

Nasdaq:ERII

Charting our way forward

Presenting our vision and financial
framework for continued success



November 2024

Welcome!

Agenda and Introduction

Lionel McBee
Director, Investor
Relations



Agenda today



David Moon
CEO

Our growth vision, executable path forward, and key enablers to ensure success



Rodney Clemente
SVP, Water

Our approach for fortifying share and profitability in desalination and driving focused growth in wastewater



Ricardo Freitas
VP & GM, CO2

Building from summer testing results to accelerate CO2 growth



Michael Mancini
CFO

Driving shareholder value through balanced growth & cost discipline approach

Forward looking statements

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.

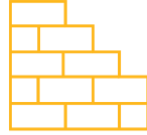
**Our growth vision,
executable path
forward, and key
enablers to ensure
success**

Overview and strategy

David Moon
CEO



What we have accomplished the past 12 months



Rebuilt the leadership team



**Developed our go-forward strategic plan
(growth playbook)**



**Delivered on critical growth milestones in
wastewater and CO2**



Initiated execution of growth playbook

What we want to accomplish today



Share results of our growth playbook work,
including defining which products and markets we will focus on



Frame our forward-looking guidance and long-term targets,
based on details and granularity from our growth playbook



Introduce key enablers, that will allow us to execute our strategy in a disciplined fashion



Detail our execution strategy across business units,
with transparency into critical milestones from growth playbook

Growth playbook builds on our historic strengths



Historic strengths

Market leaders in a high-value product

Business in high-growth markets with tailwinds



Go-forward vision from growth playbook

- Grow by focusing on core strength – pressure exchangers
 - Will not pursue growth from other products and services
-
- Double focus on desalination, wastewater, and CO2 refrigeration



We will execute successfully on growth playbook with:

- Disciplined and profitable growth
- Transparency and accountability on performance
- Management team that will deliver

Our core markets

Desalination



Rising population & climate change increasing stress on freshwater supplies

Wastewater



Stricter government policies on water discharge

CO2



Government regulations driving transition from HFCs to CO2

Growth drivers

Driving value through ESG + sustainability

\$6B+ Energy savings / year¹

#1 MSCI ESG-rated company in our industry²

38M cmd of freshwater production by desal sites with ERII products¹

20M Metric tons of CO₂³ emissions avoided by our customers in 2023¹

48% Reduction in Scope 1 and 2 emissions intensity since 2021

Awards / certifications we have received:







100% of our revenue is in addressing environmental challenges, reducing emissions, or both

1. Energy Recovery estimates
2. In the industrial machinery industry as of last annual rating July 2024
3. Metric tons of carbon dioxide equivalents

We have and will continue to be the PX market leader

We have been at the
forefront of PX for 30+ years

- **1992** —  Energy Recovery founded
- **1997** — First PX desalination installation in Canary Islands
- **2012** —  PX Q300, first quadrabarc technology
- **2022** —  PX Q400 highest capacity, most efficient PX
- **2022** —  1st PX capable of compressing and expanding CO2

We continue to push
the frontier of PX technology

We are market leaders for PX

We have installed
30K+ PXs globally; we
are present in **every**
major desalination site

2 billion+

hours of combined
PX run time since 1992

We have continuously
innovated to ensure that our
products are market leading

140

patents that have been
awarded to us for PX
technologies

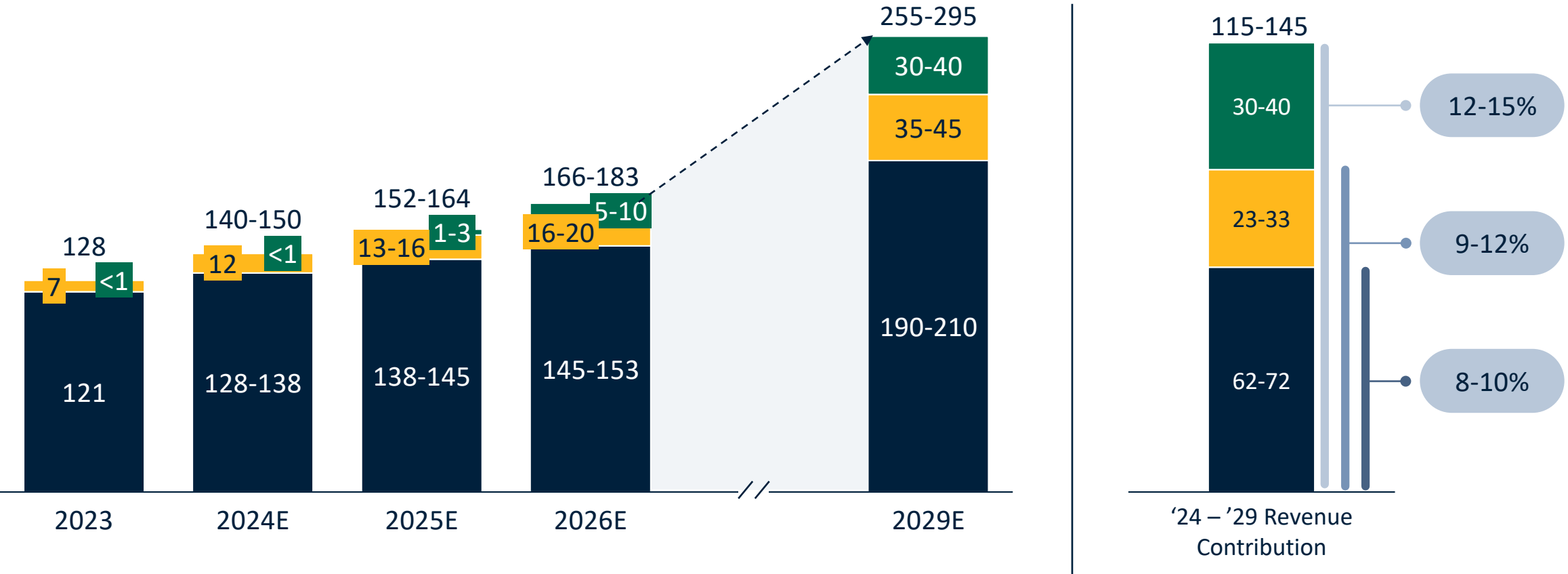
We built our playbook through an exhaustive evaluation of opportunities

Growth trajectory	Theme	Application	Megatrend alignment	Competitiveness	ERII value proposition	Rationale	<div> <div>✓ High attractiveness</div> <div>✓ Medium attractiveness</div> </div> <div> <div>High priority</div> <div>PX value proposition to be tested</div> </div>	
1 Broad based PX player	Water treatment	Desal	✓	✓	✓	Established value proposition & brand		
		Wastewater	✓	✓	✓	Fragmented market, but opportunity to find pockets of value		
	HVAC	CO2 refrigeration	✓	✓	✓	Existing competition from parallel compressors		
		NH3 refrigeration	✓	✓		Temperatures too low to have value proposition		
		CO2 industrial heat pumps	✓	✓	✓	Nascent but fast growth market with high willingness to pay		
		NH3 industrial heat pumps	✓	✓	✓	Nascent market, PX value proposition still being investigated		
		CO2 data centers	✓	✓	✓			
	Other industrial PX applications	Brine geothermal	✓	✓	✓			
		Food processing with CO2	✓	✓	✓			
		Mine cooling		✓	✓			
		Hydraulic fracking	✓	✓		Not aligned with ERII's sustainability focus; highly abrasive liquid causing extreme wear & tear needing high-cost carbides		
2 Water value chain player			✓			Highly competitive and commoditized markets / products		
3 CO2 refrigeration value chain player			✓			Presence of several incumbent OEMs increases competitiveness		
4 Broader energy recovery company			✓			Most non-PX energy recovery equipment (e.g., heat exchangers) are commoditized		

Our forward-looking growth trajectory

Revenue guidance and targets, \$M

xx Revenue CAGR '24 to '29 CO2 Wastewater Desalination



Current versus prior financial projections

Financial forecasts (\$M)

	Previous FY26 target <i>(set in 2021)</i>	Current FY26 target	Current FY29 target	Drivers of change
Total revenue	310-570	166-183	255-295	
Desalination	180-200	145-153	190-210	Driven by megaproject pipeline shift
Wastewater	30-70	16-20	35-45	Strategic decision to focus on top 5 market verticals accounting for ~60% of TAM
CO2	100-300	5-10	30-40	GTM strategy reset and core focus on initial verticals

Continued CO2 involvement offers business expansion opportunities



Drivers



Market
readiness



Product
readiness



Gateway to
attractive CO2
markets



Financial
attractiveness



Rationale

CO2 refrigeration market is underdeveloped (in 2-5% of US stores), but **significant growth expected** in next 5-10 years as government regulations come into effect

After ~3 years of development, **PX G has a proven value proposition**, delivering up to ~15% annual energy savings in summer tests and attracting interest from several US and EU OEMs

Technical expertise gained from developing PX G for supermarkets, can **expedite developing versions** for other promising end-markets

Not only are the returns from CO2 attractive, but the large, long-term opportunity of all CO2 markets **increases the intrinsic value of our business**

We are taking action to successfully execute on the growth playbook

Actions we are taking



Disciplined and profitable growth



- Laser focus on selecting the right products and market verticals
- Pursuing holistic manufacturing transformation & cost initiatives to protect and expand margins
- Financial model driving clear investment decisions
- Returning excess capital to shareholders



Transparency and accountability on performance



- Providing increased transparency on financial goals and progress
- New operational model to measure milestones, success, and deviations



Management team that will deliver



- Reinvigorated management team with >150 years of cumulative experience
- Management incentives aligned to business performance

We are pursuing a holistic manufacturing transformation

Phase 1

2025 - 2026

Optimize existing manufacturing footprint
(Streamline internal processes)



Launching initiative to **implement lean manufacturing fundamentals at existing locations**, to reduce scrap and increase shift / labor productivity

Phase 2

2027+

Optimize manufacturing network
(Make the right products in the right places)



Developing manufacturing footprint strategy, factoring current manufacturing locations, capacities, and future expansion plans

Phase 1 will add 300 basis points to gross margin

We are pursuing a one-time cost reduction to reset our cost baseline

What we are doing



Executing a 30% reduction in salaried staff focused on non-growth related corporate and engineering roles



Current status



Announcement has been made to employees earlier this month

Reduction represents \$5M in net annual savings

Critical milestones

Business unit	Milestone	Expected timing
Desalination 	Q400 10% annual cost reduction	2025 - 2027
	Launch new partnership	H1 2025
	Next-gen product release	H2 2026
Wastewater 	Build out wastewater sales team	2025 - 2026
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CO2 	Develop business case for industrial heat pump & data center markets	H2 2025
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	Specified at four supermarket chains (each with 1000+ locations)	H2 2026



Critical Milestone Execution Drives Long Term Growth

Financial target for ERII, 2029:

\$255-295M revenue

68%+ gross margin

Our leadership team blends fresh industry experts with experienced ERII veterans



David Moon
CEO



New team members from industry



Michael Mancini
CFO



Matt Hostetler
CHRO



Ricardo Freitas
VP & GM, CO2



Remick Hernandez Portillo
VP, Operations



Energy Recovery veterans



Farshad Ghasripoor
CTO

12-year ERII veteran



Rodney Clemente
SVP, Water

26-year ERII veteran



William Yeung
CLO

9-year ERII veteran



Kelley Vendeland
VP, Marketing

6-year ERII veteran

Fortifying share and profitability

Desalination

Rodney
Clemente
SVP, Water





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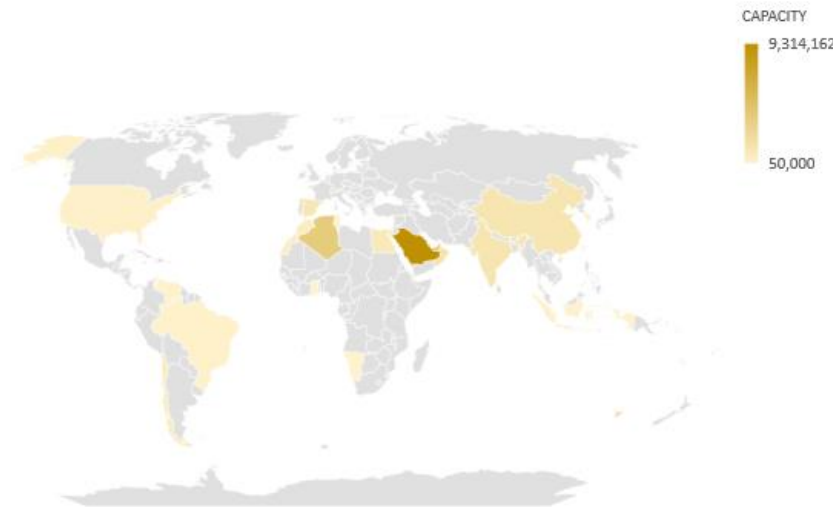
Desalination – what we do

We make the best performing pressure exchangers ...

Our PX runs at up to **98% efficiency** and requires **no electricity** for operation

Our PXs designed to last **~25 years**, with **no scheduled maintenance**

Our PXs are used in most major desalination facilities globally

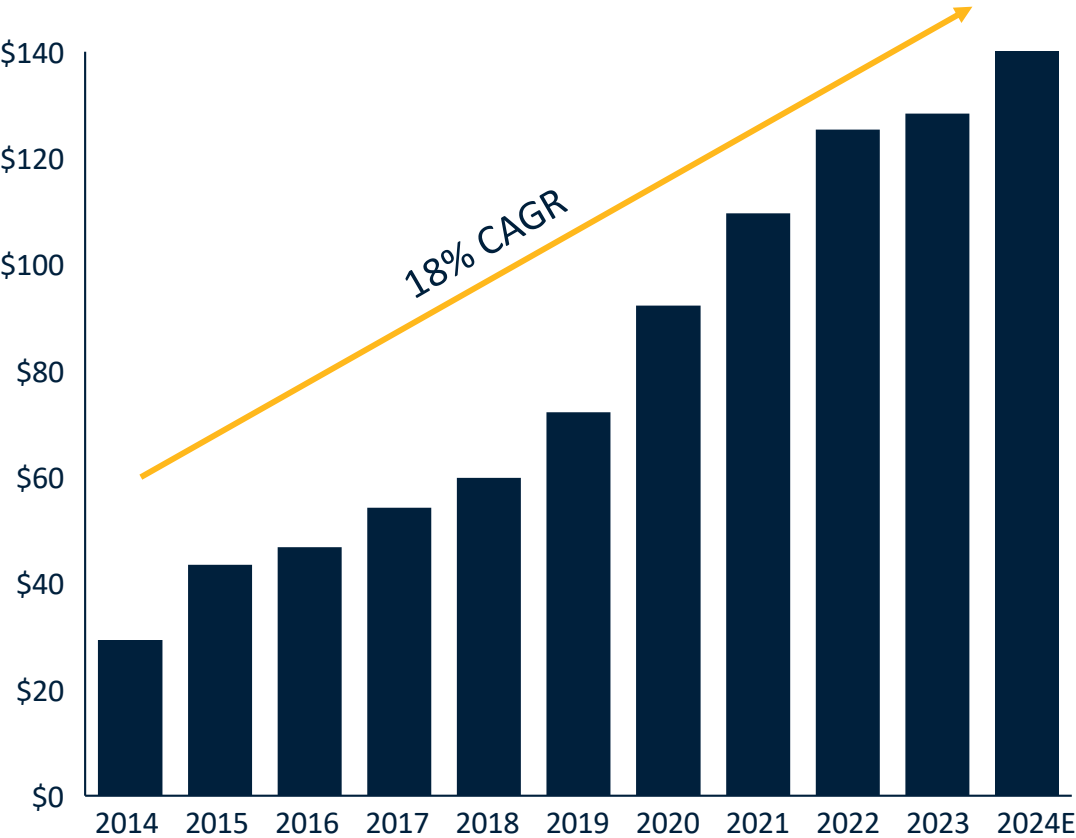


We have 1700+ customer references

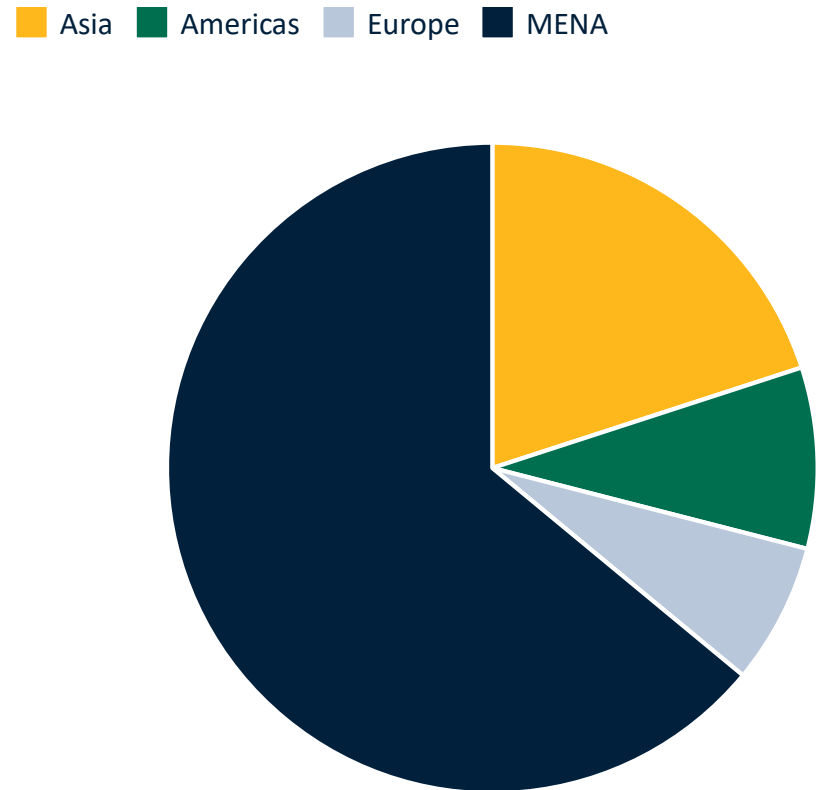


Desalination – financials at a glance

Revenue, \$M



Revenue by region, '24E



Market forces: water security driving need for water treatment solutions

53%

projected water deficit by 2050, due to rising global demand and impacts of climate change



Cost of water insecurity to the global economy is estimated at

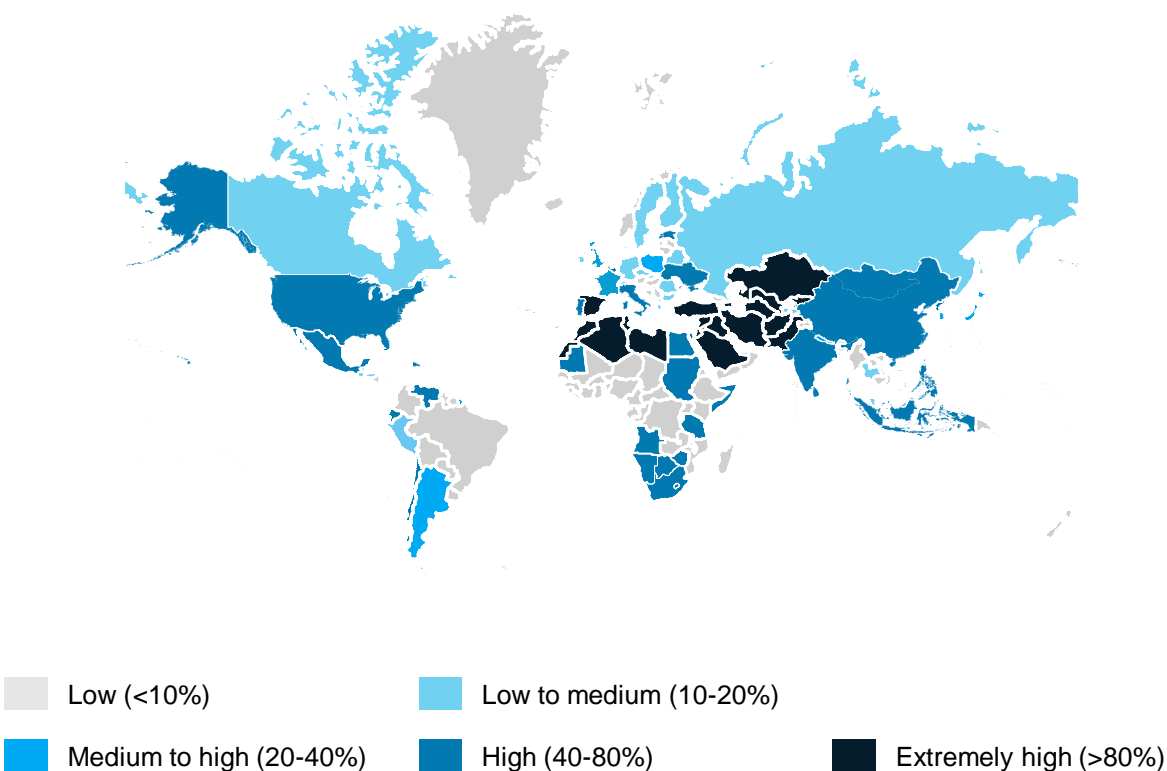
US\$500 B
annually



By 2050, **150-200M**
people could be displaced
by sea level rise and desertification

Water supply - demand mismatch is a global problem

Projected water Supply-Demand gap in 2040



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

MPD project pipeline continues to be robust

Middle East North Africa Asia Other

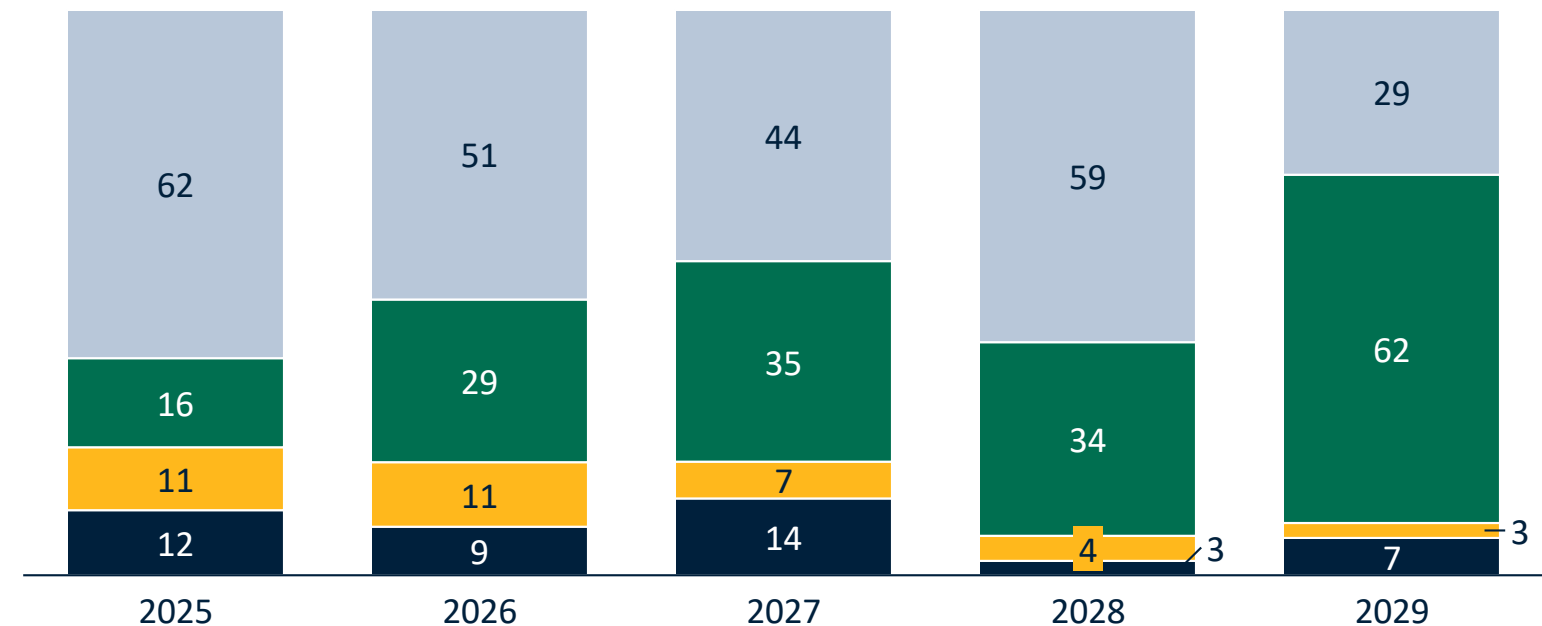


~\$550M

in our five-year¹ MPD
(>50K cmd) project pipeline

With the geographical mix shifting from a heavy reliance on Middle East to a balance between Middle East and North Africa

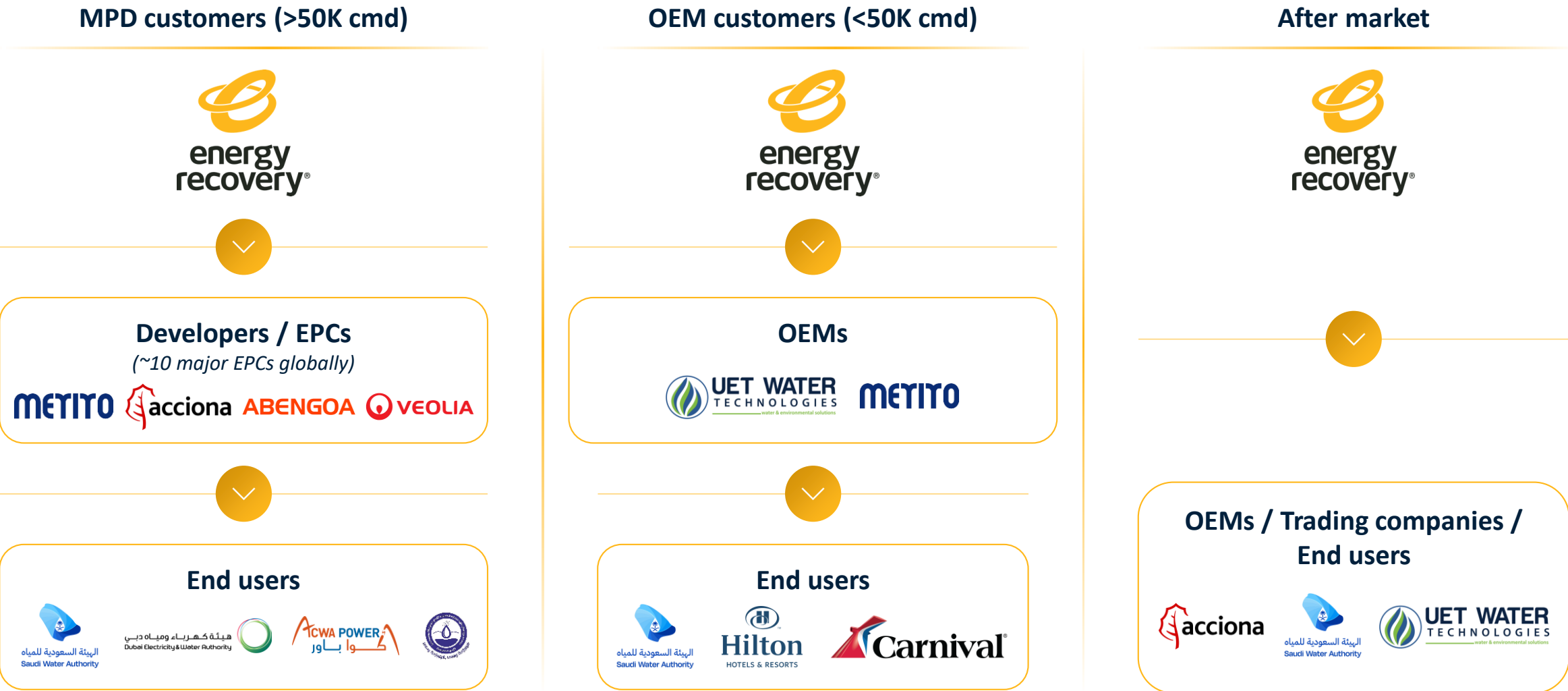
Desalination MPD project geographical mix, % of annual project \$ value



1. Project pipeline is for the years 2025 - 2029

Desalination – go to market approach

We segment our customers based on the size of their facilities



We have been winning in desalination and are taking action to continue winning

Our strengths have enabled us to win in desalination



Best-in-class product performance & reliability



Global sales & support team



Hassle free start up experience

We are the gold standard for major MPD projects globally,
despite increased competition

We are proactively taking action to maintain our market leadership



Product leadership

We are innovating new products and at a faster rate



Cost leadership

We are undertaking initiatives to streamline our operations and take cost out of our products



Selective partnerships

We are pursuing partnerships, where needed, to complement our existing portfolio

Accelerating development: we are innovating at a faster rate

2012 launch

2022 launch

2026 target launch

PX Q300



- 1st Quadrabaric design for max performance and reduced noise
- 23K+ units sold & installed

PX Q400



- Enhancement to Q300, delivering greater capacity & performance
- Customer deployment ahead of schedule

Next Gen PX

- Next Gen PX development in work

Expanding margins: initiatives to improve cost and operational efficiency



Opportunity area

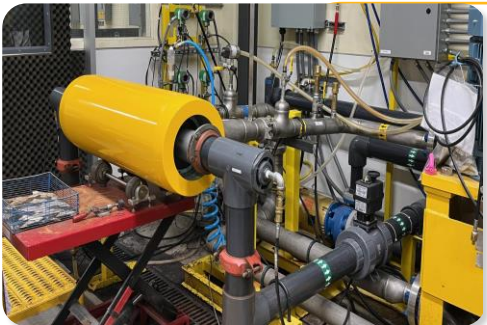


Key actions we are taking



Cost & productivity

End-to-end operations streamlining
targeting reduction in material
& overhead costs for Q400 product



Quality & resiliency

Instituting in-line product
checks to reduce scrap & rework

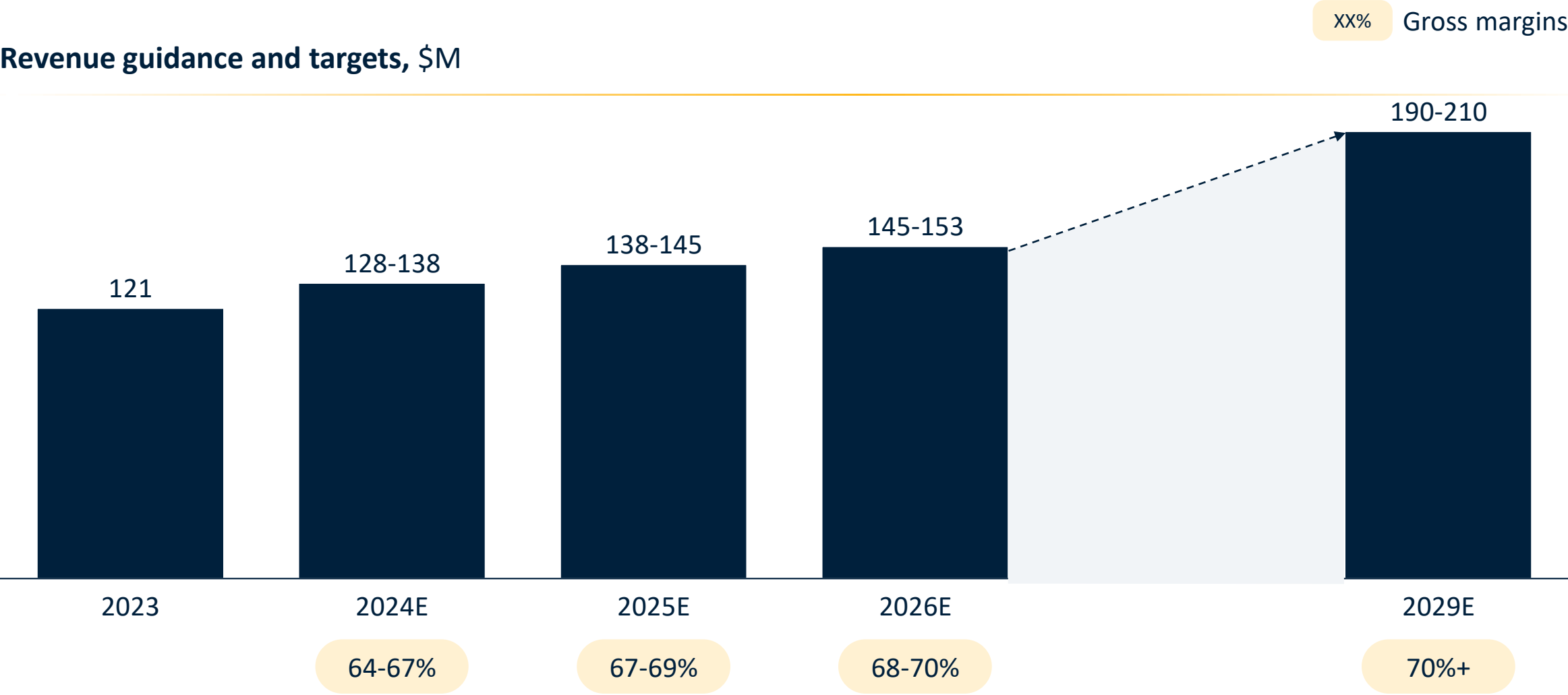
**Targeting 10% cost
reduction per year
for PX Q400**

Engaging in strategic partnerships: targeted partnerships to enable expansion in specific market segments






Partnership type	Description
Product focused	With PX-adjacent equipment OEMs to provide customers comprehensive product offerings
Sales / channel focused	With region / market vertical specific distributors for market access
Application focused	With market vertical specific engineering consulting organizations for technical expertise

Desalination - financial outlook



Desalination – critical milestones

Business unit	Milestone	Expected timing
Desalination 	Q400 10% annual cost reduction	2025 - 2027
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CO2 	Develop business case for industrial heat pump & data center markets	H2 2025
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Critical Milestone Execution Drives Long Term Growth

Financial targets for desalination, 2029:
\$190-210M revenue
70%+ gross margin

Focused growth in most attractive market verticals

Wastewater

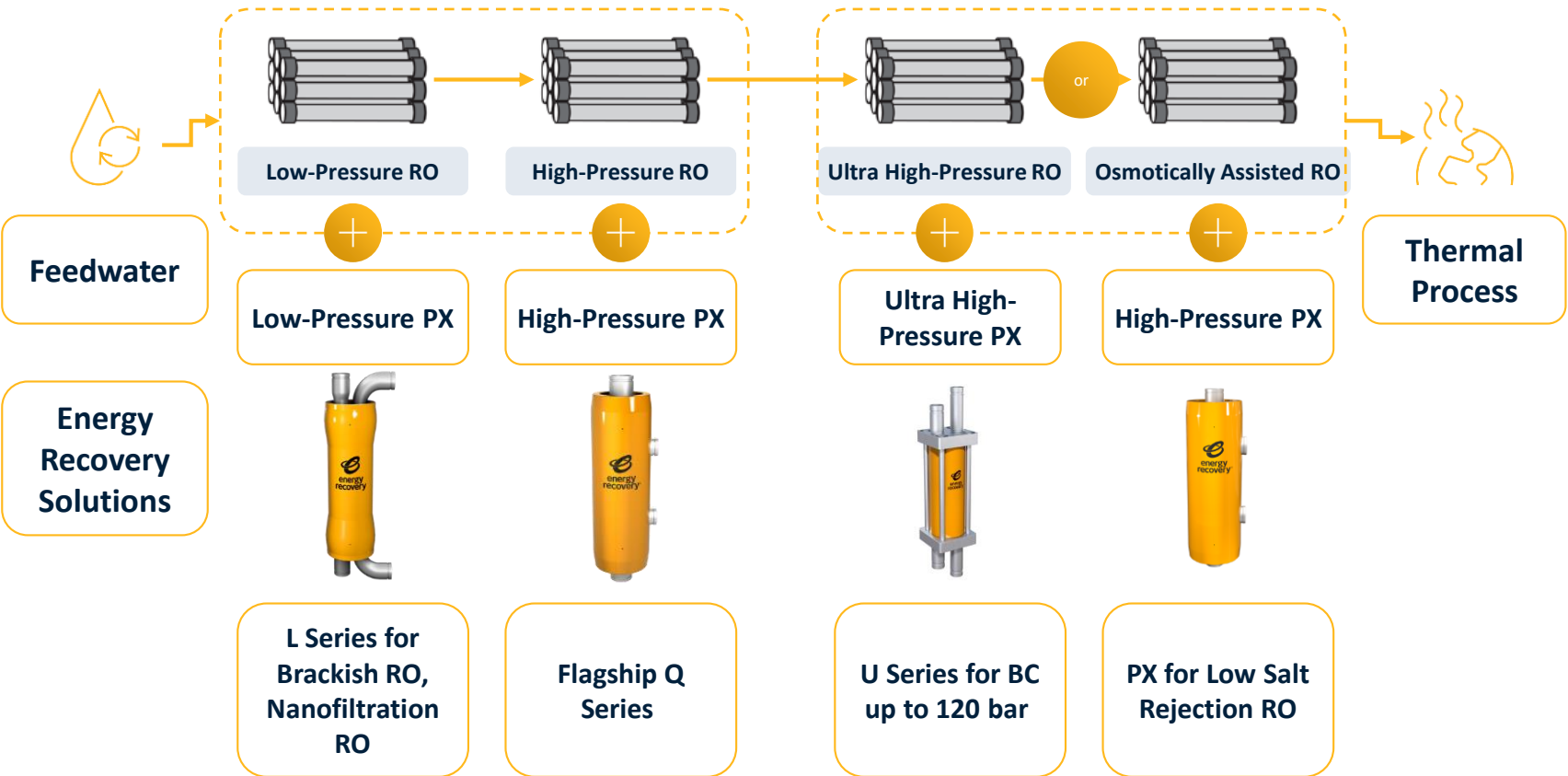
Rodney
Clemente
SVP, Water






Wastewater – what we do


We provide product offerings for every stage of a wastewater RO system at any pressure





Used by customers across different market verticals and regions


Select market verticals we serve

Municipal

Mining

Heavy manufacturing

Chemicals

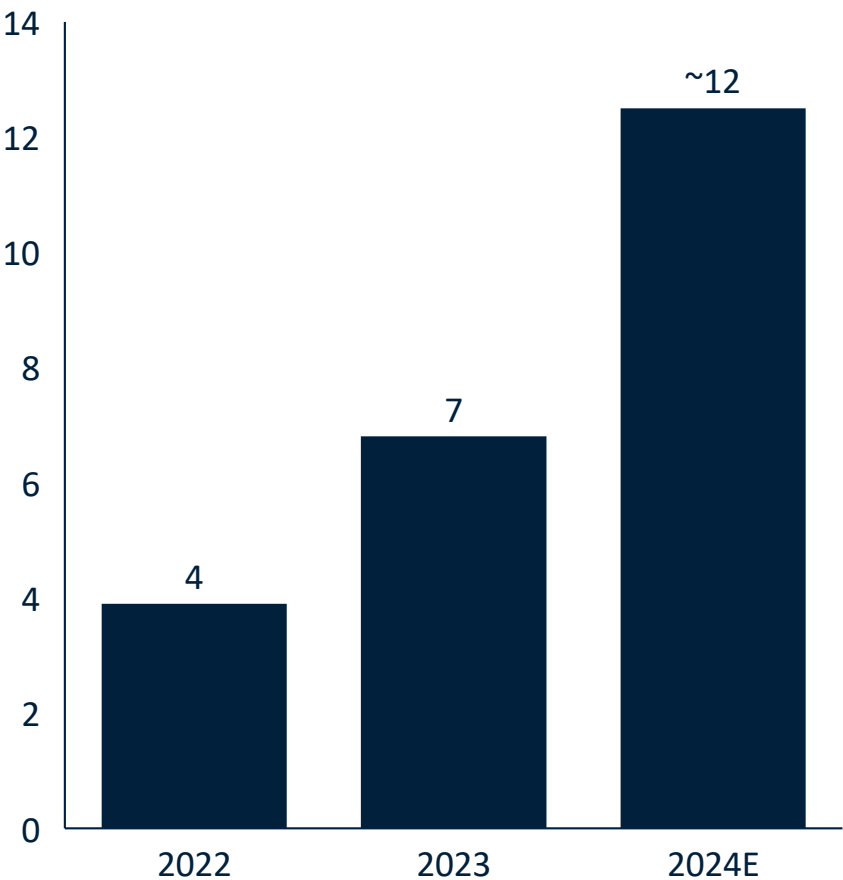
Textiles

Select regions we serve

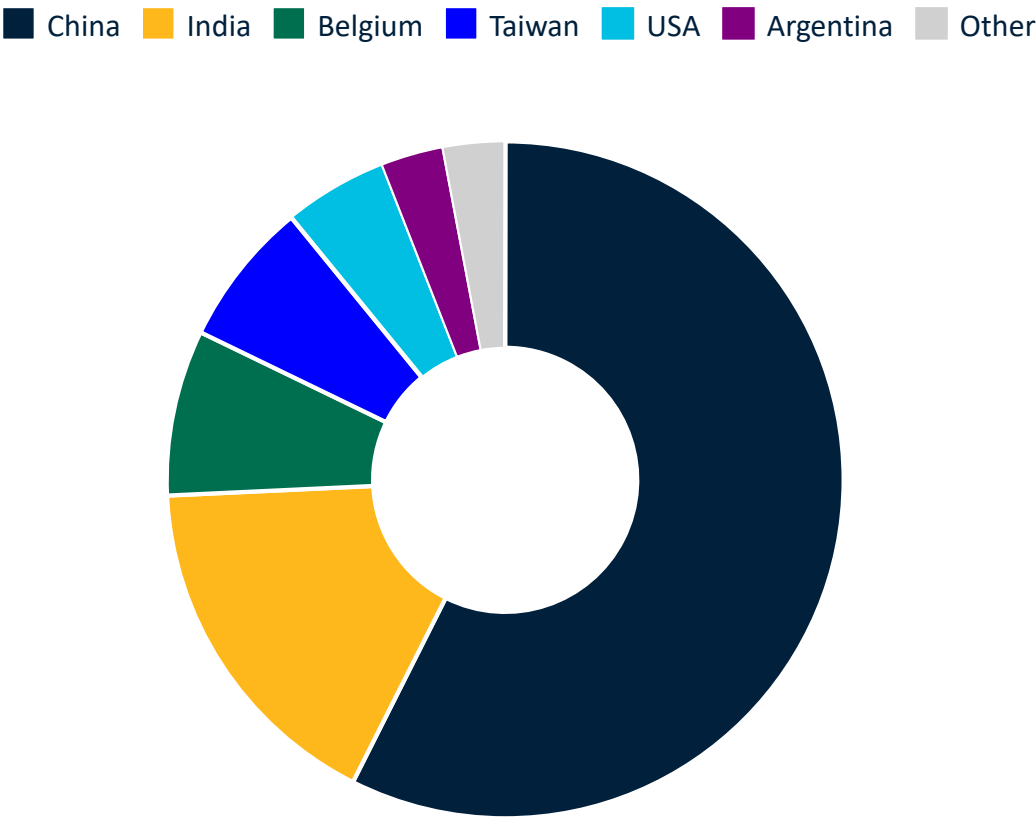


Wastewater – financials at a glance

Revenue, \$M



Revenue by region, '24E



Market forces: water scarcity, water quality, resource recovery



Need for water security strategies at local level



Increasing environmental pollution from improper wastewater disposal



Increasing recognition of the resource value of wastewater

Governments are enacting stricter wastewater disposal regulations



Mandatory zero-liquid discharge and wastewater re-use



Voluntary incentive plan rewarding ZLD use & restriction on direct potable re-use water in CA

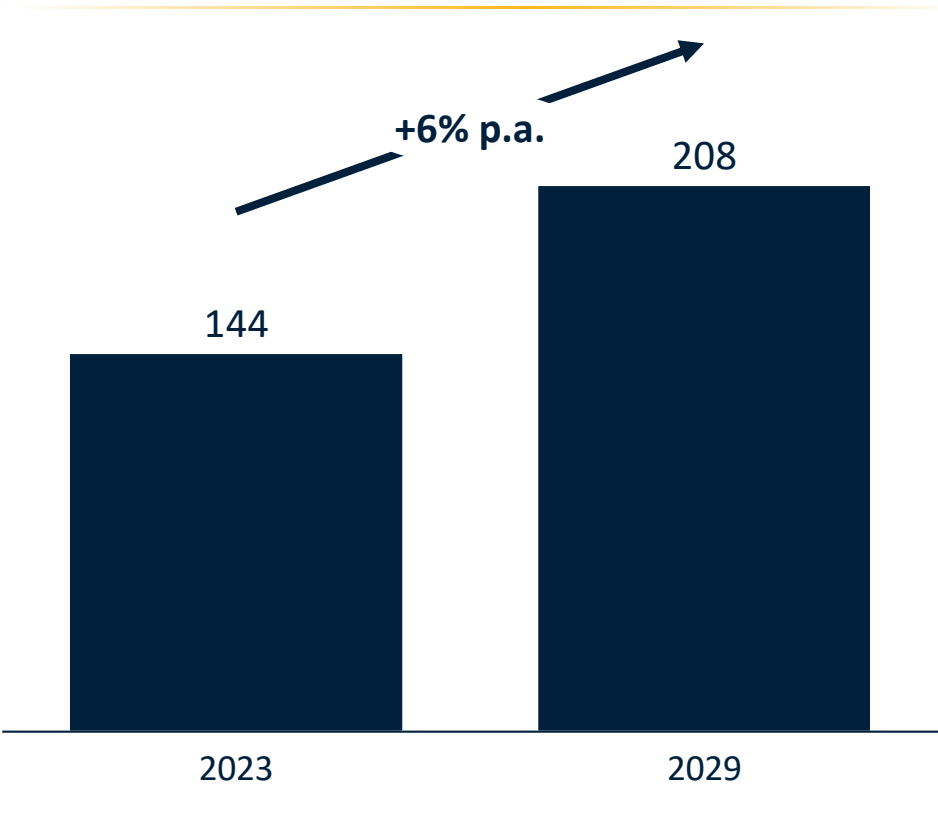


New action plan to tackle water pollution

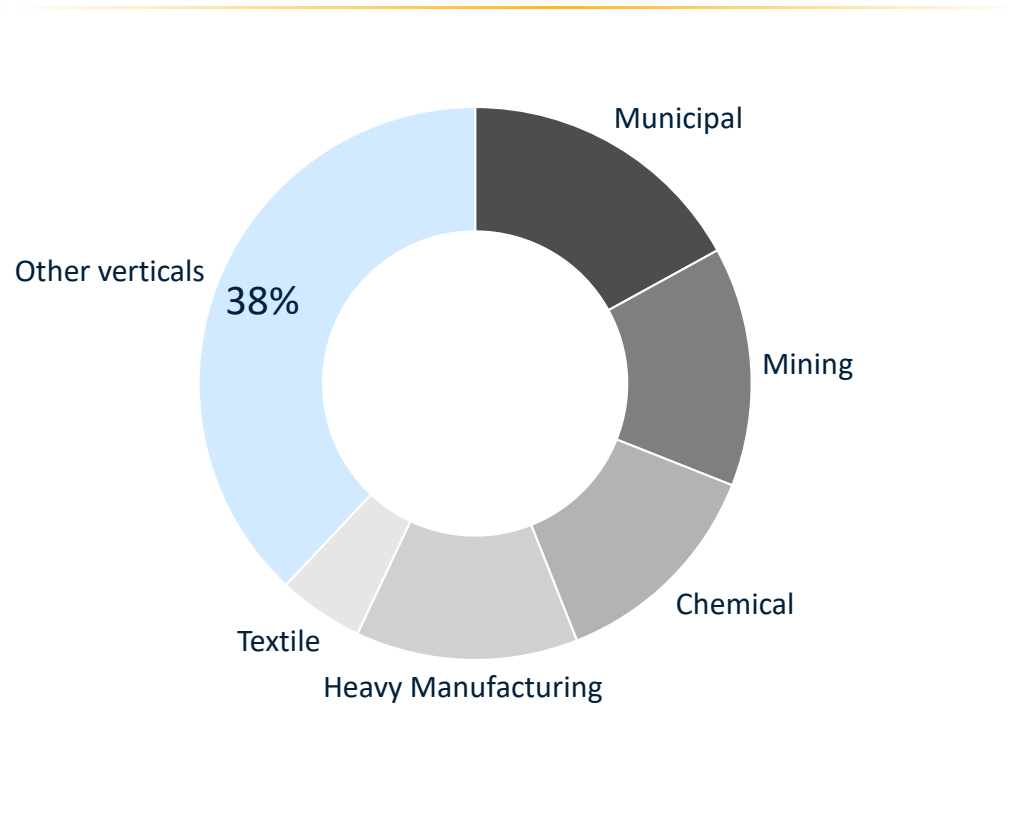
Water quality is a major global challenge in the 21st century

Focused growth: focus on 5 market verticals in fragmented wastewater market

Total Addressable Market (\$M)



Structure by market vertical ('29, % of total TAM)



We will focus on 5 key market verticals which make ~60% of TAM

Wastewater – go to market approach

Our wastewater sales teams are organized by geographies

 Key geographies  Select market verticals

<div>China</div> <div>India</div> <div>Americas</div> <div>ROW</div>	<div>Heavy manufacturing, Mining, Chemicals</div>	Team structure	<div>Sales / business development</div>	<div>Technical engineer</div>	<div>Service technician</div>
	<div>Chemicals, Textiles</div>	Team structure	<div>Sales / business development</div>	<div>Technical engineer</div>	<div>Service technician</div>
	<div>Municipal</div>	Team structure	<div>Sales / business development</div>	<div>Technical engineer</div>	<div>Service technician</div>
	<div>Mining</div>	Team structure	<div>Sales / business development</div>	<div>Technical engineer</div>	<div>Service technician</div>

Team size & number of employees by role varies by geography

Go-to-market actions to grow wastewater business in prioritized verticals

Actions we are taking



Disciplined and profitable growth



- Tailoring product portfolio to reach prioritized market verticals
- Augmenting sales force to support growth in prioritized market verticals
- Selectively building capabilities to access complementary brownfield market



Transparency and accountability on performance



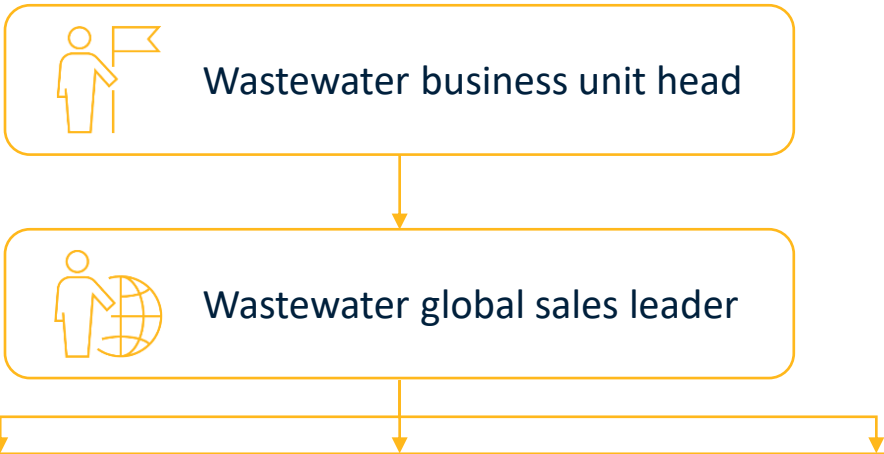
- Clear 2025-26 KPIs focused on growth in prioritized end markets



Tailoring product portfolio: making targeted additions to already robust portfolio

		 Municipal	 Mining	 Chemical Manufacturing	 Heavy Manufacturing	 Textile Manufacturing
LP PX						
HP PX						
UHP PX						

Augmenting sales team: we will follow a disciplined approach to scaling our sales teams

Wastewater organization proposed hiring plans



Projected headcount targets		 China	 India	Americas + ROW	Total
	By 2025	4-6	1-2	2-3	7-11
	By 2028	8-11	5-8	7-10	20-29

We will only add new members to sales team, if we are able to meet our financial targets & business unit milestones

Augmenting sales team: to pursue growth in 5 prioritized verticals, building off existing reference cases



Heavy manufacturing

QingXu CTX ZLD
ShanXi, China
(5,000 cmd; Q300)

Zhejiang Longsheng
Extension ZLD, China
(3,000 cmd; Q300)

Qingdao Power
Plant Phase II, China
(3,480 cmd; Q300)

Metito Tanjung Priok
Power Plant, Indonesia
(1,100 cmd; Q300)

Praj Industries IOCL
Dumad O&G ZLD, India
(2,280 cmd; AT-425)



Textile

Pali CETP, India
(12,500 cmd; Q300, Q220, AT-550, HP-2403, VPXP, Aquabold)

Veerapandi CETP, India
(864 cmd; Q140, AT-550)

Rohini Textiles India
(180 cmd; PX-140, HP-1253)

Bhiwadi CETP ZLD
(4,464 cmd; UPX, AT-350, AT-95, UHP-4503)

Arvind Envisol Aashapura, India
(192 cmd; PX-30, AT-550, HP-8503)



Chemical

Ekopak Services
Ghent Port, Belgium
(2,400 cmd, PX-Q220)

Yulin Chemical ZLD, China
(1,440 cmd, PX-Q220)

Xinyue Chemical, China
(10,000 cmd, Q300)

Anqing Chemical ZLD, China
(5,000 cmd, Q300)

THERMAX LIMITED, GHCL, India
(7,200 cmd; Q300)



Mining

Dahaize Mining, ZLD China
(3,276 cmd; AT-875) - 2025 expansion will use PX

Veolia USA,
Confidential Gold Mine
(7,500 cmd, PX-220)

BaoWu BGT
Zabuye Salt Lake, China
(Lithium, 7,440 cmd; Q260, VPXP)

Shandong Daliuta
Mining ZLD, China
(840 cmd; PX-45)

Sunresin Qinghai
Salt Lake, China
(Lithium; 3,000 cmd, Q140, UPX40)



Municipal

HDEC Corporation, Feng Shan
Creek WWT Project, Taiwan
(45,000 cmd; LPT-1000)

Membratech,
Lake Ipsach Switzerland
(10,000 cmd; PX-180B)

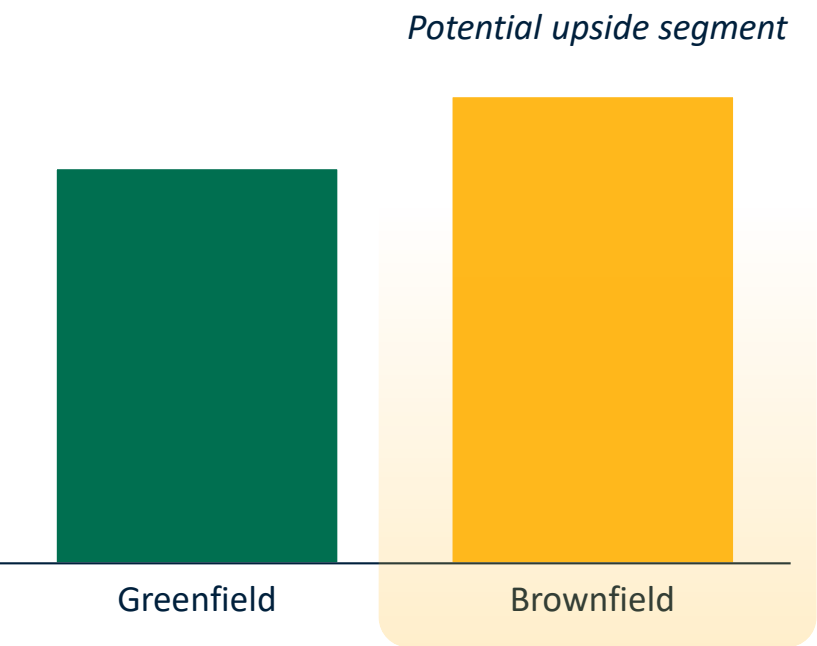
City of North Port
BWRO, Florida USA
(7,600 cmd; PX-220B)

Key Largo, Florida, USA
(2500 cmd, PX-180B)

Farys Aalst WW reuse, Belgium
(1,200 cmd; PX-140B)
To be installed 2025

Selectively building capabilities: establishing lean in-house engineering solutions team to access complementary brownfield market

Unlocking brownfield sites provides additional upside to wastewater business case



Establishing in-house engineering service capabilities to capture upside



What we are doing

- Helping brownfield customers develop RO system designs incorporating PX



How this will happen

- **Step 1:** Lean ERII engineering team designs custom solution
- **Step 2:** ERII works with system integrator partner for implementation

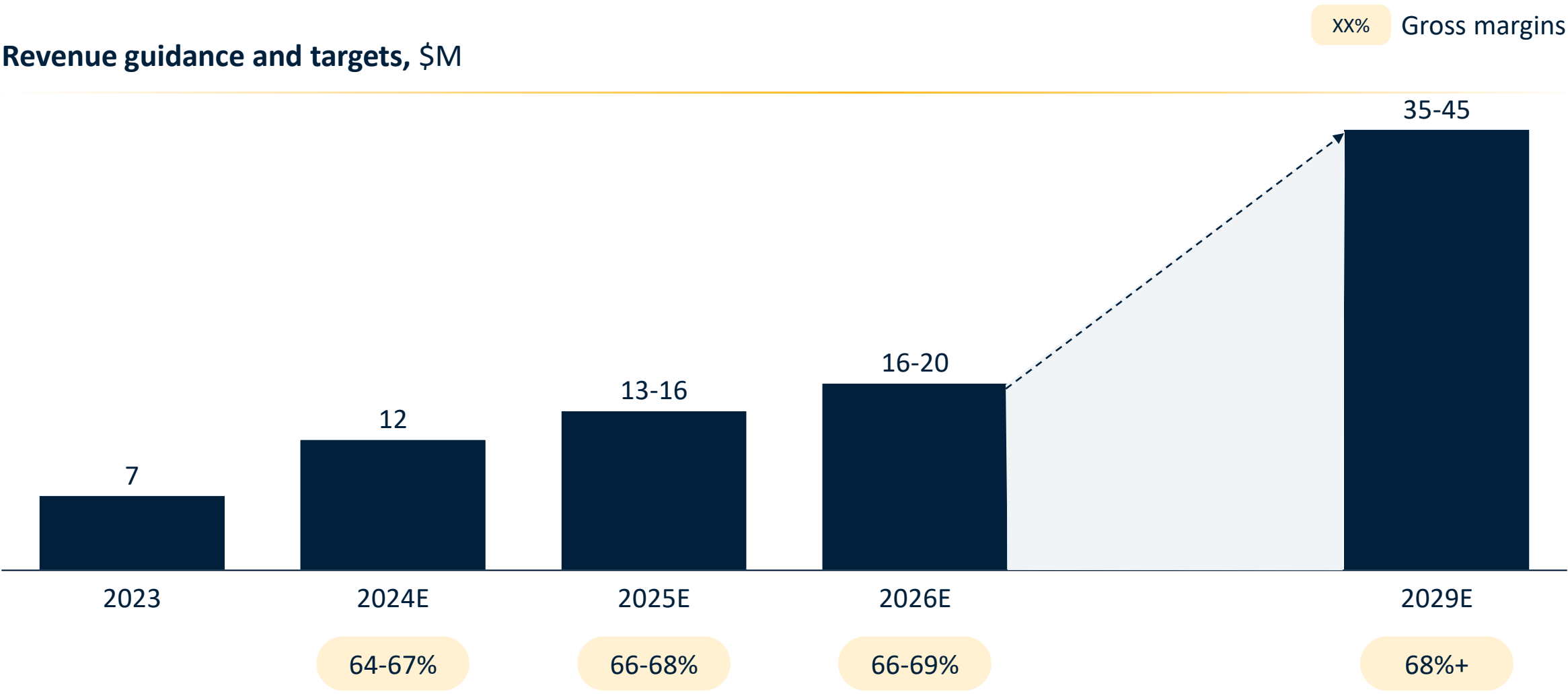


What are the potential benefits




- **Customer:** Upgraded facility & reduction in energy costs
- **System integrator:** New warm sales leads
- **ERII:** Additional brownfield reference cases

If successful, we will adjust our wastewater revenue financials to show upside

Wastewater - financial outlook



Wastewater – critical milestones

Business unit	Milestone	Expected timing
Desalination	Q400 10% annual cost reduction	2025 - 2027
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Critical Milestone Execution Drives Long Term Growth

Financial targets for wastewater, 2029:

\$35-45M revenue

68%+ gross margin

**Building from summer
testing results to
accelerate CO2 growth**

CO₂

Ricardo Freitas
VP & GM, CO2





CO2 – what we do

We are the inventors of pressure exchangers for CO2 systems



Supermarkets, cold storage and food processing are our current focus markets



Pursuing adjacent CO2 markets can expand PX G's TAM

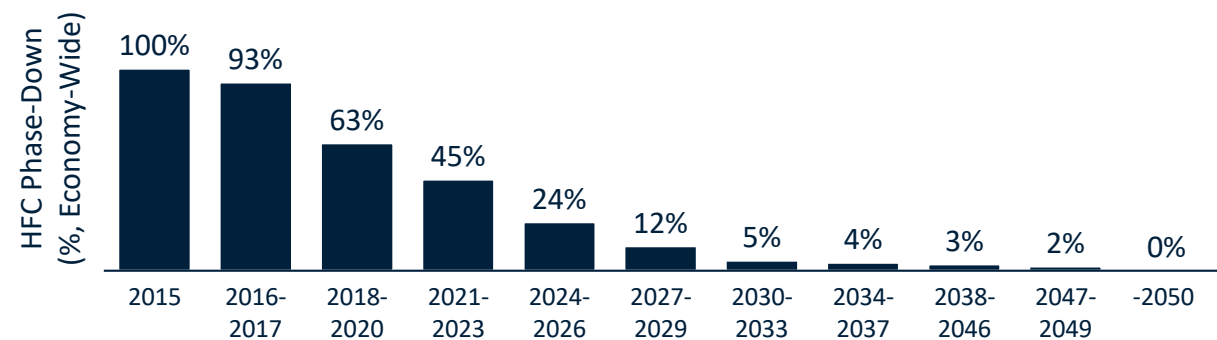


PX G has 33K+ hours of combined field run time

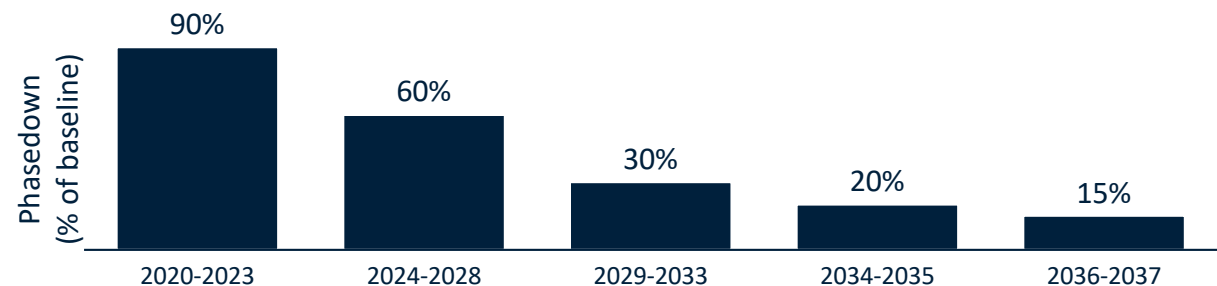
Market forces: EU & US regulatory impact driving CO2 adoption

Global regulation

F-Gas Regulation Europe



AIM Act U.S.



Impact on CO2 market conversion and energy recovery device penetration

- Global regulations are pushing supermarkets to transition from incumbent HFCs to lower GWP natural refrigerants like CO2
- CO2 based systems can achieve significant energy savings through use of energy recovery device
- In EU, CO2 based refrigeration systems have gained a strong foothold (20-25% of market), while in the US their presence is still limited (<5% of market)

CO2 – go to market approach



OEM / Contractors

EU: ~10 major OEMs make ~90% of market

US: ~4 major OEMs make ~90% of market

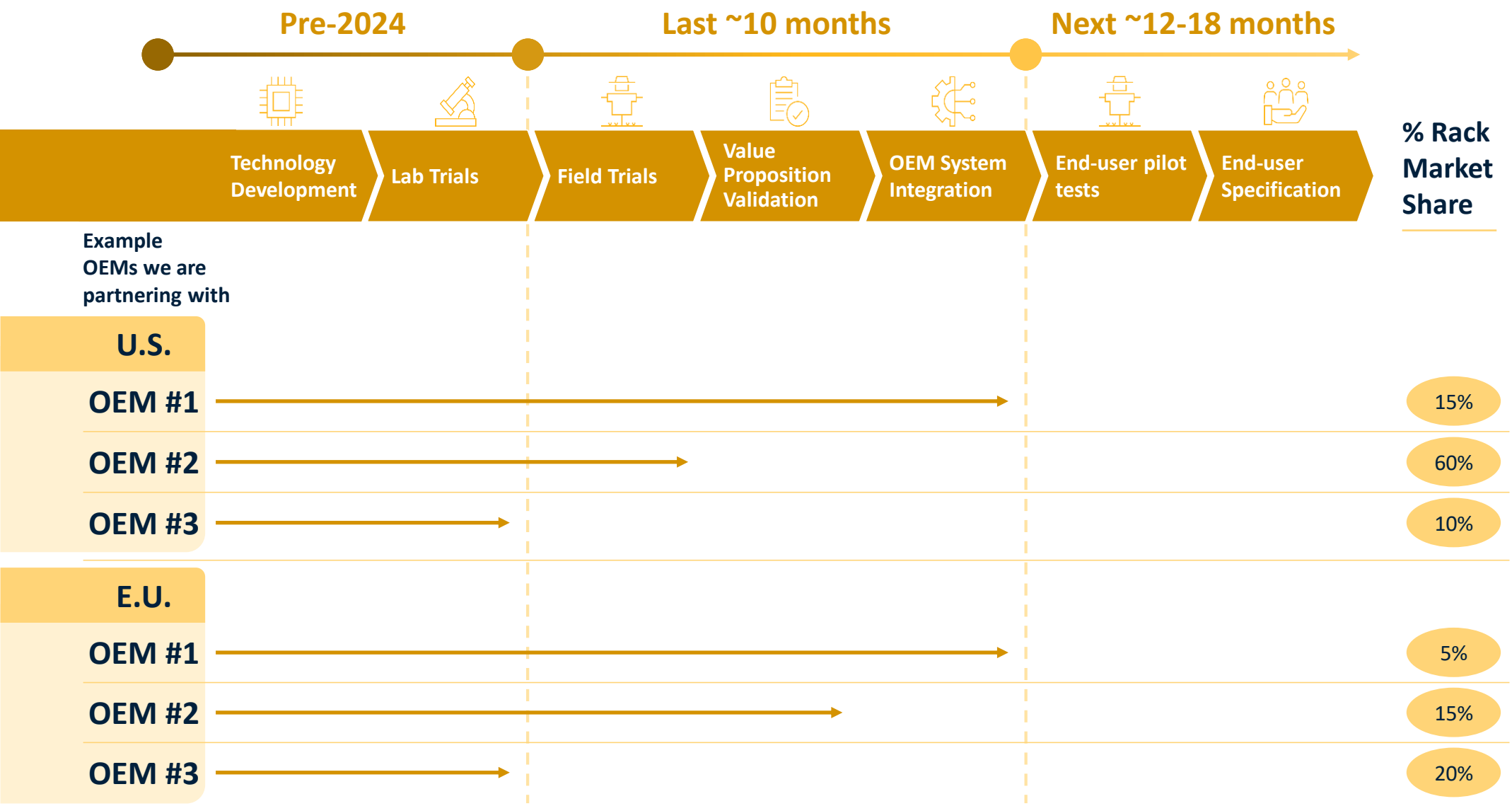


End users

EU: Carrefour E.Leclerc L Intermarché

US: TARGET Albertsons Walmart Kroger

We made tremendous progress in commercializing PX G over the past ~10 months



Establishing PX G's value proposition: summer season results confirm PX G's value

Combined value proposition of energy savings, system availability and OPEX reduction

Energy Savings



Up to **30%¹ peak COP lift**
Projected **annual energy savings**
of up to **15%¹ or more**

Atlanta: 35 MW / year at \$124 / MW = \$ 4340
Barcelona: 36 MW / year at € 155/ MW = € 5580

Refrigeration System: 180 KW MT + 30 KW LT system

Capacity Increase



Gain up to **15%¹ more capacity** at 35°C
Increase design temperature by 6°C¹ for the rack

System stability protecting store inventory against
heat wave incident (Estimated \$10K - \$20K / incident)

Loss amount depending on mix and extent of store inventory

OPEX reduction



PX can either **eliminate an adiabatic gas cooler** OR work with an adiabatic gas cooler to reduce water usage

Savings of \$5K to \$10K per year
(Water, maintenance, pump and labor)

Reduction from Adiabatic system OPEX





Carbon Footprint Reduction



1. Actual results may vary. Findings based on customer testimonials, laboratory, and field results.

Establishing PX G's value proposition: PX G provides advantages v. competition

Most attractive 2nd most attractive Medium attractive Least attractive

	PX G	Adiabatic Gas Cooler	Parallel Compression + Ejector	Parallel Compressor
				
Energy savings	Most attractive	2nd most attractive	Medium attractive	Least attractive
Capacity extension	Most attractive	2nd most attractive	Least attractive	Least attractive
CapEx	2nd most attractive	Least attractive	2nd most attractive	Most attractive
OpEx	Most attractive	Least attractive	Most attractive	2nd most attractive
Integration Complexity	Most attractive	Least attractive	Medium attractive	2nd most attractive
Overall	Most attractive	Least attractive	2nd most attractive	Medium attractive

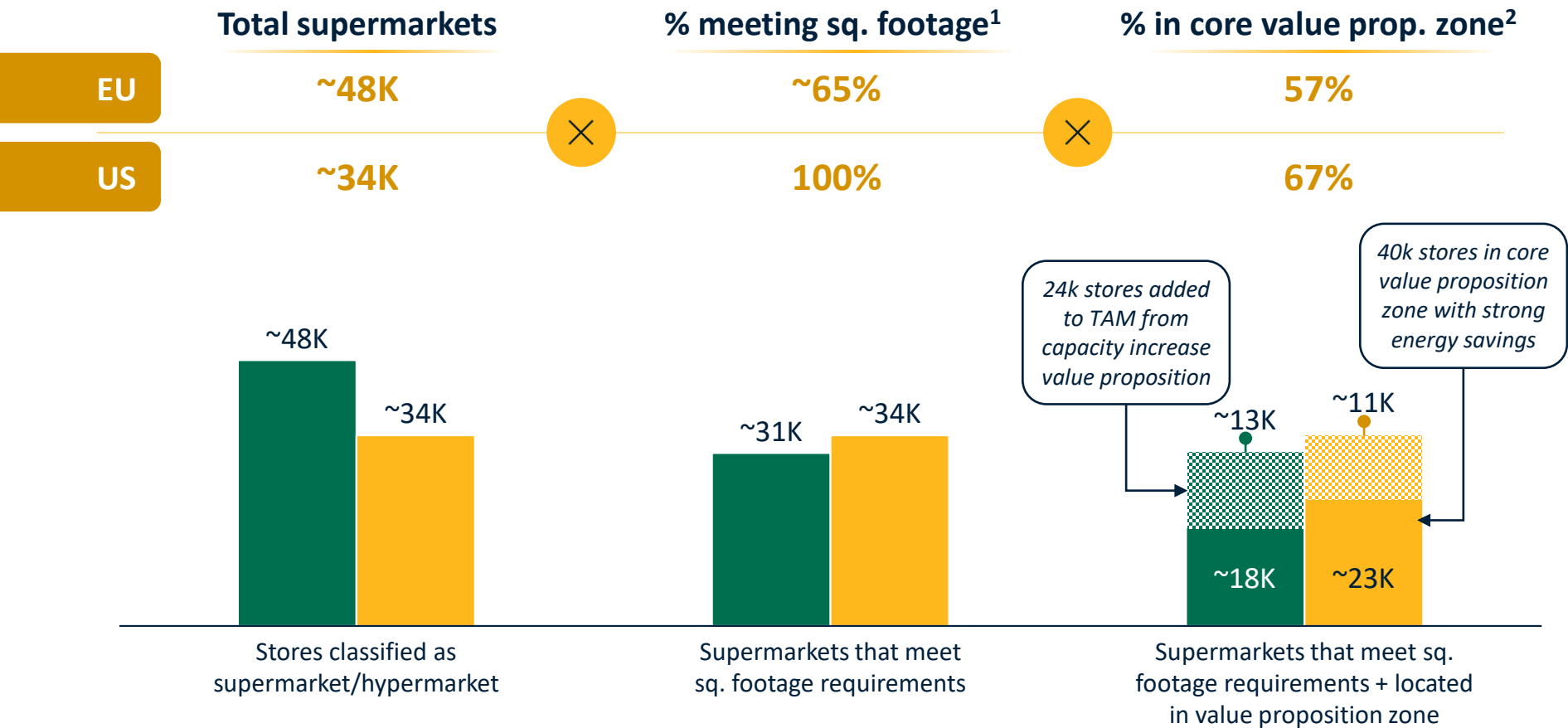
PX G is the technology with best value proposition in the market

CO2 – supermarket end-market TAM

■ EU ■ US

Methodology for estimating PX G TAM (in # of stores)

Key assumptions



Further factors for consideration

- ~65K represents the total # stores eligible for PX G install
- Stores typically replace their refrigeration systems every 12 yrs
- Annual adoption of CO2 refrigeration systems (v. other refrigeration options) is still growing
- #PX Gs per store varies from 1 to 3, based on store sq. footage

1. Supermarkets that are <10,700 sq. ft. are deemed too small to accept a PX G
2. Defined as stores that are either in regions of high ambient temperature, or where cost of energy is high, or combination of two, such that installing PX G provides economic benefits

Go-to-market actions to commercialize PX G for CO2

Actions we are taking



Disciplined and profitable growth



- Engaging with OEMs to expand PX G's deployment
- Continuing product development to sharpen PX G's competitiveness
- Exploring new end-markets to expand PX G's addressable market size

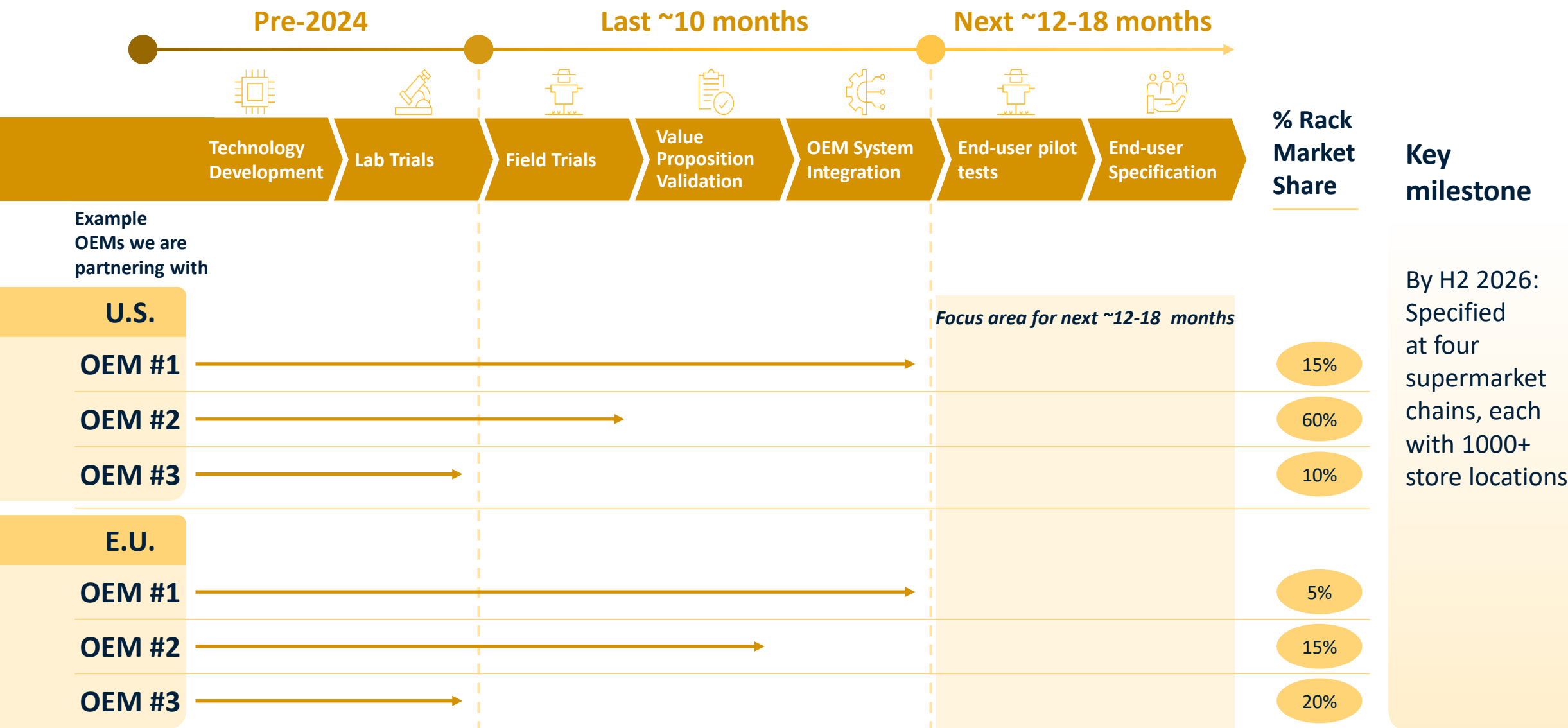


Transparency and accountability on performance

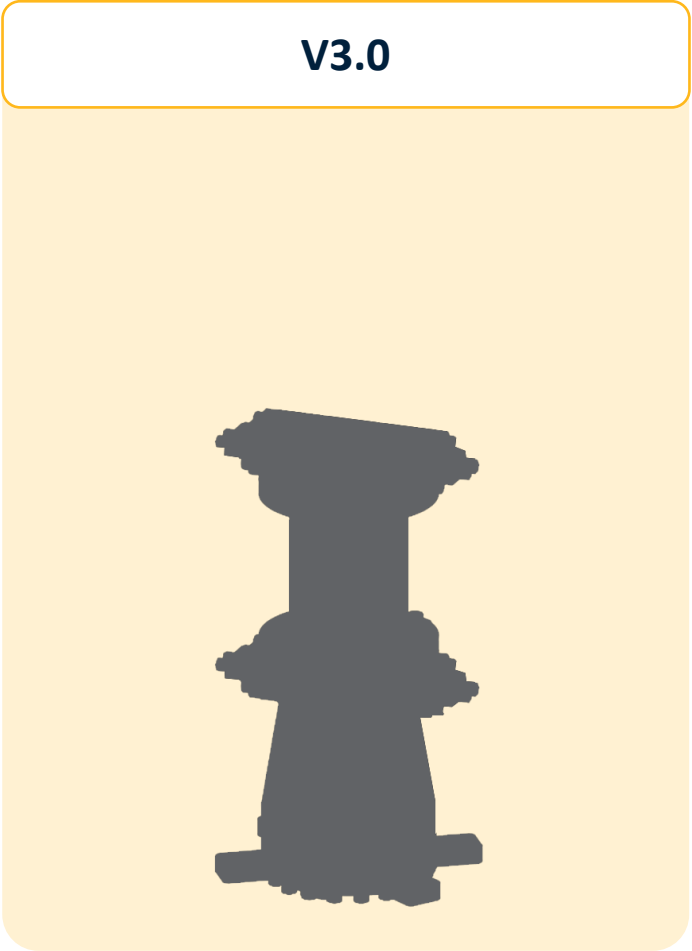
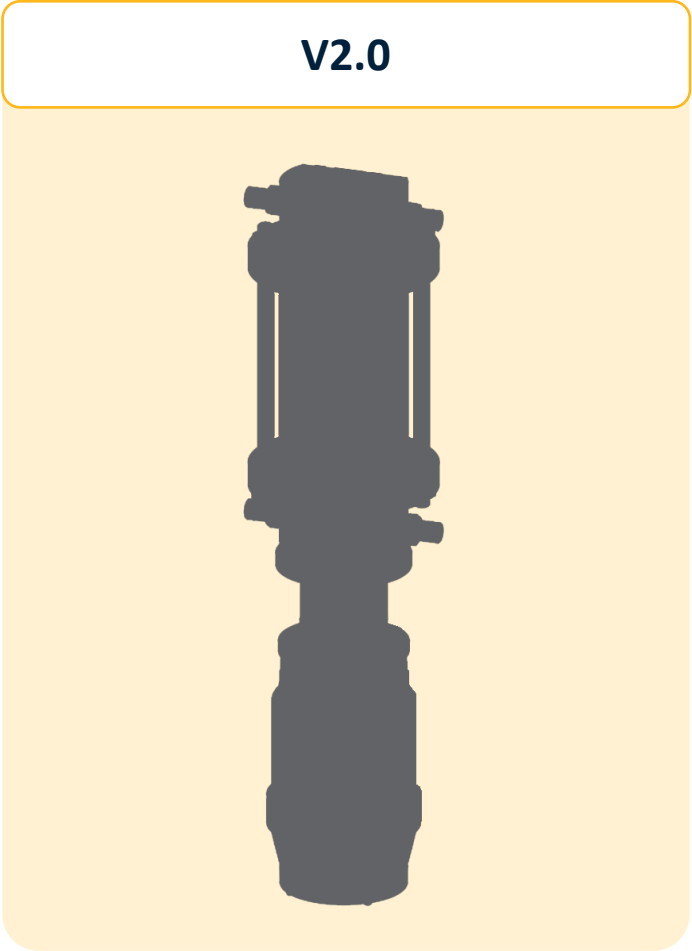


- Clear KPIs for 2025-26 focused on PX G deployment

Engaging OEMs: we are working with leading US and EU OEMs to get specified in supermarket chains



Continuing product development: PX G V3.0 will offer capacity, performance and footprint enhancements versus V2.0



Benefits	
PX G V3.0 v. V2.0	
Capacity	↑
Efficiency ¹	↑
Footprint	↓
Cost	↓

1. Ratio of energy saved by real PX to ideal PX at 100KW load over the ambient range achievable in test loop (75F to 95F)

Exploring new end-markets: understanding business viability of entering industrial heat pump and data center markets

Markets

Industrial heat pump



- **Decarbonization efforts**, driven by government regulations, driving growth in industrial heat pumps
- **Higher efficiency of CO2 trans-critical cycle** (v. conventional HFOs), boost popularity of CO2 heat pumps

Data center



- **Increased usage of cloud computing and AI technologies** driving boost in data centers globally
- **Regulatory pressures**, driving new data centers to consider non-HFC cooling systems

Critical milestone:

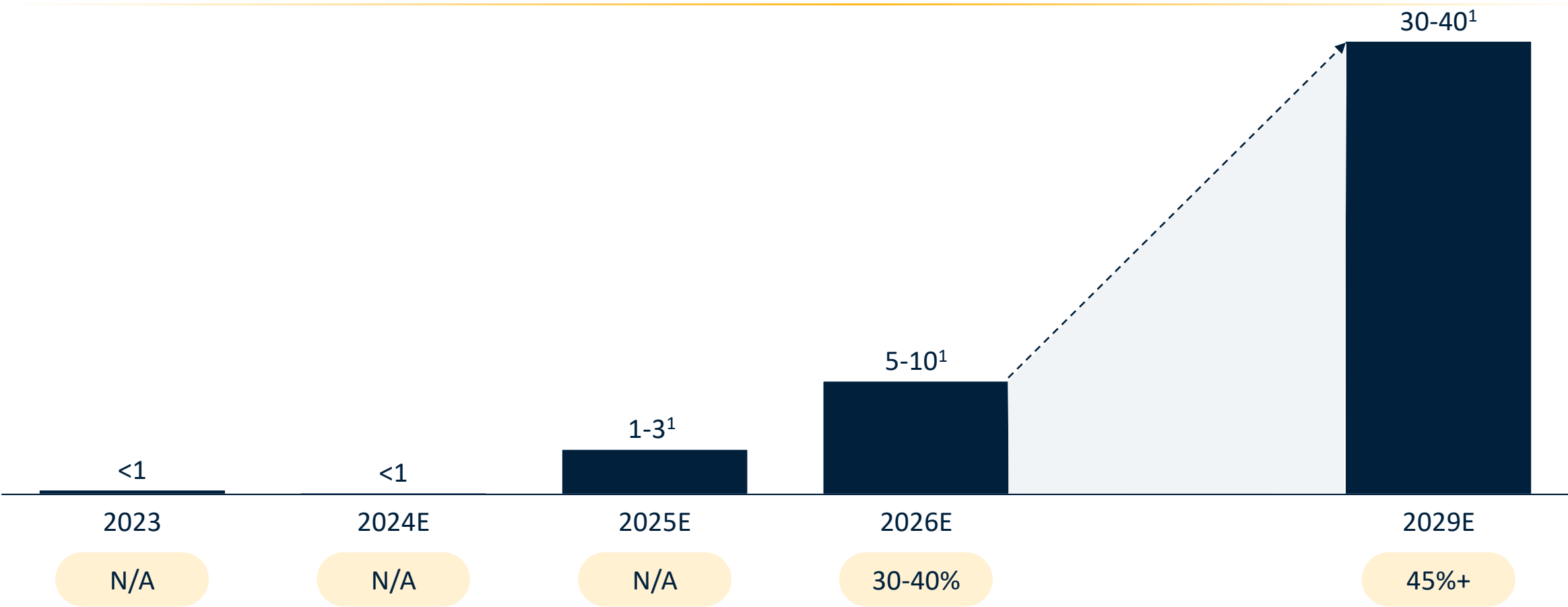
Develop business case for industrial heat pump and data center markets by H2 2025

Growth drivers

CO2 - financial outlook




Revenue guidance and targets, \$M

XX% Gross margins



1. Revenue figures include forecasted revenue from supermarkets & cold storage

CO2 – critical milestones

Business unit	Milestone	Expected timing
<div>Desalination</div> <div></div>	Q400 10% annual cost reduction	2025 - 2027
	Launch new partnership	H1 2025
	Next-gen product release	H2 2026
<div>Wastewater</div> <div></div>	Build out wastewater sales team	2025 - 2026
	Two additional reference cases per vertical	H2 2025
	Develop engineering services capabilities	H2 2026
<div>CO2</div> <div></div>	Develop business case for industrial heat pump & data center markets	H2 2025
	Third generation PX G product release	H2 2026
	Specified at four supermarket chains (each with 1000+ locations)	H2 2026



Critical Milestone Execution Drives Long Term Growth

Financial targets for CO2, 2029:
\$30-40M revenue
45%+ gross margin

**Driving shareholder
value through
balanced growth / cost
discipline approach**

Financial Overview

Michael Mancini
CFO



Financial items we will review today

- 1.** Review 2024 guidance

- 2.** Launch 2025 & 2026 full-year guidance

- 3.** Provide details on our 2029 target operating model

- 4.** Detail our capital allocation strategy

Review of 2024 guidance

2024 Energy Recovery Guidance

Desalination	\$128 - \$138M	Timing of few projects will drive 2024 desalination revenue
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Wastewater	~\$12M	Likely low-end of the \$12-\$15 million guidance
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CO2	<\$1M	Initial sales of PX G to certain test sites
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Total Revenue	\$140 - \$150M
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Gross Margins	64% - 67%	Strong Q3 margin performance solidifies guidance
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Opex	\$76 - \$78M	Cost control taking effect; \$7 million of one-time costs expected
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SBC Expense	\$10 - \$11M	Slightly elevated due to executive transition costs
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Depreciation	\$3.5 - \$4.5M
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Capex	\$1.5 - \$2.5M
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Launching 2025 guidance

2025 Energy Recovery Guidance

Desalination	\$138 - \$145M	2025 growth under-indexing 5-year CAGR as macro environment recovers
Wastewater	\$13 - \$16M	20% growth as new sales team ramps up
CO2	\$1M - \$3M	Additional paid sites and initial commercialization activity; back-end loaded
Total Revenue	\$152 - \$164M	9-10% growth over 2024
Gross Margins	65% - 68%	100-200bps margin improvement as manufacturing improvements take hold
Opex	\$70 - \$74M	Cost cutting efforts reallocated to growth and cost-saving expenses
SBC Expense	\$8 - \$10M	In-line with prior years
Depreciation	\$3.5 - \$4.5M	Limited growth given low capex levels in 2024
Capex	\$3 - \$4 million	Combination of replacement and new machinery to support growth

Launching 2026 targets

2026 Energy Recovery Targets

Desalination	\$145 - \$153M	Last year of lagging growth before pipeline strength kicks in
Wastewater	\$16 - \$20M	25% growth; Rate accelerating as sales team investments generate returns
CO2	\$5 - \$10M	First full year of PX G specified in CO2 systems; ramp rate could vary
Total Revenue	\$166 - \$183M	10% growth as new businesses contribute
Gross Margins	66 - 70%	Margin gains in water businesses offset somewhat by CO2 growth

Desalination Target Operating Model

- \$550 million megaproject pipeline provides confidence in long-term outlook
- Margin improvement from manufacturing transformation efforts
- Aftermarket channel an annuity-like stream growing at a lower rate than the overall business unit
- Required capital to achieve growth is limited

Revenue Guidance

2024E	\$128 to \$138 million
2025E	\$138 to \$145 million
2026E	\$145 to \$153 million

2029 Target Operating Model

Revenue	\$190 to \$210 million
5-year CAGR	8% to 11%
Gross Margins	70%+
Opex	Strong operating leverage
Required capital	Working capital re: growing receivables; Limited capex for capacity expansion

Wastewater Target Operating Model

- Revenue driven by boots on the ground in key geographies focused on key verticals
- Gross margins slightly lower than Desalination business
- Key products already commercialized
- Growth investment primarily from increased sales team
- ***Return target: 25-30% ROIC in ~2 years***

Revenue Guidance

2024E	\$12 to \$15 million (low end)
2025E	\$13 to \$16 million
2026E	\$16 to \$20 million

2029 Target Operating Model

Revenue	\$35 to \$45 million
5-year CAGR	25% to 30%
Gross Margins	68%+
Opex	Additional sales reps and field techs
Required capital	Working capital re: growing receivables; Limited capex for capacity expansion

Supermarket CO2 Target Operating Model

- Clear TAM of CO2 supermarket conversions in U.S. and Europe
- Refrigeration system conversion rate and PX G adoption rate are key model drivers; expecting adoption to ramp at the end of 2025 into 2026
- Pricing optimization work ongoing
- Significant margin improvement when the PX G version 3 is commercialized
- Efficient go-to-market strategy limits the growth capital required
- ***Return target: 25%+ IRR and Adjusted EBITDA breakeven in 2-3 years***
- ***Requires a significant reduction in ongoing opex and continuous milestone gate reviews***

Revenue Guidance

2024E	<\$1 million
2025E	\$1 to \$3 million
2026E	\$5 to \$10 million

2029 Target Operating Model

Revenue	\$30 to \$40 million
5-year CAGR	nm
Gross Margins	45%+
Opex	Operating leverage from efficient sales model and reduced R&D spend
Required capital	Working capital re: growing receivables; Limited capex for capacity expansion

Energy Recovery 2029 Target Operating Model

	Desalination	Wastewater	Supermarket CO2	ERII
Revenue (\$ millions)	\$190 - \$210	\$35 - \$45	\$30 - \$40	\$255 - \$295
5-year CAGR	8% - 11%	25% - 30%	nm	12% - 15%
Gross Margins	70%+	68%+	45%+	68%+
Opex % of sales				<35%
Capex requirement (2025-2029)				<\$30 million

Target operating model only considers core identified market opportunities.

How we will evaluate new business opportunities

We will evaluate new business opportunities across the following dimensions

Dimension

Strategic fit



Key questions to be answered

- Is the market associated with the opportunity attractive (i.e., does it have large TAM, high CAGR, high margin potential)?
- Does the market align with ERII's sustainability focus?

Our right to win



- Do we have a competitive moat (e.g., technical know-how, channel access) that will enable us to win?

Financial attractiveness



- Does the financial investment meet our internal thresholds for hurdle rate (WACC + margin for adjacent opportunities and 25%+ for further adjacent opportunities) and breakeven time (~3 years)?
- Do we have access to the necessary funds to make the investment needed?

Current capital allocation strategy

✔ What we will do ✘ Not a current focus

Responsible organic growth	Strategic inorganic growth	Capital return to shareholders
✔ Ensure sufficient manufacturing capacity to support growth	✘ Enhance product portfolio for Water business beyond PX	✔ One-time share repurchase, beginning immediately
✔ Invest in wastewater sales team to drive revenue targets	✘ Enhance Pressure Exchanger product portfolio	✔ Ongoing share repurchases as excess cash is generated
✔ Invest in supermarket CO2 to breakeven	✘ Strategic bolt-ons to enhance organic growth	✘ Dividends or other capital return mechanisms
✔ Deploy capital in new markets when returns are known		
✘ Increase corporate overhead to support growth		

Announcing share repurchase program

Details



\$50M open market repurchase program



Program will remain in operation for **up to 12 months** from launch date



Program is **launching this week**

Rationale

- We have **sufficient cash on hand** to fund existing growth initiatives
- We will retain some capital as we **explore exciting new market opportunities**
- We will **continue to return any excess capital** to shareholders as it is generated

Winning, Accelerating, and Creating Shareholder Value

David Moon
CEO



Recap: Growth playbook builds on our historic strengths



Historic strengths

Market leaders in a high-value product

Business in high-growth markets with tailwinds



Go-forward vision from growth playbook

- Grow by focusing on core strength – pressure exchangers
 - Will not pursue growth from other products and services
-
- Double focus on desalination, wastewater, and CO2 refrigeration



We will execute successfully on growth playbook with:

- Disciplined and profitable growth
- Transparency and accountability on performance
- Management team that will deliver



Q&A

2024 Virtual Investor Day







energyrecovery.com

Appendix



Sustainability Goals: 2025-2027

★ = New goal or target

Topic	 Innovation & Opportunity		 Employees		 Operational Impact & Management			 Product Safety & Performance
Goal	Double emissions reductions from our products by 2025	Further integrate sustainability into product innovation process ★	Develop workforce to deliver sustainable, diversified growth	Protect our employees by providing a safe and healthy working environment	Reduce scope 1 and 2 GHG emissions intensity by 65% by 2026 from 2021 baseline	Reduce waste generated by our operations ★	Reduce water used in operations ★	Deliver products and solutions customers can trust
KPIs & Targets	Annual emissions reductions across all products (20.8 Million)	Develop product sustainability scorecard that assesses the environmental impacts of producing, using, and disposing of a product by end of 2026 ★	Employee retention rate (>90%)	Total recordable incident rate (Aim towards 0)	Market-based Scope 1 and 2 emissions intensity reduction (10 MT CO2 per \$1M revenue)	Set a hazardous and non-hazardous waste goal by end of 2025 ★	Set a water reduction goal by end of 2025 ★	Warranty expense as a percentage of product revenue (<1%)
			New hire turnover rate (<10%)	Safety training (Execute 100% of planned trainings)		Percentage of alumina powder waste recycled (>90%) ★		Manufacturing operations covered by ISO 9001 Quality Management System or equivalent (100% certified) ★
			Employee engagement survey participation rate (>70%)	Lost time incident rate (Aim towards 0) ★				Product safety risk assessments for all new products by 2026 (100% of new products) ★