ERII Q1 2025 Letter to Shareholders

Fellow Shareholders,

- Q1 results were in line with our expectations, reflecting our prior comments of a back-end-loaded revenue year.
  - $8.1 million of revenue for the quarter was generated almost entirely from the Desalination original equipment manufacturers (“OEM”) and Aftermarket channels, with minimal Megaprojects (“MPD”) revenue in the period as expected.
  - Gross margins of 55.3% were in line with expectations given the low revenue level; gross margins on our flagship PXs continued to improve during the quarter.
  - Operating expense (“Opex”) of $17.0 million was better than expected as we continued to focus on driving profitable growth.

- We have line of sight to offsetting the majority of tariff impacts on our business in 2025, despite sourcing cost impacts and a potential ~$9 million Wastewater revenue headwind from China.
  - We expect to offset any increased costs from tariffs on sourced components.
  - We have plans to potentially offset at least a majority of the potential profit loss from at-risk China revenue.

- During this time we also remain laser focused on creating long-term value and on balancing short-term offsets with investments in growth and on dedicating ourselves to unmatched product quality.

- Liquidity and cash flow were a strong point in the quarter, ending with over $100 million of cash, cash equivalents and investments on our balance sheet.
  - AR collections were strong, driving $10.7 million of Cash Flow from Operations.
  - We repurchased $4.5 million of shares in the quarter and remain active with our previously-announced $30 million share buyback program.

- We continue to make progress with our manufacturing transformation and cost optimization efforts. Our Q400 production costs were in-line for the quarter and on track with our expectations for a 10% annual reduction. We also entered into a sublease of our facility in Katy, TX, further optimizing our footprint and offsetting the full cost of the lease.

- For 2025, we are pausing our Wastewater revenue guidance, improving our Opex guidance, and reaffirming the remainder of our guidance metrics.
  - Details of the current tariff impact on our China revenue and how we are addressing a potential headwind on our profitability are outlined below.

Message from the CEO

I’m pleased with how our team has responded during the last few months. I feel we’ve done a good job of balancing swift action with strategic thinking, showing both an increased agility and a focus on long-term shareholder value. Our existing manufacturing footprint has created a unique headwind in this unprecedented global trade situation, but we believe we’d be able to mitigate most of the impact on our profitability. Long-term we have kicked off a plan to diversify our manufacturing footprint, an acceleration of what we were already planning to do. We are also fortunate to have a primary business line, Desalination, that we believe will largely be unaffected by tariffs, and believe our 2025 pipeline and long-term prospects in this business are strong.

Tariff Discussion

By way of background, our company is unique in that we manufacture entirely within the U.S., yet export nearly all of our products outside the U.S. This structure is well-suited to mitigate any tariff impacts from importing foreign components, as noted below. However, given our lack of a global manufacturing footprint, this structure is poorly suited to quickly shift manufacturing locations to avoid retaliatory tariffs on our products.

As such, our business is directly exposed to tariffs in two ways. First, we source certain components for our PX products from outside the U.S., primarily China. Second, as mentioned above, China represents a large portion of our Wastewater revenue (~$9 million) and is susceptible to import tariffs on U.S. goods.

From a sourcing cost perspective, we estimate we would have a $5 million to $6 million negative gross profit impact in 2025 from current tariffs. This is driven mostly by the pressure vessel on our PXs, which is currently sourced from China. We have identified direct tariff mitigation strategies for this cost impact and believe there will be no material net impact on our profitability.

From a China revenue perspective, our original 2025 budget included ~$9 million, or about ~$6 million of profit, from Chinese customers. Our Wastewater business is ROI/payback-based, and we do not believe customers can economically absorb a doubling of effective prices from the current tariffs. We are exploring some direct mitigation factors but believe they will take time to implement as they involve establishing international operations in some capacity. Our product quality is a core differentiator and we will move quickly, but not hastily, to execute these strategies.

This creates a potential ~$6 million profit impact we'd need to overcome in order to achieve the 2025 Operating Income implied by our original 2025 guidance. To do this, we have identified a number of profit recovery actions also outlined below. While we believe these actions may have the potential to fully offset the tariff impact, at this time we have line of sight into offsets of about 50-60% of the profit gap that we could implement. As we refine and quantify other actions we hope to update this number.

The following is a summary of the estimated tariff impacts, our estimated offsets and the tariff and profit recovery mitigation plans we are exploring. For an explanation of each mitigation strategy, please see the section after the 2025 Outlook portion of the letter.

	Potential Sourcing Impact	Potential Revenue Impact	Total Potential Impact
Revenue	n/a	~$9 million	~$9 million
Operating Income	~$5-6 million	~$6 million	~$11-12 million
Estimated current offsets	~$5-6 million	~$3-4 million	~$8-10 million
Est. current net tariff impact	**$—**	**~$2-3 million**	**~$2-3 million**
Tariff mitigation actions	• Tariff exemption via duty drawback and/or Foreign Trade Zone • Alternative sourcing • Price/Tariff surcharges	• Accelerate manufacturing footprint strategy • Increase foreign content/ logistics management in short-term	
Profit recovery actions	n/a	• Accelerated cost improvements • Redeploy Wastewater sales resources • Revenue offset via other business units	

Q1 results

Total revenue of $8.1 million in Q1 2025 was in-line with our internal expectations and $4 million less than the first quarter of 2024. No MPD revenue was generated in the quarter, as expected. We would like to note that we did ship a MPD order in the quarter, but it was not recognized as revenue in the quarter due to the order's shipping terms. Revenue was generated equally from our OEM and Aftermarket channels.

Gross margin in the first quarter of 55.3% was also in line with our internal expectations and decreased approximately four percentage points from the prior year. The decrease in gross margin from the first quarter of 2024 was due to the lower revenue. For our flagship PX's, gross margin increased year over year as our manufacturing transformation continues.

Operating expenses for the first quarter totaled $17.0 million compared with $18.1 million in the same quarter of 2024. Of note, operating costs for the period included $0.5 million of restructuring costs due to our November 2024 workforce reduction as well as $0.4 million of impairment charge from the sublease of our facility in Katy, TX. We identified our facility in Katy as an opportunity to reduce our footprint and its associated costs. In March we entered into a sublease agreement that offsets the full cost of the facility for the remaining term of our lease. Restructuring expenses for our workforce reduction are now complete. Our operating expenses excluding these costs came in lower than expected as our cost-reduction efforts took hold. We have successfully reset our operating costs and we intend to maintain a lean operating infrastructure going forward.

Net loss for the quarter totaled $(9.9) million and Adjusted EBITDA[1] for the quarter totaled $(8.7) million.

Our net loss per share and our adjusted net loss per share[1] of $(0.18) and $(0.13), respectively, for the first quarter benefited from a decreased share count.

We repurchased $4.5 million worth of shares in the quarter for an average price of $16.07 per share.

(1) Refer to the sections "Use of Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" or definitions of our non-GAAP financial measures and reconciliations of GAAP to non-GAAP amounts, respectively

Water Business

The Desalination business (part of our Water segment) is playing out largely as expected so far in 2025, shaping up for a back-end-loaded year similar to 2024. First quarter revenue decreased from the first quarter of 2024 due to the lack of MPD revenue in the quarter. Note that the first quarter is not a strong predictor of full-year results.

We are proceeding as planned in achieving our sales channel financial targets for 2025. We are pleased with how our MPD sales channel is progressing. A prime example of our MPD activity beginning to accelerate is our recent award of supply contracts for two MPD projects located in Taiwan. We have successfully contracted for the 100,000 m3/d Tainan and the 100,000 m3/d Hsinchu projects, valued at $4.5 million in total and set to be shipped in June and July of this year.

In our Aftermarket segment we are averaging slightly higher monthly bookings when compared to this time last year. Our OEM segment is also off to a great start with an increase in new accounts acquisition for the quarter when compared to this time last year. We are pleased with the progress to-date in our OEM and Aftermarket sales channels.

Overall, our current 2025 contracted projects, including the revenue recognized in the first quarter, totals roughly $45 million, or 30% of the mid-point of our guided range for the year. This compares to $87 million (60%) and $69 million (50%) for 2024 and 2023, respectively. Additionally, we see a robust near-term pipeline, including a number of contracts in active negotiations that we anticipate closing in Q2. All-in, our contracted projects plus high-probability pipeline gives us visibility into over 80% of the expected 2025 revenue.

We also continue to make progress on new product innovation. We have previously discussed releasing a next generation PX in the second half of 2026, but now believe we can pull that forward and will provide an update next quarter.

Long-term trends in the desalination industry remain strong. Leading market intelligence agencies are also forecasting strong growth in the years ahead with 25 – 30 million cubic meters per day of desalination capacity to be contracted between 2026 and 2029. Broadly, we continue to monitor the impact on overall desalination demand due to tariffs. Interestingly, should the macro environment cause a reduction in interest rates, we could even see a long-term benefit to our business given the sensitivity of desalination to interest rates.

Our Wastewater business (also part of our Water segment) grew 18% from the same quarter last year. Strong macro trends continue to drive adoption of reverse osmosis ("RO") systems across industries and municipalities. Excluding the potential impact from tariffs, we remain quite bullish on our Wastewater business. We are actively ramping our sales team in key geographies, with a particular focus in non-China markets. Note that our Wastewater backlog grew 67% vs. the same time last year.

As mentioned above, we are pausing wastewater revenue guidance in 2025 given the tariff impacts on China. As an example, a near-term pipeline of ~$3 million worth of projects in China was expected to close in Q2. Those projects are on hold and are at risk of loss without near-term remedies. We will resume providing Wastewater guidance when appropriate.

CO_2 Business

Our engagement with OEMs continued to progress well during the quarter, with clear progress towards full commercialization. We now have 3 OEMs working to integrate the PX into their rack designs and expect all these OEMs to have at least one pilot test site running for the summer testing season. As a reminder, while the technical validation of the PX was completed last summer, customers will run the fully-integrated PX racks this summer to confirm the design works as expected.

We are also pleased to give you a little more color on our progress with Hillphoenix, the OEM with the largest U.S. market share in CO_2 refrigeration. We have been actively engaged with Hillphoenix in developing the application of our PX technology in their refrigeration systems in the North American market. We have multiple test sites running a PX installed on a Hillphoenix CO_2 refrigeration system. We and Hillphoenix are in discussions that support broad deployment of the PX technology as an optional feature in Hillphoenix refrigeration systems, giving their commercial and industrial refrigeration customers another attractive option to drive maximum energy efficiency in their operations.

Despite the ongoing global trade situation, we reaffirm our stated revenue guidance of $1 to $3 million for the year and have made no changes to our goal of having the PX specified in four supermarket chains in 1H 2026.

2025 Outlook

As discussed above, we are maintaining or improving our guidance for all metrics with the exception of Wastewater revenue.

For Desalination, our backlog and pipeline, as well as general insulation from the trade war gives us confidence in our targets for the year. We are monitoring the market for potential project delays given the macro environment, but are confirming the current guidance.

For Wastewater, we believe it is prudent given the current facts to pause our revenue guidance. With no short-term fix to the reciprocal tariffs on U.S. goods we must be realistic about the potential impact on our business. Should the tariff regime change, or should we find an actionable strategy to mitigate, we may update guidance.

For CO_2 we are maintaining our revenue guidance given commercial momentum.

We are maintaining Gross Margin guidance despite the potential cost and revenue impacts from tariffs. We continue to drive efficiencies in the production process and believe we can largely offset the various headwinds on manufacturing costs in 2025.

We continue to manage operating costs efficiently. We outperformed our Opex expectations in Q1 and the full effects of our recent workforce reduction are beginning to show. We also see even more need to control cost given the possible revenue impact from tariffs in 2025. As such, we are lowering our guidance for Opex to $69 million to $72 million from the $70 million to $73 million we set last quarter.

Finally, our overall profitability goals have not changed. We have line of site into mitigation of the majority of potential profit impacts from tariffs and will continue to explore additional offsets.

The table below summarizes our updated 2025 guidance.

	Low	High
	(in millions, except percentages)	
Revenue:		
Desalination	$ 138.0	$ 145.0
CO_2	1.0	3.0
Gross Margin	66.0 %	68.0 %
Operating Expenses	$ 69.0	$ 72.0
Stock-based Compensation	$ 8.0	$ 10.0
Depreciation and Amortization	$ 3.5	$ 4.5
Capital Expenditures	$ 3.0	$ 4.0

Mitigation strategy detail

Below please find some additional details on each of the tariff mitigation factors listed above:

Sourcing impact

- **Tariff exemption.** Given our U.S.-produced/foreign-sold structure mentioned above, we believe we are eligible for existing trade exemption programs established by the U.S. Customs and Boarder Protection agency – specifically duty drawback and foreign trade zones. These are well-established global trade optimization strategies that allow companies like ours to be reimbursed for tariffs paid, or even avoid them altogether.
- **Alternative sourcing.** We have numerous options for sourcing the components currently coming from China through alternate providers. We have already begun working with these providers and believe, if necessary, that we could move the majority or all of the China-imported costs out of China.
- **Price/Tariff surcharges**. We are committed to our customers and to providing the best all-around solution. However, we always retain the option to pass on or share tariff costs with our customers.

Revenue Impact

- **Accelerate manufacturing footprint strategy**. As we mentioned in our November 2024 investor webinar, Phase 2 of our manufacturing transformation strategy is to explore the "where to build" question. Given recent events, we have decided to accelerate this process and begin immediately exploring an international footprint strategy. Given our commitment to delivering the highest-quality products to our customers, we will exercise caution and prioritize long-term value over short-term mitigation.
- **Increase foreign content/Logistics management**. We are exploring other options to increase the foreign content of our products sold into China. We are working with trade experts in the U.S. and China and hope to find a creative solution. We will use similar caution with regards to quality for this plan as well.

Profit Recovery

- **Accelerated cost improvements.** We have been very focused on gross margin improvement via our manufacturing transformation work and are exploring how we may accelerate certain margin improvement projects into 2025. We have also already reviewed operating expenses and have identified potential opex reductions for 2025. These savings will not impact the growth areas of our business and do not involve additional workforce restructuring.
- **Redeploying Wastewater sales resources**. The majority of our Wastewater sales team is focused on the China market given the early success there. We have also been in the process of expanding that sales team. We are now re-deploying resources to other geographies in an effort to replace as much of the at-risk revenue as possible. This will unlikely fully bridge the Wastewater revenue gap in 2025, but should be a long-term positive as we build up those geographies faster.
- **Other business unit revenue offset.** We are working with other business units, particularly Desalination, on ways to offset reductions from China Wastewater revenue. We established aggressive but achievable targets for 2025, but have challenged the team to find opportunities where possible.

Financial Highlights

	Quarter to Date		
	2025	2024	2025 vs. 2024
	(In millions, except net loss per share, percentages and basis points)		
Revenue	$8.1	$12.1	down 33%
Gross margin	55.3%	59.0%	down 370 bps
Operating margin	(155.8%)	(90.4%)	NM
Net loss	($9.9)	($8.3)	down 20%
Net loss per share	($0.18)	($0.14)	down $0.04
Effective tax rate	14.0%	13.5%	
Cash provided by operations	$10.7	$6.5	

Non-GAAP Financial Highlights [1]

	Quarter to Date		
	2025	2024	2025 vs. 2024
	(In millions, except adjusted net loss per share, percentages and basis points)		
Adjusted operating margin	(120.4%)	(59.4%)	NM
Adjusted net loss	($7.0)	($4.6)	down 52%
Adjusted net loss per share	($0.13)	($0.08)	down $0.05
Adjusted EBITDA	($8.7)	($6.2)	
Free cash flow	$10.5	$5.7	

(1) Refer to the sections "Use of Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for definitions of our non-GAAP financial measures and reconciliations of GAAP to non-GAAP amounts, respectively.

NM Not Meaningful

Forward-Looking Statements

Certain matters discussed in this press release and on the conference call are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including our belief that we have line of sight to offsetting the majority of tariff impacts on our business in 2025; our expectation that we can offset any increased costs from tariffs on sourced components; our estimates of the potential costs from tariffs on sourced components; our belief that the direct tariff mitigation strategies for sourced components will have no material impact on our financials; our belief that the profit recovery actions identified above can offset 50-60% of the potential profit impact caused by the tariffs; our intention to maintain a lean operating infrastructure; our belief that the Desalination business revenue will be back-end loaded similar to 2024; our financial guidance for 2025; our bullish outlook on the Wastewater business; our belief that the Desalination business will be largely unaffected by tariffs; our belief that we are eligible for existing trade exemption programs; and our belief that we could move the majority or all of the China sourced components out of China. These forward-looking statements are based on information currently available to the Company and on management's beliefs, assumptions, estimates, or projections and are not guarantees of future events or results. Potential risks and uncertainties include risks relating to the future demand for the Company's products, risks relating to performance by our customers and third-party partners, risks relating to the timing of revenue, and any other factors that may have been discussed herein regarding the risks and uncertainties of the Company's business, and the risks discussed under "Risk Factors" in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") for the year ended December 31, 2024, as well as other reports filed by the Company with the SEC from time to time. Because such forward-looking statements involve risks and uncertainties, the Company's actual results may differ materially from the predictions in these forward-looking statements. All forward-looking statements are made as of today, and the Company assumes no obligation to update such statements.

Use of Non-GAAP Financial Measures

This document includes certain non-GAAP financial measures, including adjusted operating margin, adjusted net loss, adjusted net loss per share, adjusted EBITDA and free cash flow. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either exclude or include amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the United States of America, or GAAP. These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same captions, and may differ from non-GAAP financial measures with the same or similar captions that are used by other companies. As such, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company uses these non-GAAP financial measures to analyze its operating performance and future prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. The Company believes these non-GAAP financial measures reflect an additional way of viewing aspects of its operations that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting its business.

Notes to the Financial Results

- *Adjusted operating margin* is a non-GAAP financial measure that the Company defines as loss from operations which excludes i) stock-based compensation; ii) executive transition costs, such as executive search costs, retention costs, one-time severance costs and one-time corporate growth strategy costs; and iii) restructuring charges, divided by revenues.
- *Adjusted net loss* is a non-GAAP financial measure that the Company defines as net income which excludes i) stock-based compensation; ii) executive transition costs; iii) restructuring charges; and iv) impairment of long-lived assets; and v) the applicable tax effect of the excluded items including the stock-based compensation discrete tax item.
- *Adjusted net loss per share* is a non-GAAP financial measure that the Company defines as net loss, which excludes i) stock-based compensation; ii) executive transition costs; iii) restructuring charges; and iv) impairment of long-lived assets; and v) the applicable tax effect of the excluded items including the stock-based compensation discrete tax item, divided by basic shares outstanding.
- *Adjusted EBITDA* is a non-GAAP financial measure that the Company defines as net loss which excludes i) depreciation and amortization; ii) stock-based compensation; iii) executive transition costs; iv) restructuring charges; v) impairment of long-lived assets; vi) other income, net, such as interest income and other non-operating income (expense), net; and vii) benefit from income taxes.
- *Free cash flow* is a non-GAAP financial measure that the Company defines as net cash provided by operating activities less capital expenditures.

Disclosure Information

Energy Recovery uses the investor relations section on its website as means of complying with its disclosure obligations under Regulation FD. Accordingly, investors should monitor Energy Recovery's investor relations website in addition to following Energy Recovery's press releases, SEC filings, and public conference calls and webcasts.

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2025	December 31, 2024
	(In thousands)	
ASSETS		
Cash, cash equivalents and investments	$ 106,730	$ 99,851
Accounts receivable and contract assets	34,787	66,842
Inventories, net	32,410	24,906
Prepaid expenses and other assets	3,850	3,889
Property, equipment and operating leases	23,753	25,119
Goodwill	12,790	12,790
Deferred tax assets and other assets	11,074	9,395
TOTAL ASSETS	**$ 225,394**	**$ 242,792**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable, accrued expenses, and other liabilities, current	$ 14,676	$ 20,837
Contract liabilities and other liabilities, non-current	1,497	628
Lease liabilities	11,108	11,317
Total liabilities	**27,281**	**32,782**
Stockholders' equity	**198,113**	**210,010**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 225,394**	**$ 242,792**

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2024	**2023**
	(In thousands, except per share data)	
Revenue	**$ 8,065**	**$ 12,090**
Cost of revenue	3,607	4,955
Gross profit	**4,458**	**7,135**
Operating expenses		
General and administrative	8,574	7,566
Sales and marketing	4,906	6,152
Research and development	3,001	4,351
Restructuring charges	539	—
Total operating expenses	**17,020**	**18,069**
Loss from operations	**(12,562)**	**(10,934)**
Other income, net	1,079	1,389
Loss before income taxes	**(11,483)**	**(9,545)**
Benefit from income taxes	(1,603)	(1,285)
Net loss	**$ (9,880)**	**$ (8,260)**
Net loss per share		
Basic	$ (0.18)	$ (0.14)
Diluted	$ (0.18)	$ (0.14)
Number of shares used in per share calculations		
Basic	54,902	57,102
Diluted	54,902	57,102

ENERGY RECOVERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2025	2024
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (9,880)	$ (8,260)
Non-cash adjustments	1,891	3,300
Net cash provided by operating assets and liabilities	18,667	11,457
Net cash provided by operating activities	**10,678**	**6,497**
Cash flows from investing activities:		
Net investment in marketable securities	12,855	(4,249)
Capital expenditures	(191)	(824)
Proceeds from sales of fixed assets	10	87
Net cash provided by (used in) investing activities	**12,674**	**(4,986)**
Cash flows from financing activities:		
Net proceeds from issuance of common stock	616	1,190
Repurchase of common stock	(4,490)	—
Net cash (used in) provided by financing activities	**(3,874)**	**1,190**
Effect of exchange rate differences	33	(19)
Net change in cash, cash equivalents and restricted cash	**$ 19,511**	**$ 2,682**
Cash, cash equivalents and restricted cash, end of period	**$ 49,268**	**$ 70,907**

ENERGY RECOVERY, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES [1]
(Unaudited)

This press release includes certain non-GAAP financial information because we plan and manage our business using such information. The following table reconciles the GAAP financial information to the non-GAAP financial information.

	Quarter-to-Date	
	Q1'2025	Q1'2024
	(In millions, except shares, per share and percentages)	
Operating margin	**(155.8)%**	**(90.4)%**
Stock-based compensation	24.3	27.2
Executive transition costs	—	3.9
Restructuring charges	6.7	—
Impairment of long-lived assets	4.4	—
Adjusted operating margin	**(120.4)%**	**(59.4)%**
Net loss	**$ (9.9)**	**$ (8.3)**
Stock-based compensation	2.0	3.3
Executive transition costs [2]	—	0.4
Restructuring charges [2]	0.5	—
Impairment of long-lived assets [2]	0.3	—
Stock-based compensation discrete tax item	0.1	(0.1)
Adjusted net loss	**$ (7.0)**	**$ (4.6)**
Net loss per share	**$ (0.18)**	**$ (0.14)**
Adjustments to net loss per share [3]	0.05	0.06
Adjusted net loss per share	**$ (0.13)**	**$ (0.08)**
Net loss	**$ (9.9)**	**$ (8.3)**
Stock-based compensation	2.0	3.3
Depreciation and amortization	1.0	1.0
Executive transition costs	—	0.5
Restructuring charges	0.5	—
Impairment of long-lived assets	0.4	—
Other income, net	(1.1)	(1.4)
Benefit from income taxes	(1.6)	(1.3)
Adjusted EBITDA	**$ (8.7)**	**$ (6.2)**
Free cash flow		
Net cash provided by operating activities	$ 10.7	$ 6.5
Capital expenditures	(0.2)	(0.8)
Free cash flow	**$ 10.5**	**$ 5.7**

(1) Amounts may not total due to rounding.
(2) Amounts presented are net of tax.
(3) Refer to the sections "Use of Non-GAAP Financial Measures" for description of items included in adjustments.