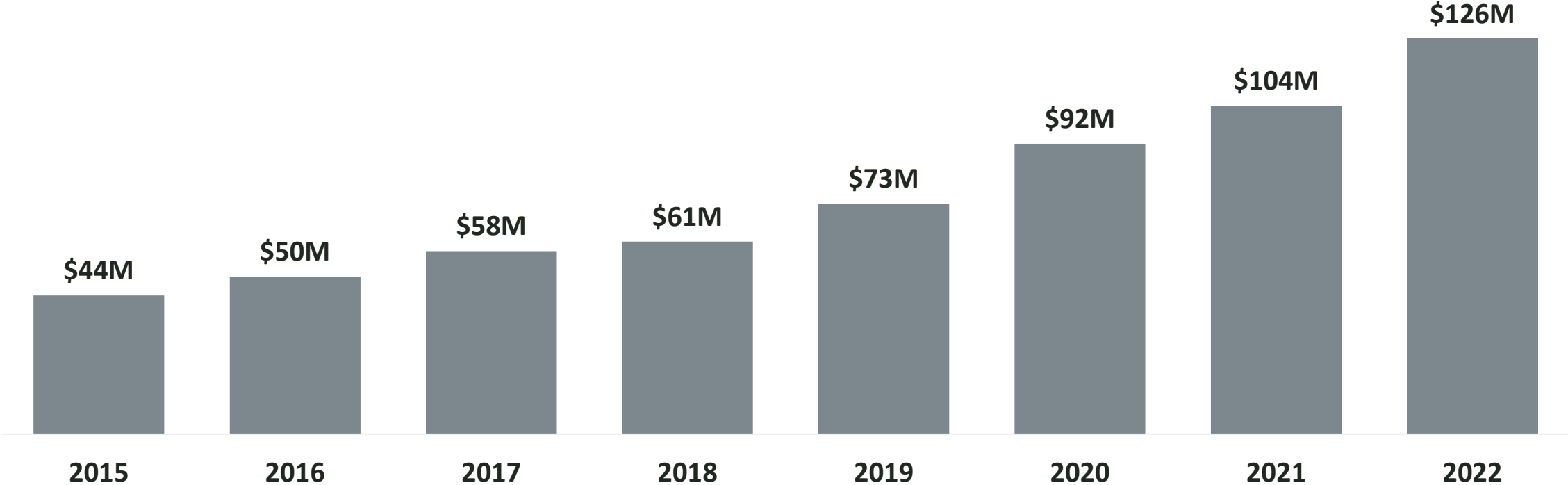
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This presentation contains forward-looking statements within the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this report include, but are not limited to, statements about our expectations, objectives, anticipations, plans, hopes, beliefs, intentions, or strategies regarding the future. Forward-looking statements that represent our current expectations about future events are based on assumptions and involve risks and uncertainties. If the risks or uncertainties occur or the assumptions prove incorrect, then our results may differ materially from those set forth or implied by the forward-looking statements. Our forward-looking statements are not guarantees of future performance or events. Words such as “expects,” “anticipates,” “believes,” “estimates,” variations of such words, and similar expressions are also intended to identify such forward-looking statements.

These forward-looking statements are subject to risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date of this presentation. All forward-looking statements included in this presentation are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected in the forward-looking statements, as disclosed from time to time in our reports on Forms 10-K, 10-Q, and 8-K as well as in our Annual Reports to Stockholders and, if necessary, updated in our quarterly reports on Form 10 Q or in other filings. We assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from the results set forth or implied by our forward-looking statements.

# Product Revenue<sup>1</sup>: 2015 - 2022

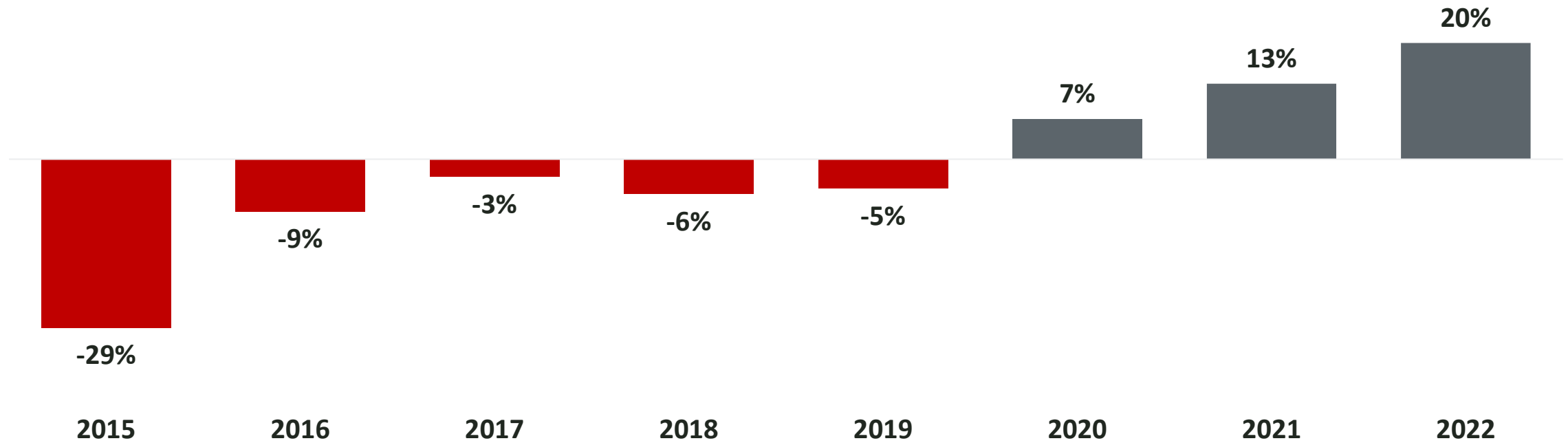
 **Rapid Growth**      **16%**      Average Product Revenue Growth 2015-2022



<sup>(1)</sup> Excludes reported License and Development Revenue 2015 through 2020.

# Operating Margin<sup>1</sup>: 2015 - 2022

## Turnaround in Profitability



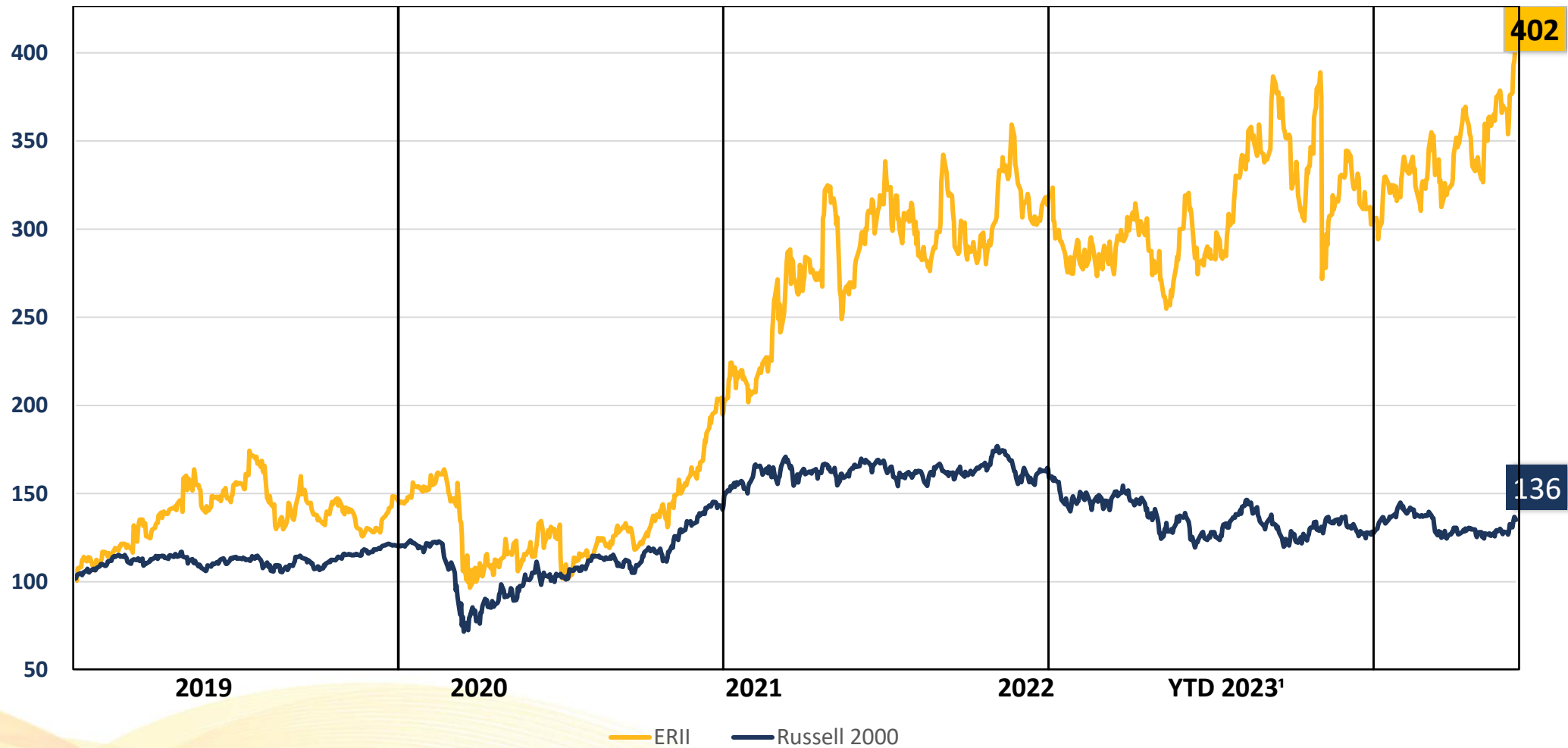
<sup>(1)</sup> Calculation excludes reported License and Development Revenue in 2015 through 2020 and the one-time impairment of VorTeq related assets in 2021.

# Other Strong Fundamentals

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# 2019 – 2023 Returns: ERII +301% vs. Russell 2000 +35%<sup>1</sup>



(1) As of June 9, 2023

# What Is Driving This Value?

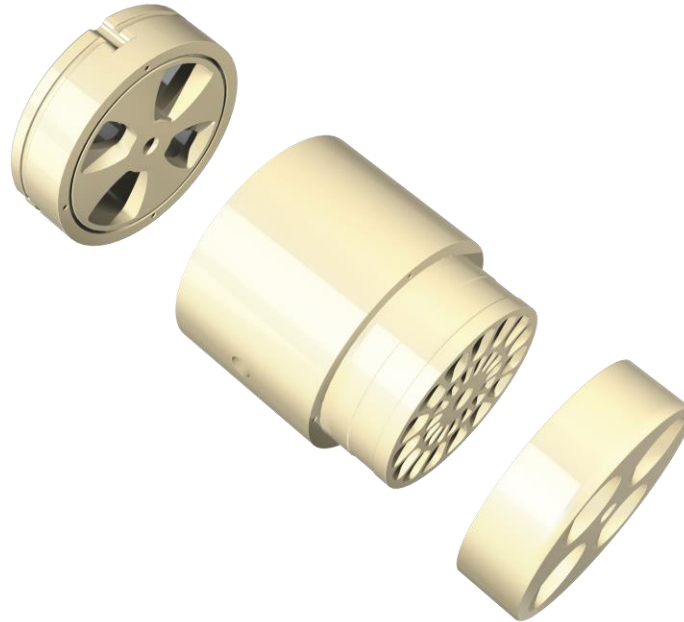
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The PX Technology Platform



# The PX Pressure Exchanger

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# Unique Value Proposition: Reduce Emissions & Save Customers Money



# Our PX Technology Revolutionized the Desalination Industry

1

Reduces energy costs by up to 60%

3

Designed for a 25-year life

2

Transfers energy at up to 98% efficiency

4

Needs no maintenance

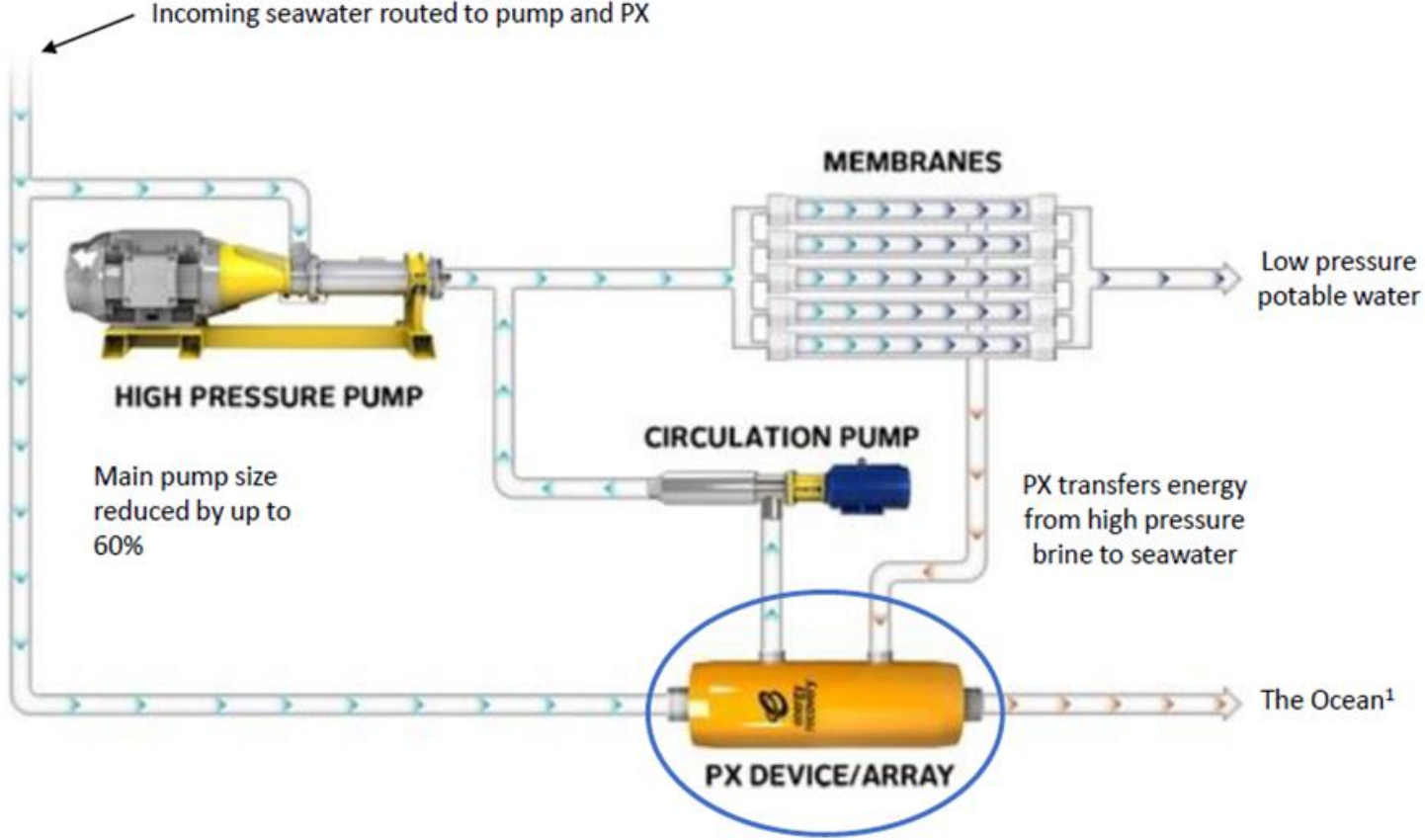
Significant Customer Value Proposition Translates into ERII Profitability

70% ERII Gross Margin<sup>1</sup>

25% Russell 2000 Industrials

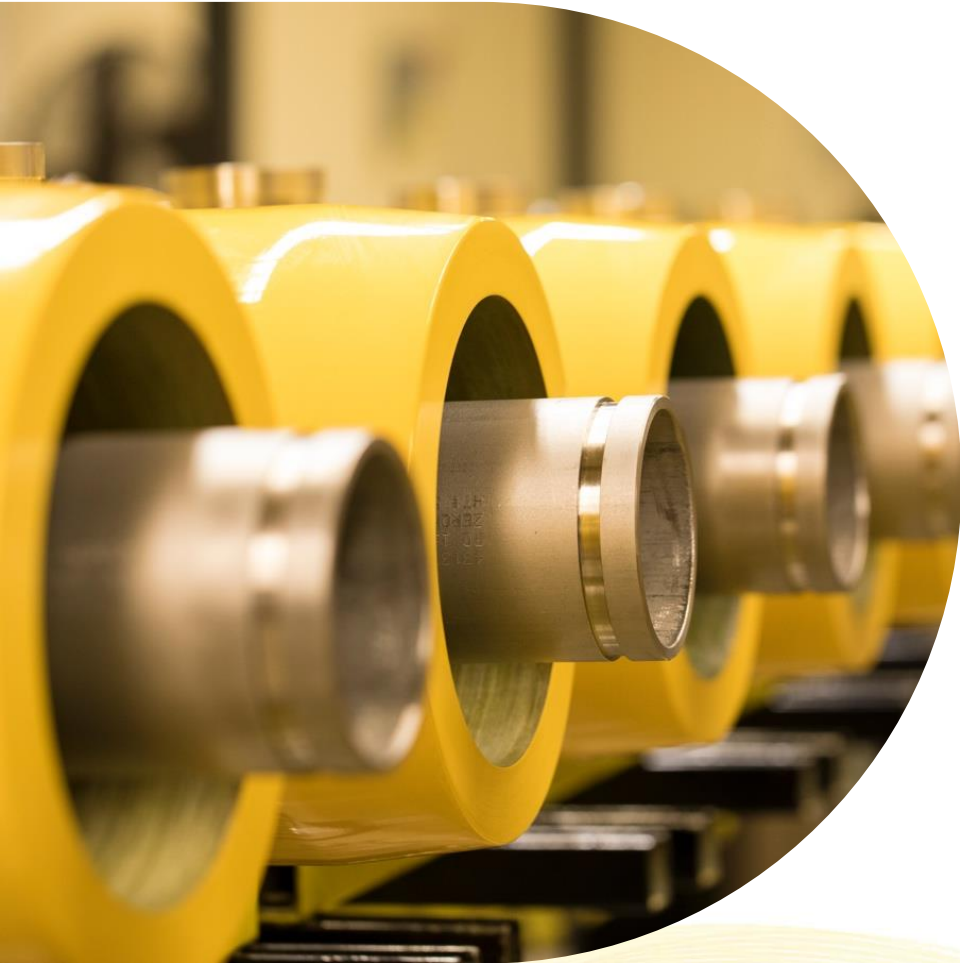
(1) 2022 FY Reported Avg. Gross Margin

# PX In Action: Desalination



PX lowers energy consumption by up to 60%

# We are Expanding Into Industries Outside of Desalination



 Water Desalination

 Wastewater

 CO<sub>2</sub> Refrigeration





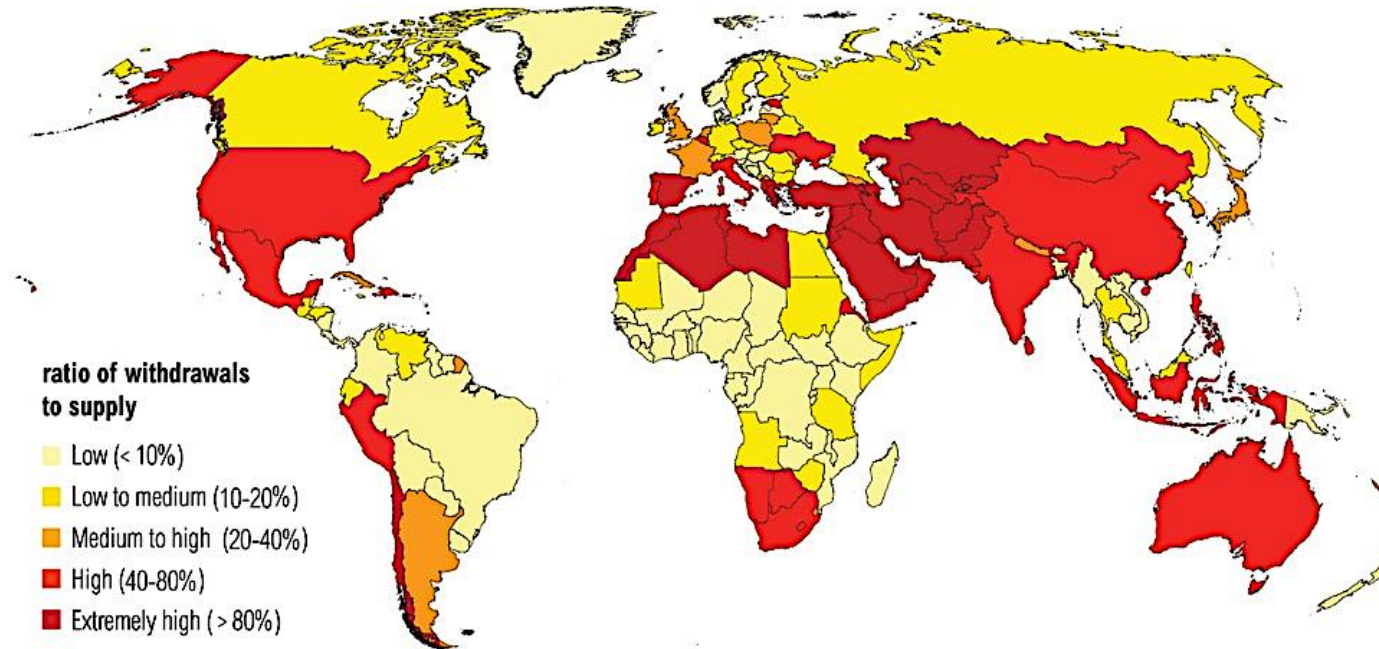
# Water

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Desalination & Wastewater

# World-Wide Demand for Fresh Water Continues to Outstrip Supply

Water Stress by Country: 2040



NOTE: Projections are based on a business-as-usual scenario using SSP2 and RCP8.5.

The United Nations estimates a 40% gap in freshwater supplies by 2030

# The World Needs More Water

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## FINANCIAL TIMES

No end to crisis in sight as drought grips India's Chennai

## The Washington Post

Arizona's water troubles show how climate change is reshaping the West

## THE HILL

How will the US deal with its water crisis?

## MEED

Middle East business intelligence

Saudi Water Partnership Company has released its Seven-Year Statement for 2020-26

## The New York Times

*California Is Living Between Ever-Widening Climate Extremes*

## CBS

Millions at risk of power and water shortages as two of the nation's largest reservoirs on the brink of "dead pool status," U.N. warns



# Freshwater Scarcity Driving Re-use and New Capacity Build (Desal)

## Desalination

Targeting sales of \$200M by 2026<sup>1</sup>

Unlimited Drought Resistant Water Supply

Costs Decreasing Steadily with Scale

Municipal

Industrial

## Wastewater

Up to \$1B Potential TAM

Variety of Industries Globally

Regulatory Driven

Lithium

Mining

Chemical

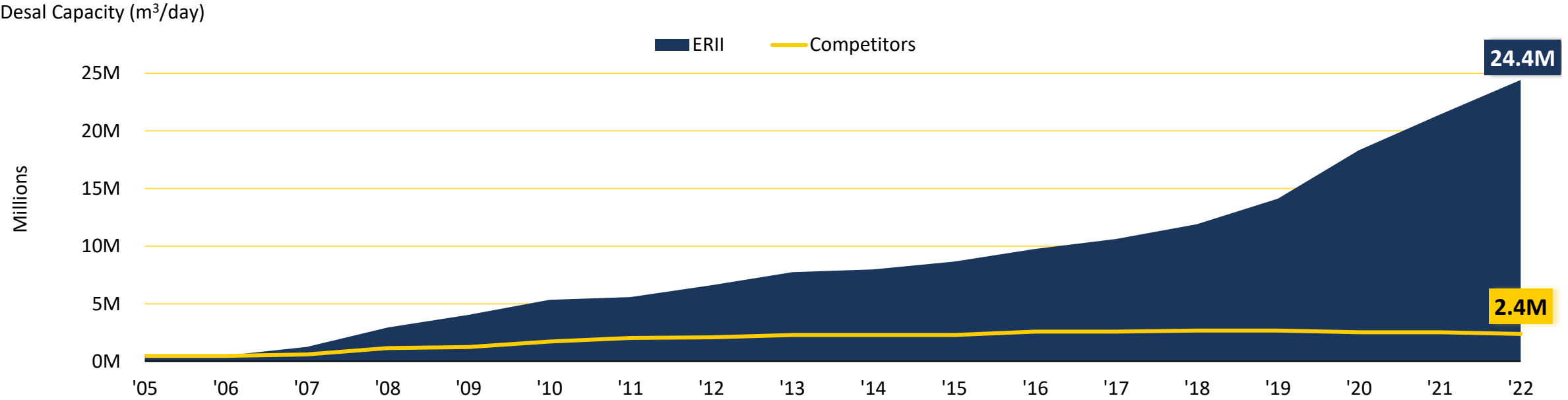
Textiles

Municipal

Many Others...

# Our PX Dominates Large Scale Desalination Today

## Cumulative Won Mega Projects<sup>1</sup>



(1) Mega Projects produce 50,000 cubic meters or more of water per day

# CO2

Disrupting the Global Refrigeration Industry



# Strong Regulatory Shift is Driving Shift to Natural Refrigerants (CO<sub>2</sub>)

1

HFCs are up to 13,000x worse for environment than CO<sub>2</sub>

3

CO<sub>2</sub> drives up operating pressures, increasing electricity usage up to 5x

2

Developed countries have agreed to reduce HFCs 85% by 2036

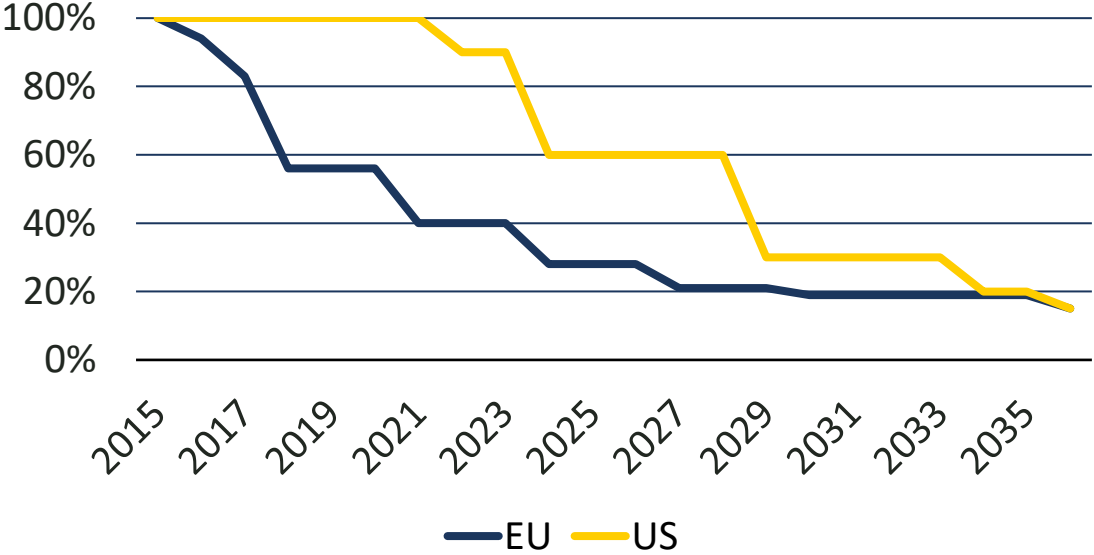
4

Our PX can help reduce electricity consumption, just like in Water

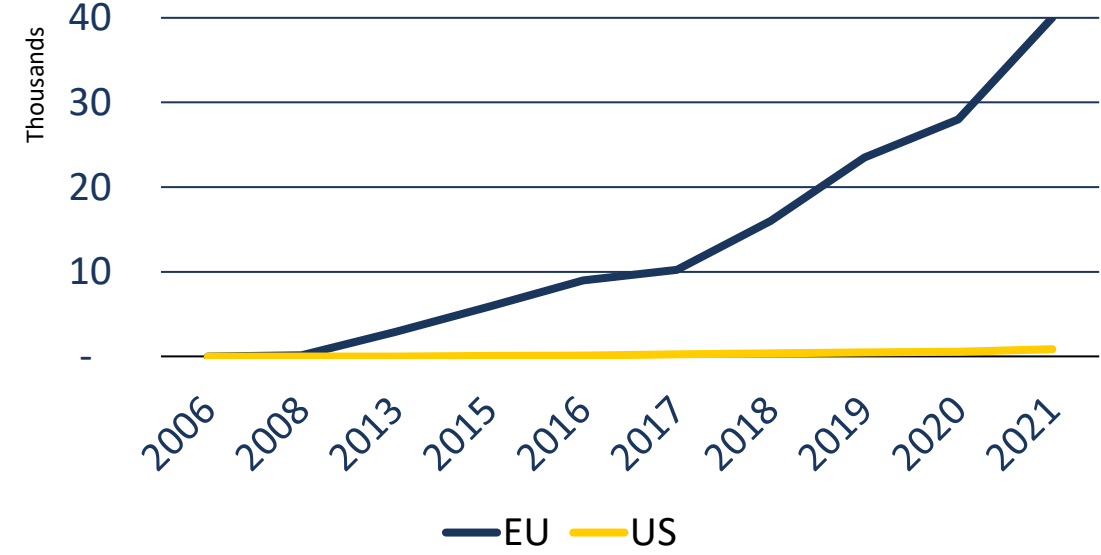
**Roughly 100,000 supermarkets will be affected in the US and Europe alone**

# HFC Phase-Down and CO<sub>2</sub> Installations

HFC Phase-down Timeline: EU & US



CO<sub>2</sub> Installations: EU & US



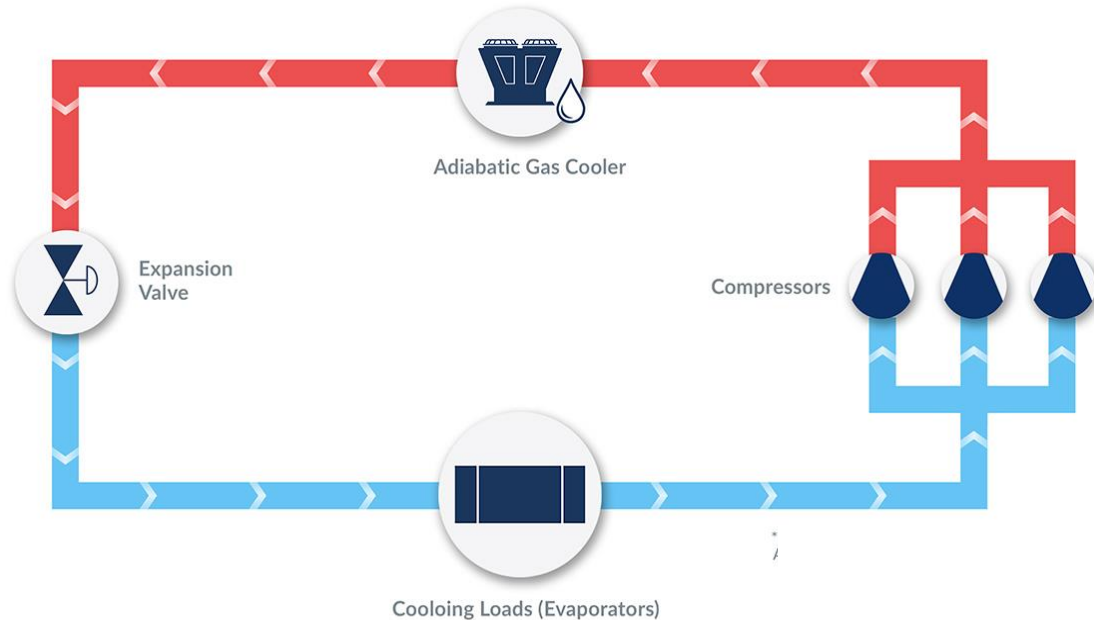
(1 Based on IPCC data: <https://unfccc.int/process/transparency-and-reporting/greenhouse-gas-data/greenhouse-gas-data-unfccc/global-warming-potentials>)



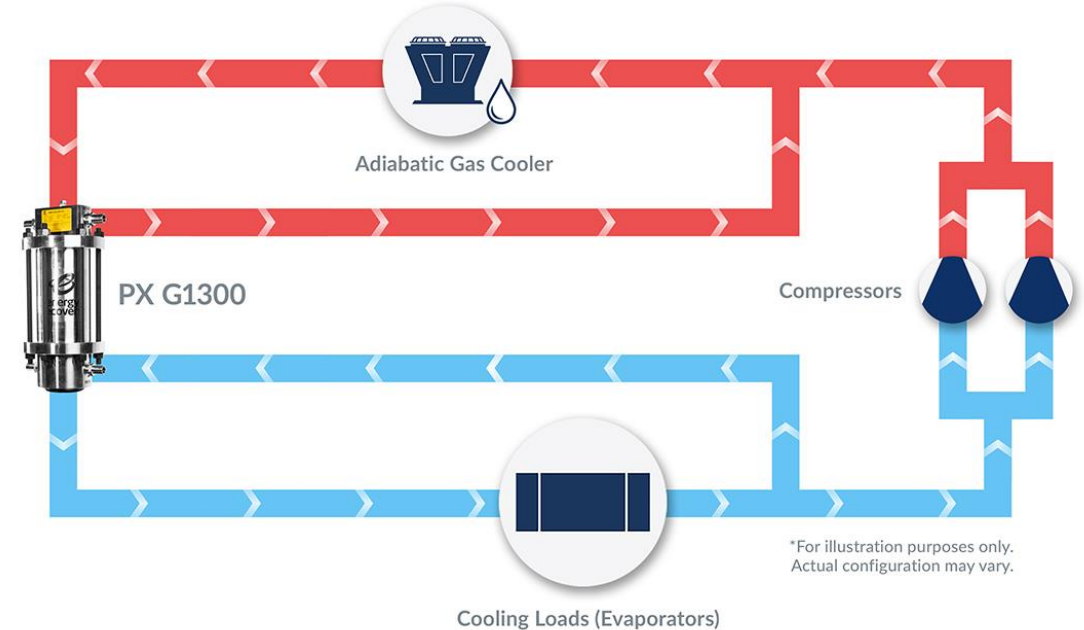
# The PX G1300™ Saves Electricity By Recycling High-Pressure Energy

The PX G1300 is like a compressor which does not consume electricity or water, where energy is reclaimed from otherwise wasted pressure energy.

## Standard CO<sub>2</sub> Refrigeration System



## With PX G1300™



# Showing Initial Success



November  
2021

Signed first contract for delivery in 2022



2022

First units commissioned and OEM  
partnership agreements signed



Q1 2023

Installed first Carrefour unit



Q1 2023

Distribution agreement with Fieuw  
Koeltechnic, PX G1300 incorporated in  
Epta Group's new XTE product line



# The Future

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Creating Long-Term Shareholder Value



# Our Strategy Rests on Three Strategic Pillars

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## Desalination Leadership

**Protect position in desalination** by improving products and operations in a fast-growing market

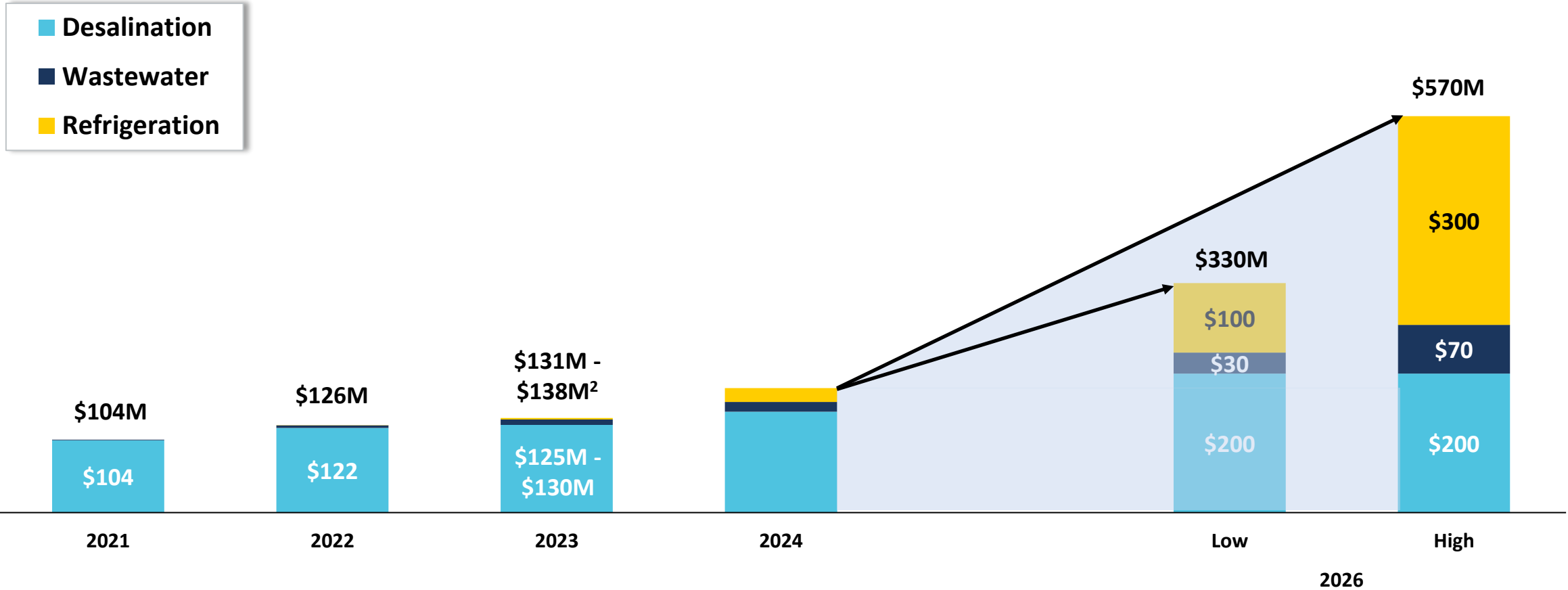
## Profitable Diversified Growth

**De-risk revenue and drive high margin growth** by entering diverse new and tangential industries with our PX

## Sustainability

**Engineer and manufacture sustainability** focused products that reduce energy consumption

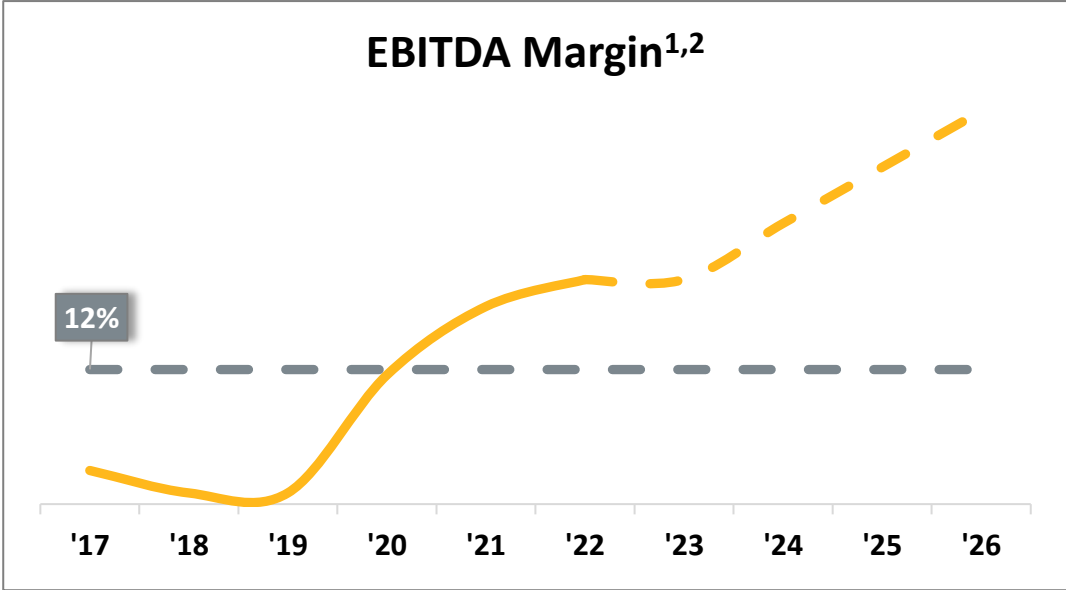
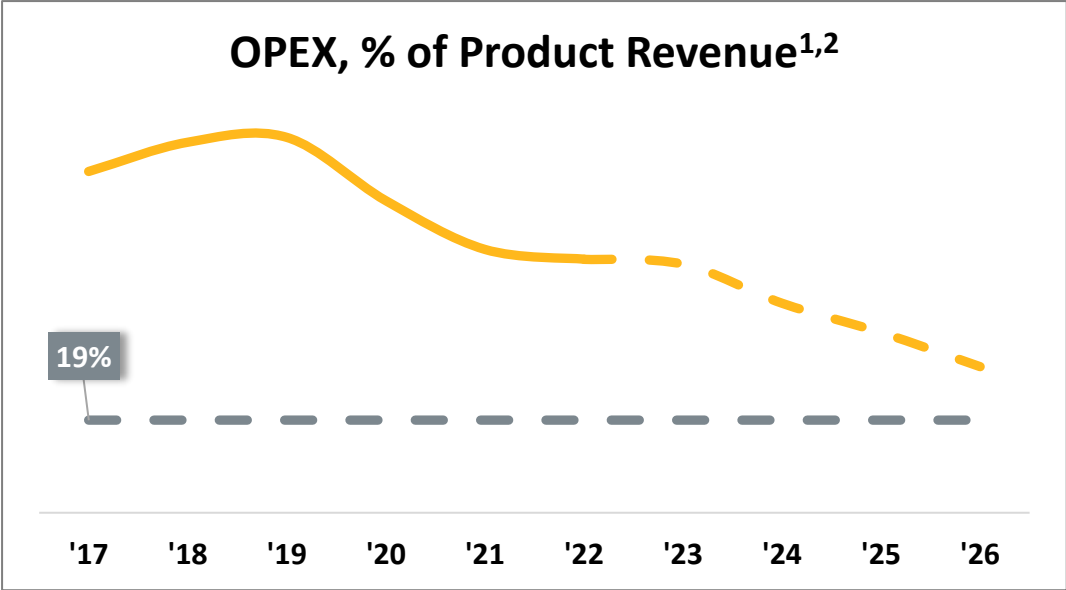
# Growth Targets<sup>1</sup>



(1) These revenue growth range goals, long-term vision and similar statements illustrate possible outcomes of our different segment strategies. These growth illustrations should not be treated as forecasts, projections or financial guidance. We cannot assure that we will be able to accomplish these goals, metrics or opportunities in the future, all of which are subject to significant risks and uncertainties as set forth under Risk Factors in our Annual Report on Form 10-K.

(2) Guidance provided at October 2022 earnings call

# Maintain High Gross Margin and Manage OPEX to Grow EBITDA



(1) 2023 – 2026 are estimated projections  
 (2) Excluding Schlumberger License and Development Revenue through 2021

# Contact Us

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**Thank You**

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