

# Charting our way forward

Presenting our vision and financial  
framework for continued success



November 2024

# Lionel McBee

## Director, Investor Relations



# Welcome!

Agenda and Introduction

# 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.



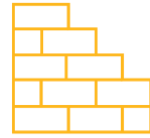
**Our growth vision,  
executable path  
forward, and key  
enablers to ensure  
success**

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**

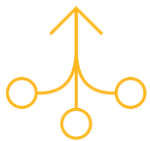
# What we want to accomplish today



**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

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**Market leaders in a high-value product**

**Business in high-growth markets with tailwinds**



## Go-forward vision from growth playbook

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- 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:

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- 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 / year<sup>1</sup>

**#1** MSCI ESG-rated company in our industry<sup>2</sup>

**38M** cmd of freshwater production by desal sites with ERll products<sup>1</sup>

**20M** Metric tons of CO<sub>2</sub><sup>3</sup> emissions avoided by our customers in 2023<sup>1</sup>

**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** —  1<sup>st</sup> 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

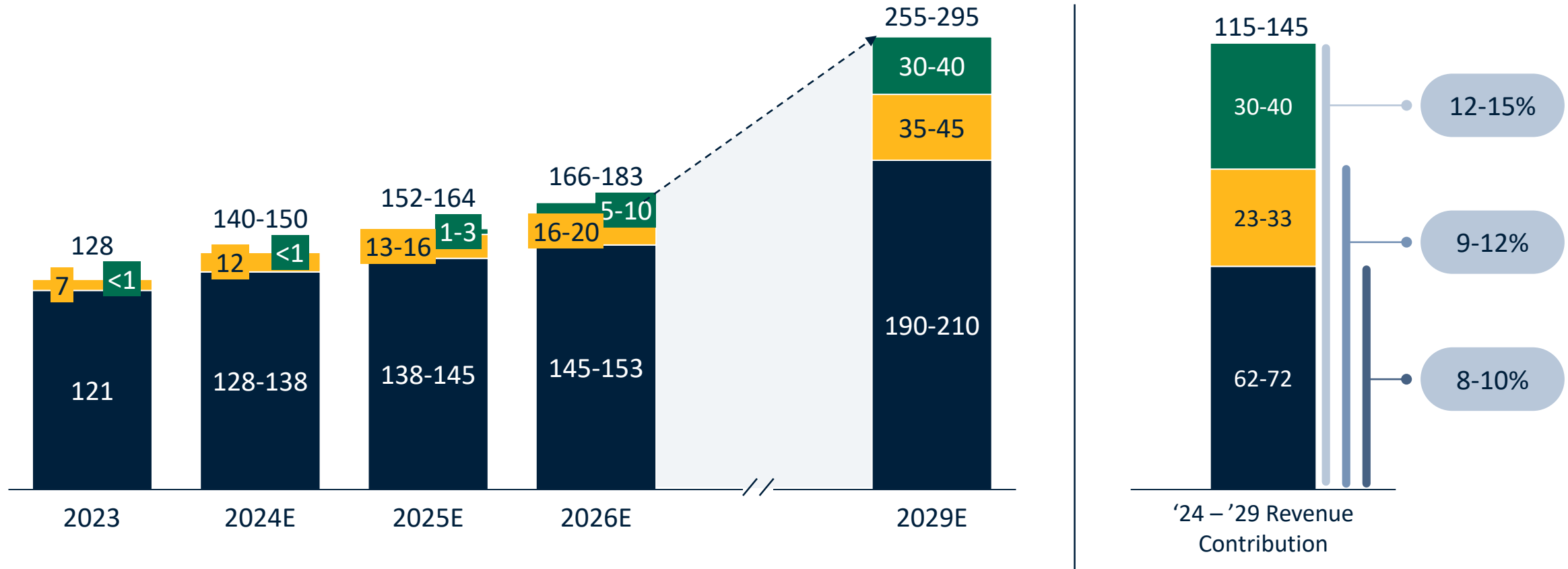
# We built our playbook through an exhaustive evaluation of opportunities

Growth trajectory	Theme	Application	Megatrend alignment	Competitiveness	ERII value proposition	Rationale	✓ High attractiveness	✓ Medium attractiveness
							High priority	PX value proposition to be tested
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
<b>Total revenue</b>	310-570	166-183	255-295	
<b>Desalination</b>	180-200	145-153	190-210	Driven by megaproject pipeline shift
<b>Wastewater</b>	30-70	16-20	35-45	Strategic decision to focus on top 5 market verticals accounting for ~60% of TAM
<b>CO2</b>	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
<b>Desalination</b> 	Q400 10% annual cost reduction	2025 - 2027
	Launch new partnership	H1 2025
	Next-gen product release	H2 2026
<b>Wastewater</b> 	Build out wastewater sales team	2025 - 2026
	Two additional reference cases per vertical	H2 2025
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	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 target for ER11, 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







KOHNE  
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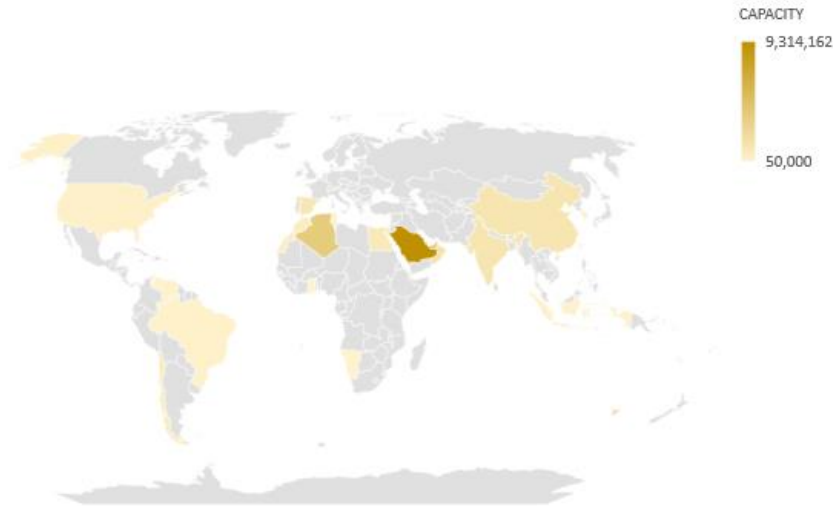
# Desalination – what we do

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



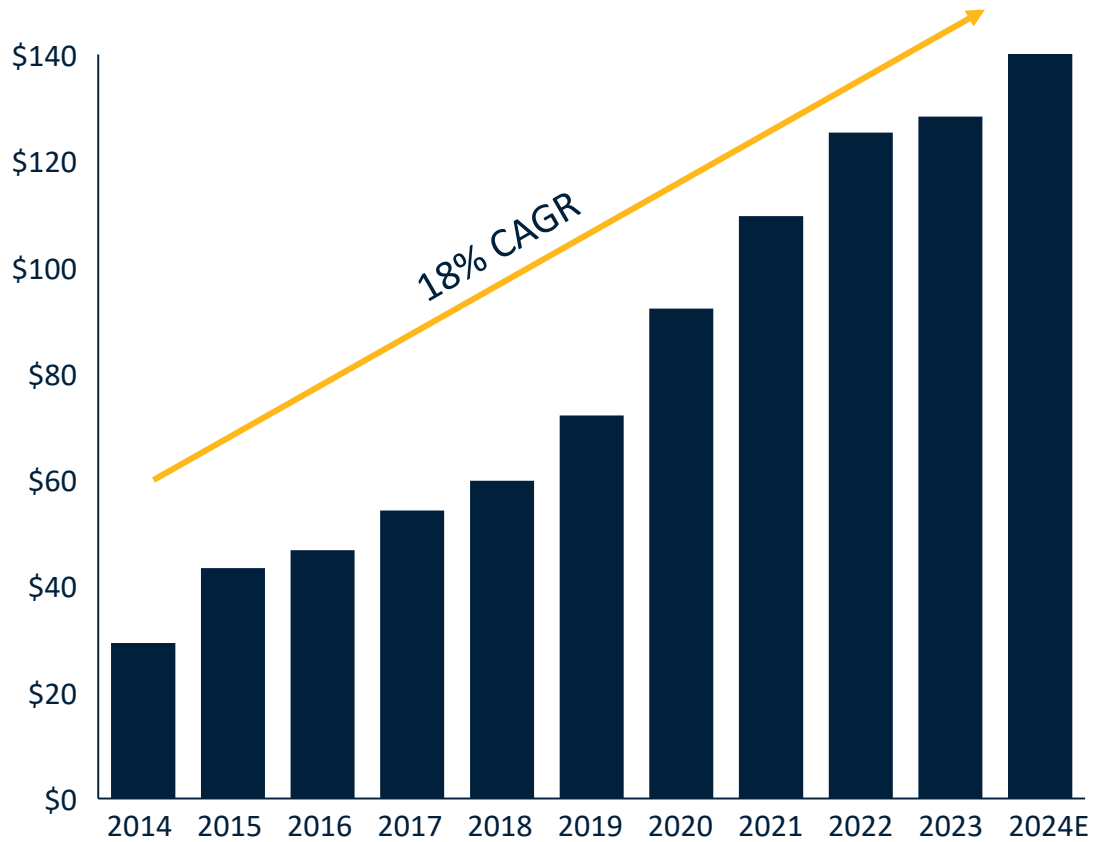
We have 1700+ customer references





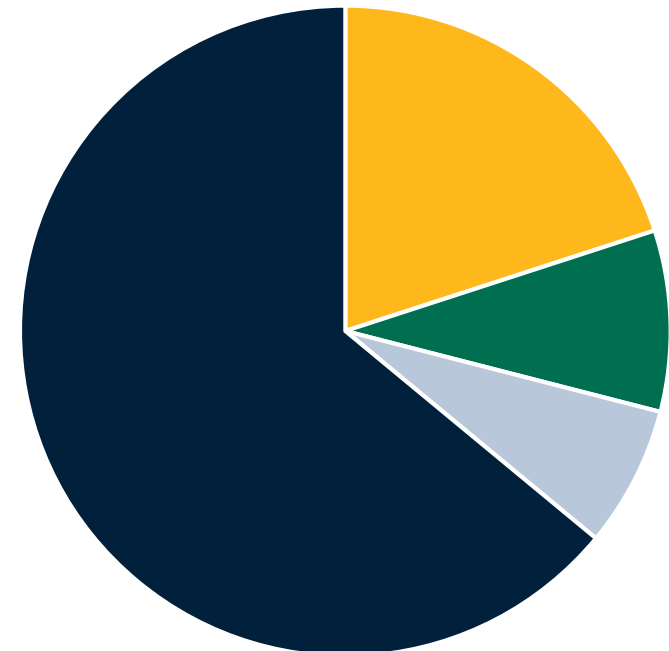
# Desalination – financials at a glance

## Revenue, \$M



## Revenue by region, '24E

Asia Americas Europe MENA



# 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

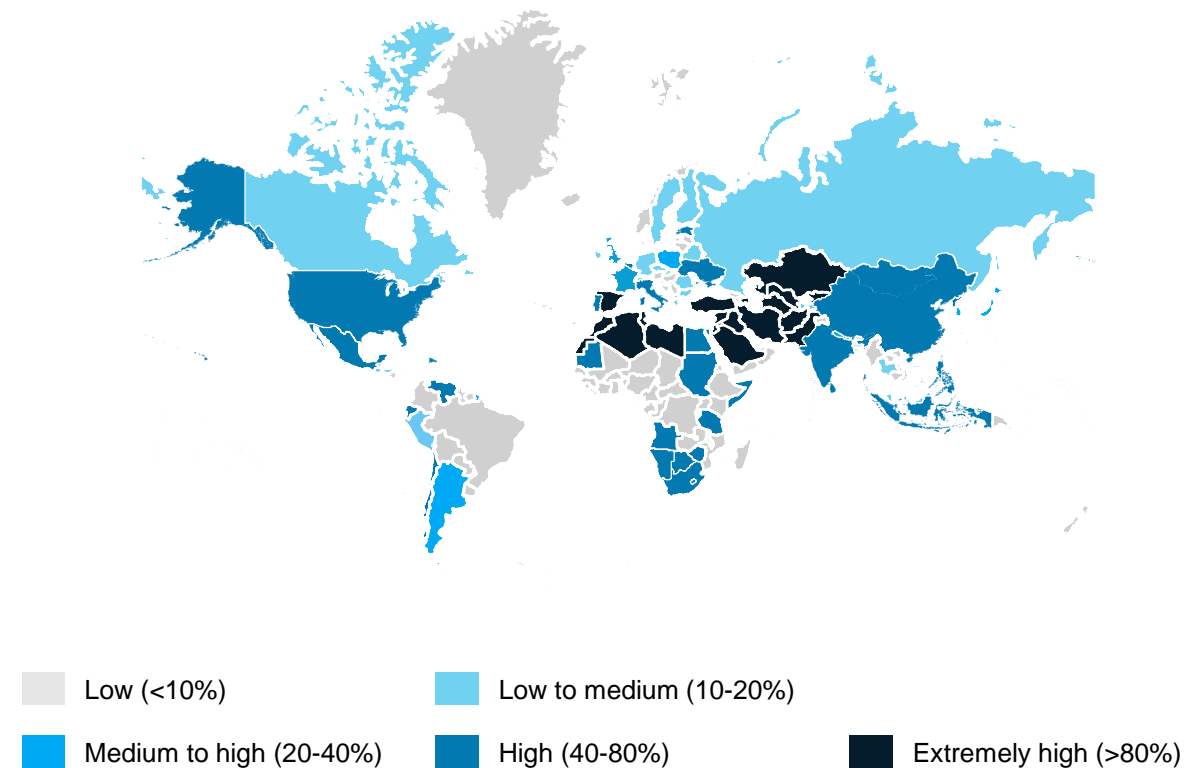
**US\$500 B**  
annually



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



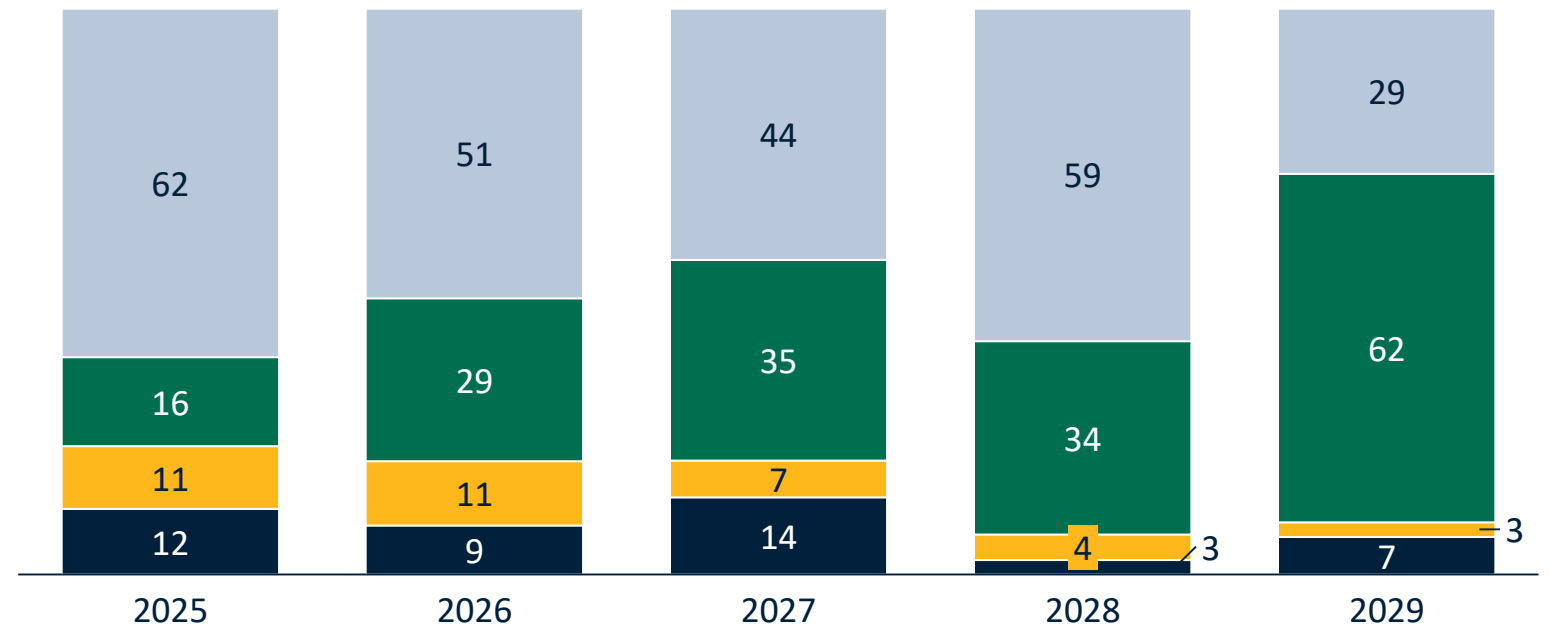
**~\$550M**

in our five-year<sup>1</sup> 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

## MPD customers (>50K cmd)



**Developers / EPCs**  
(~10 major EPCs globally)



**End users**



## OEM customers (<50K cmd)



**OEMs**



**End users**



## After market



**OEMs / Trading companies /  
End users**



# 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



- 1<sup>st</sup> 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

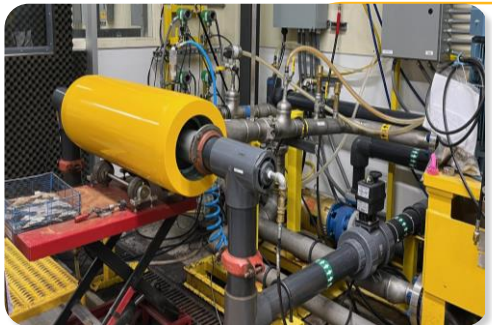


**Cost & productivity**



## Key actions we are taking

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

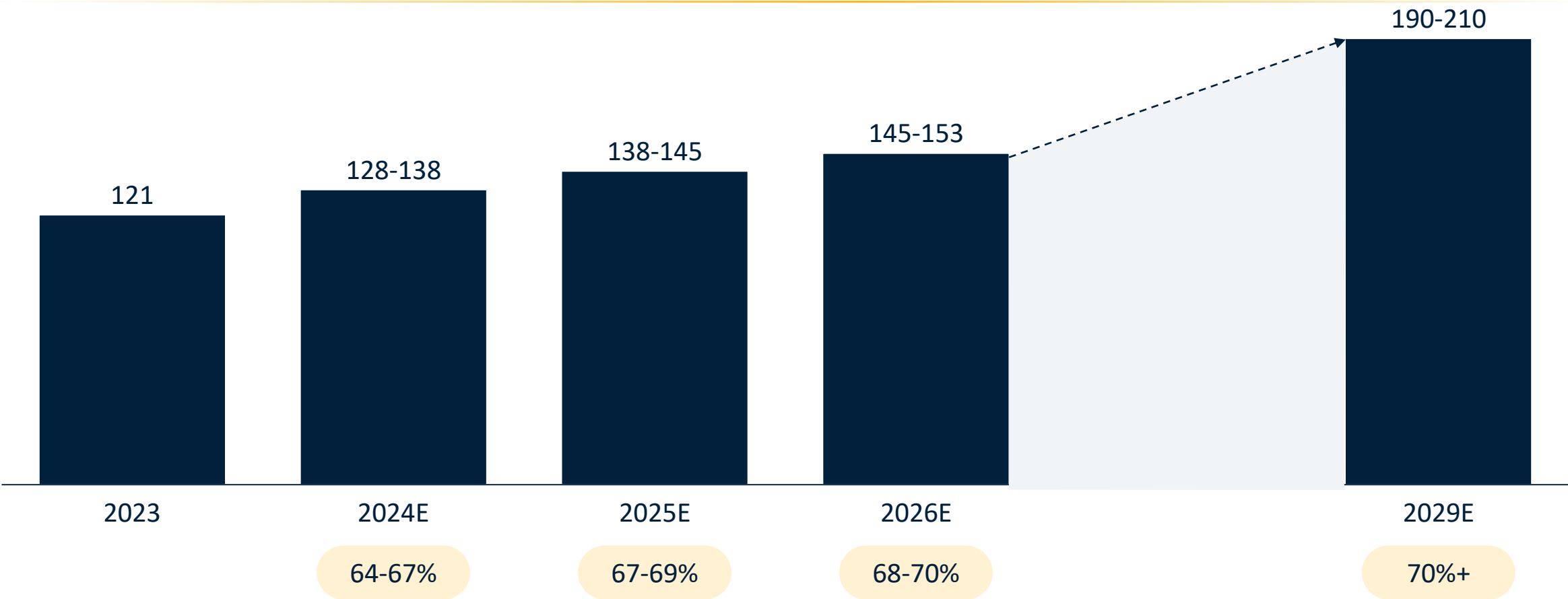


Partnership type	Description
Product focused	With PX-adjacent equipment OEMs to provide customers comprehensive product offerings
Sales / channel focused	With region / market vertical specific distributors for market access
Application focused	With market vertical specific engineering consulting organizations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




# Desalination - financial outlook

XX% Gross margins

Revenue guidance and targets, \$M



# Desalination – critical milestones

Business unit	Milestone	Expected timing
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	Specified at four supermarket chains (each with 1000+ locations)	H2 2026



## 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





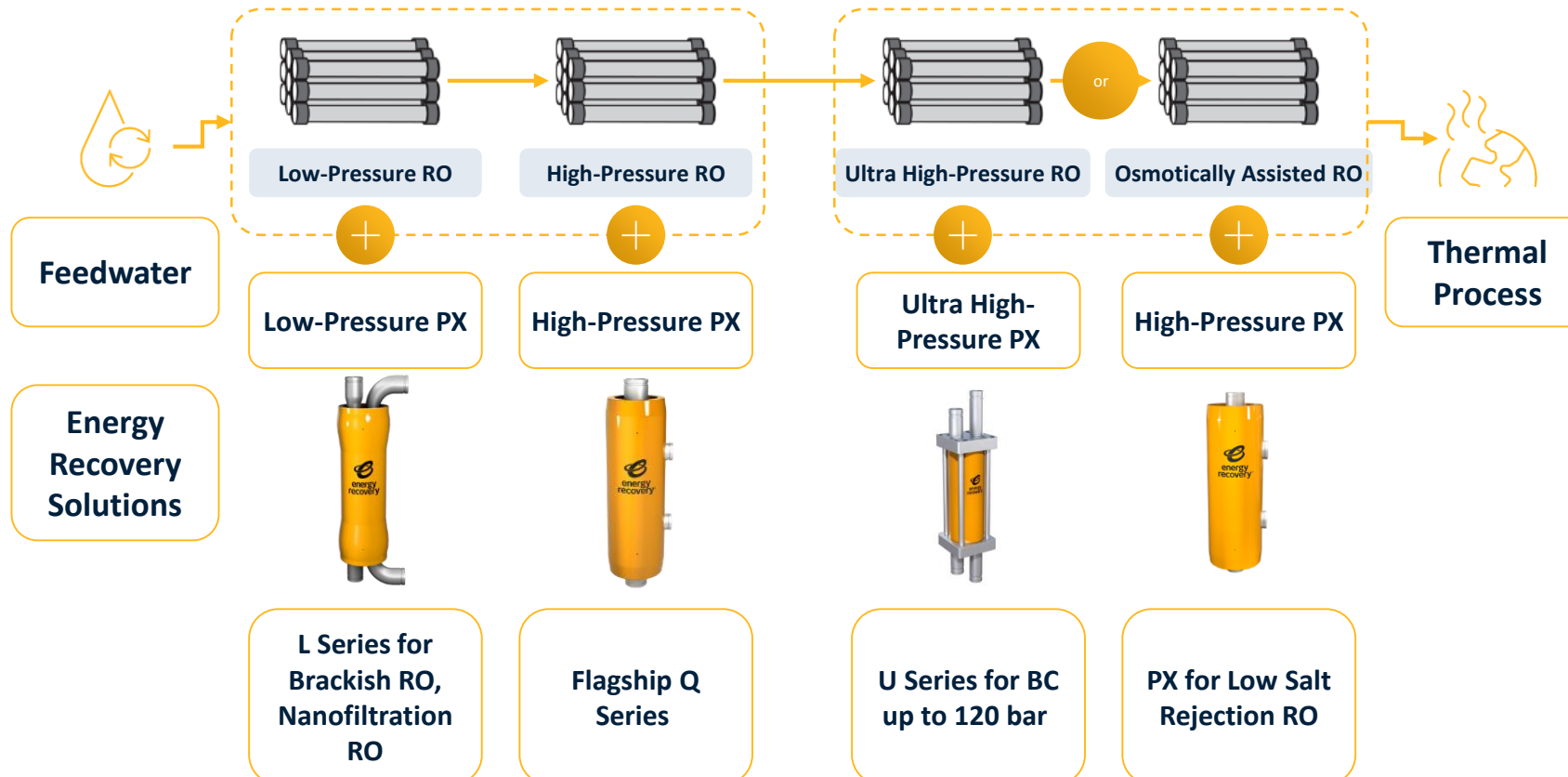


energy  
recovery

energy  
recovery

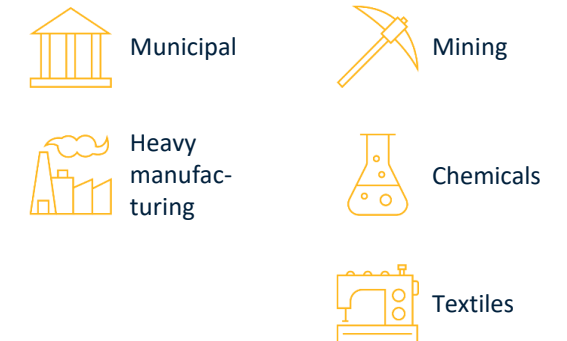
# Wastewater – what we do

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

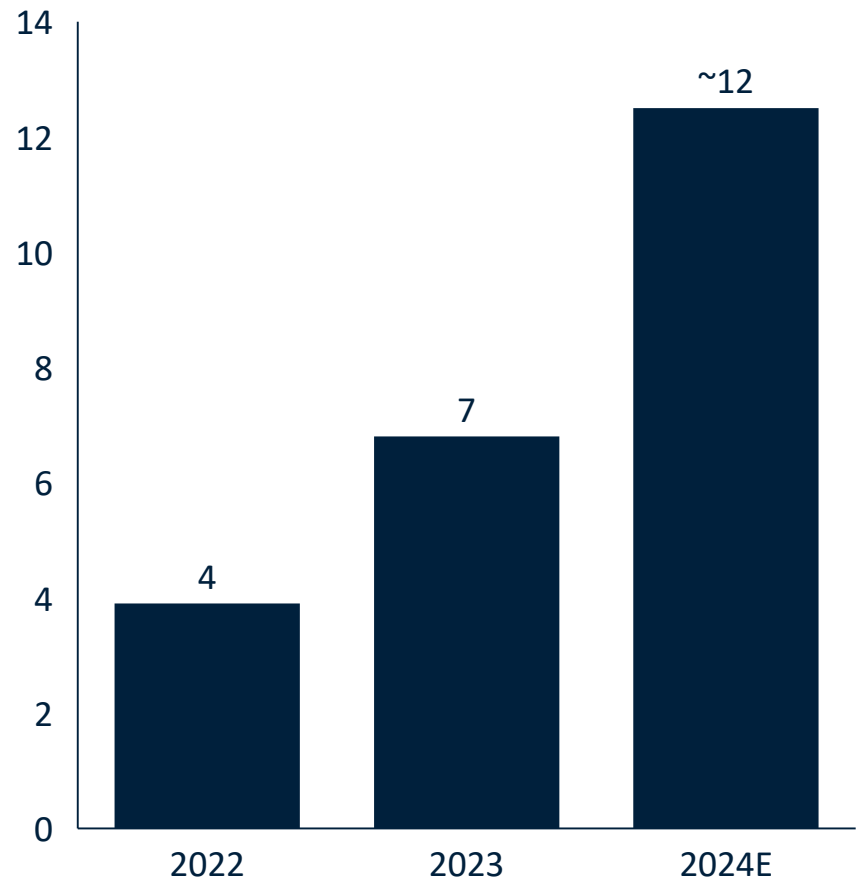


## Select regions we serve

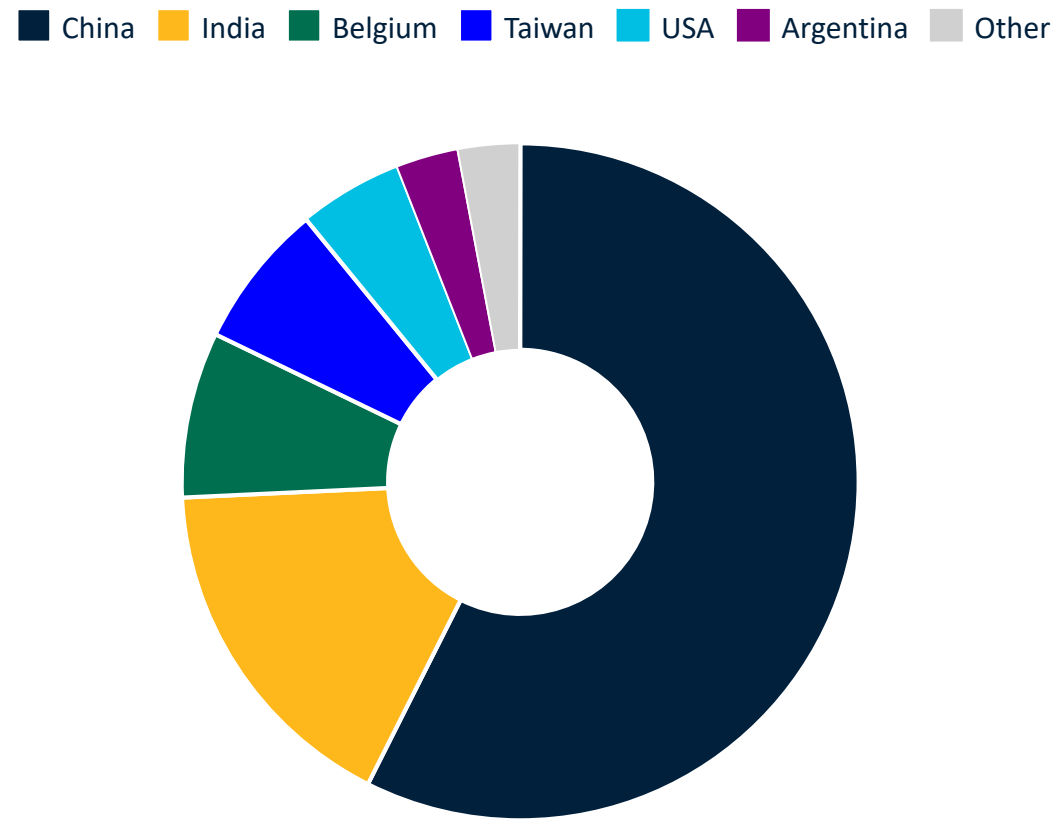


# Wastewater – financials at a glance

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**

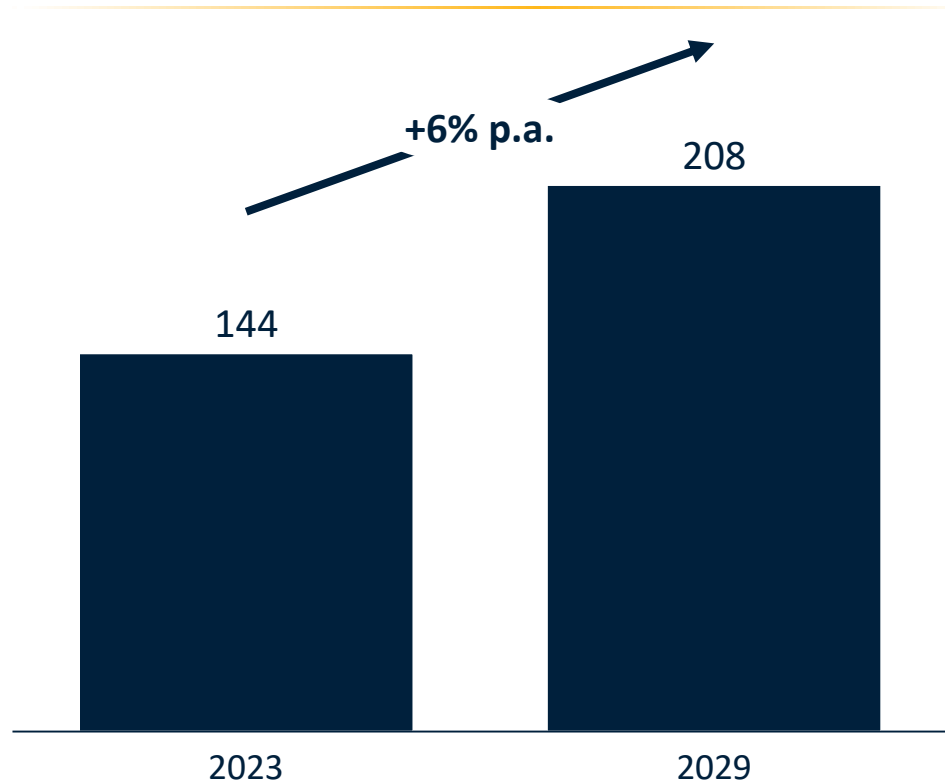


**New action plan to tackle water pollution**

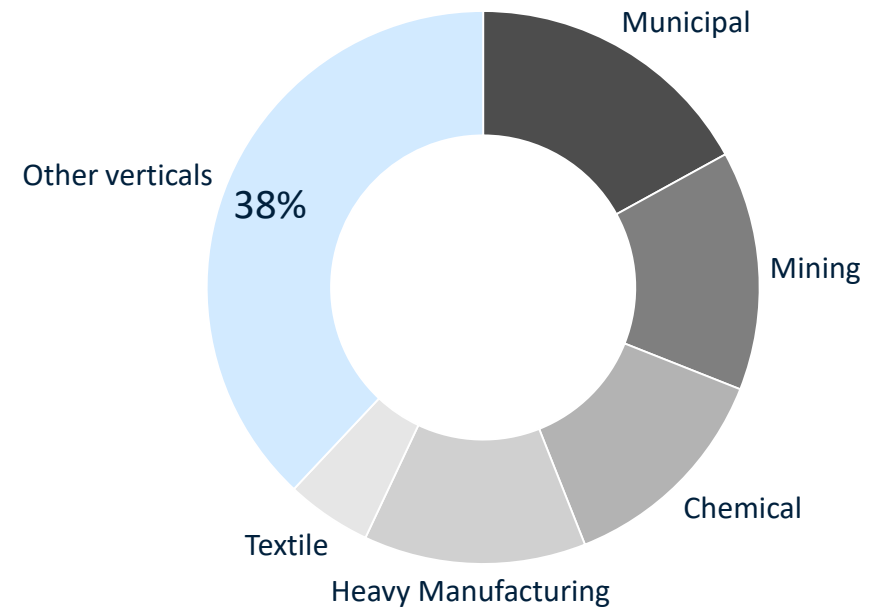
**Water quality is a major global challenge in the 21st century**

# 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

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

**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

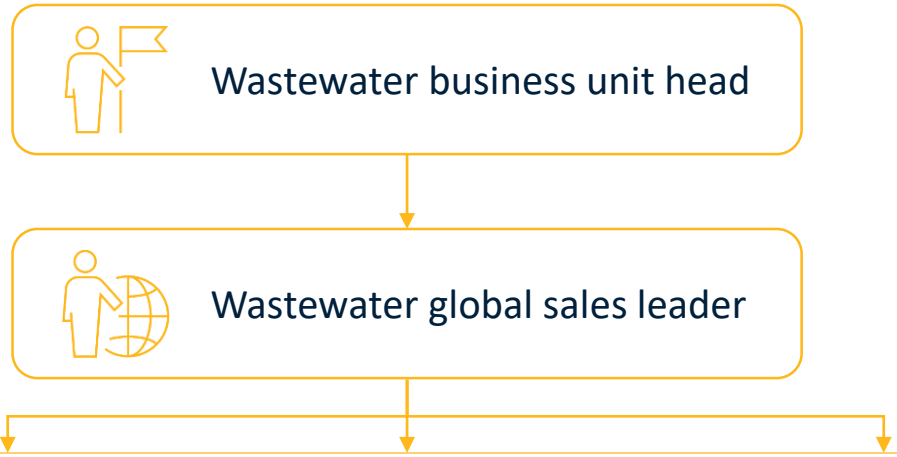




UHP PX



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

Wastewater organization proposed hiring plans



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

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

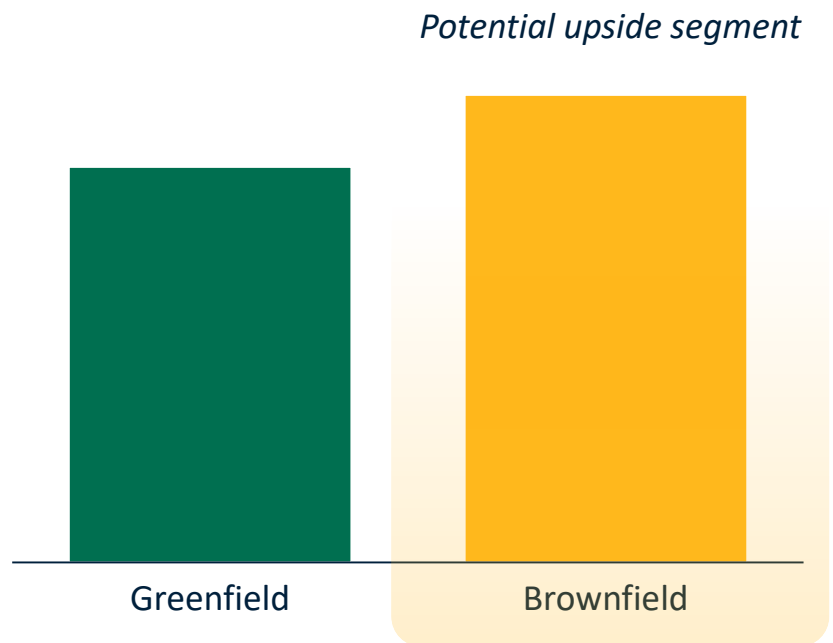
# Augmenting sales team: to pursue growth in 5 prioritized verticals, building off existing reference cases



Heavy manufacturing	Textile	Chemical	Mining	Municipal
<b>QingXu CTX ZLD ShanXi, China</b> (5,000 cmd; Q300)	<b>Pali CETP, India</b> (12,500 cmd; Q300, Q220, AT-550, HP-2403, VPXP, Aquabold)	<b>Ekopak Services Ghent Port, Belgium</b> (2,400 cmd, PX-Q220)	<b>Dahaize Mining, ZLD China</b> (3,276 cmd; AT-875) - 2025 expansion will use PX	<b>HDEC Corporation, Feng Shan Creek WWT Project, Taiwan</b> (45,000 cmd; LPT-1000)
<b>Zhejiang Longsheng Extension ZLD, China</b> (3,000 cmd; Q300)	<b>Veerapandi CETP, India</b> (864 cmd; Q140, AT-550)	<b>Yulin Chemical ZLD, China</b> (1,440 cmd, PX-Q220)	<b>Veolia USA, Confidential Gold Mine</b> (7,500 cmd, PX-220)	<b>Membratech, Lake Ipsach Switzerland</b> (10,000 cmd; PX-180B)
<b>Qingdao Power Plant Phase II, China</b> (3,480 cmd; Q300)	<b>Rohini Textiles India</b> (180 cmd; PX-140, HP-1253)	<b>Xinyue Chemical, China</b> (10,000 cmd, Q300)	<b>BaoWu BGT Zabuye Salt Lake, China</b> (Lithium, 7,440 cmd; Q260, VPXP)	<b>City of North Port BWRO, Florida USA</b> (7,600 cmd; PX-220B)
<b>Metito Tanjung Priok Power Plant, Indonesia</b> (1,100 cmd; Q300)	<b>Bhiwadi CETP ZLD</b> (4,464 cmd; UPX, AT-350, AT-95, UHP-4503)	<b>Anqing Chemical ZLD, China</b> (5,000 cmd, Q300)	<b>Shandong Daliuta Mining ZLD, China</b> (840 cmd; PX-45)	<b>Key Largo, Florida, USA</b> (2500 cmd, PX-180B)
<b>Praj Industries IOCL Dumad O&amp;G ZLD, India</b> (2,280 cmd; AT-425)	<b>Arvind Envisol Aashapura, India</b> (192 cmd; PX-30, AT-550, HP-8503)	<b>THERMAX LIMITED, GHCL, India</b> (7,200 cmd; Q300)	<b>Sunresin Qinghai Salt Lake, China</b> (Lithium; 3,000 cmd, Q140, UPX40)	<b>Farys Aalst WW reuse, Belgium</b> (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 ERIL engineering team designs custom solution
- **Step 2:** ERIL works with system integrator partner for implementation



**What are the potential benefits**

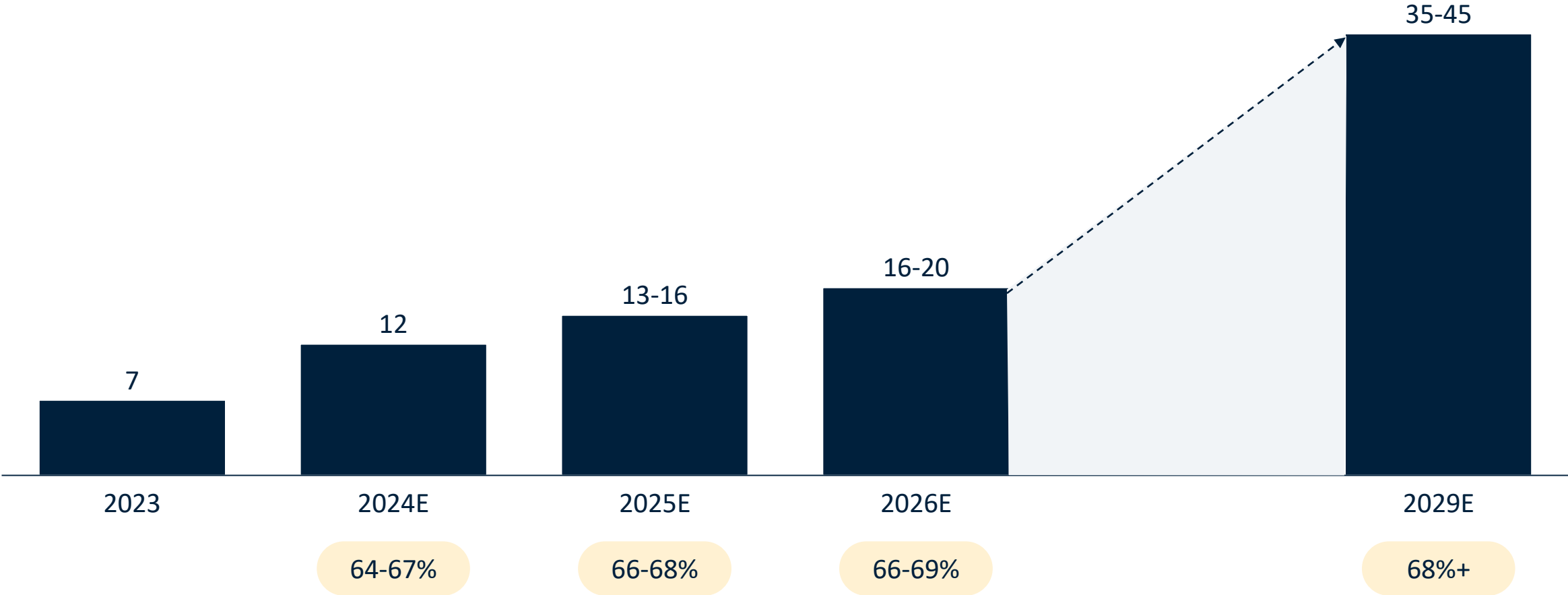
- **Customer:** Upgraded facility & reduction in energy costs
- **System integrator:** New warm sales leads
- **ERIL:** Additional brownfield reference cases

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




# Wastewater - financial outlook

Revenue guidance and targets, \$M

XX% Gross margins



# Wastewater – critical milestones

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## Critical Milestone Execution Drives Long Term Growth

Financial targets for wastewater, 2029:

**\$35-45M** revenue

**68%+** gross margin



**Ricardo Freitas**  
VP & GM, CO2

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

CO<sub>2</sub>







# 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

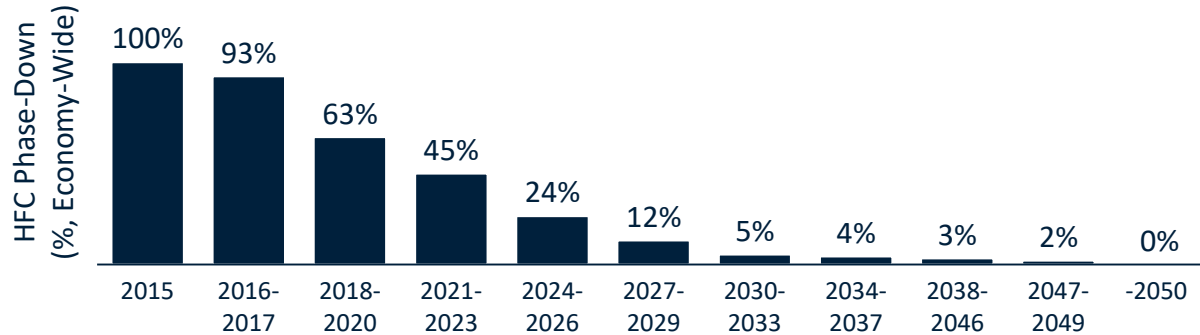


PX G has 33K+ hours of combined field run time

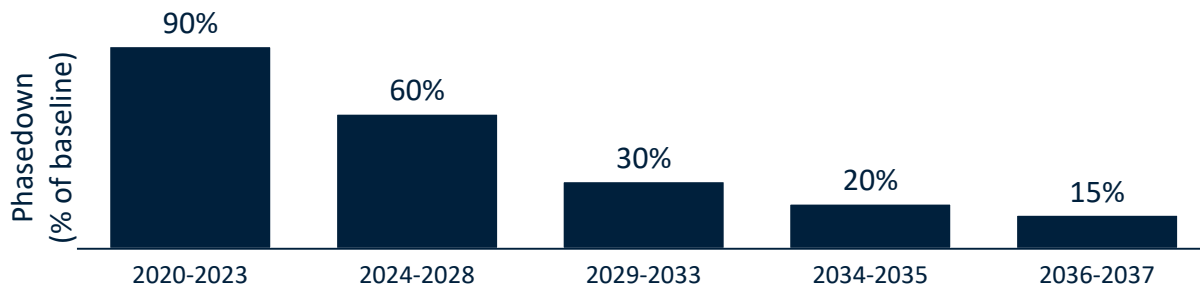
# Market forces: EU & US regulatory impact driving CO2 adoption

## 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

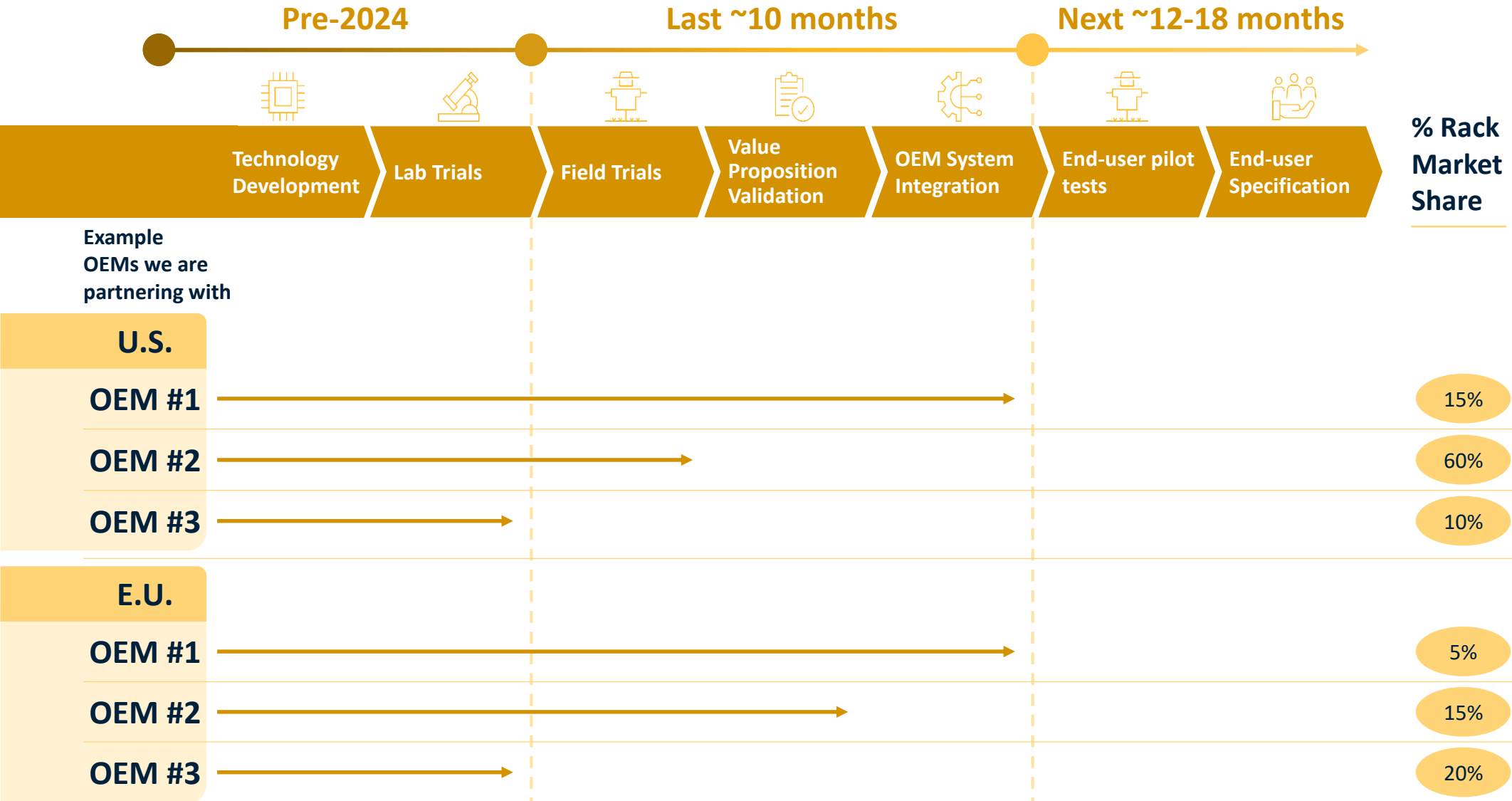


## End users

**EU:**  Carrefour  E.Leclerc  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%<sup>1</sup> peak COP lift**  
Projected **annual energy savings**  
of up to **15%<sup>1</sup> 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%<sup>1</sup> more capacity** at 35°C  
**Increase design temperature by 6°C<sup>1</sup>** 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

**Energy savings**  


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**Capacity extension**  


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**CapEx**  


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**OpEx**  


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**Integration Complexity**  


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**Overall**

	PX G	Adiabatic Gas Cooler	Parallel Compression + Ejector	Parallel Compressor
				
Energy savings	<span style="color: green;">●</span>	<span style="color: lightgreen;">●</span>	<span style="color: orange;">●</span>	<span style="color: red;">●</span>
Capacity extension	<span style="color: green;">●</span>	<span style="color: lightgreen;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>
CapEx	<span style="color: lightgreen;">●</span>	<span style="color: red;">●</span>	<span style="color: lightgreen;">●</span>	<span style="color: green;">●</span>
OpEx	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: green;">●</span>	<span style="color: lightgreen;">●</span>
Integration Complexity	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: orange;">●</span>	<span style="color: lightgreen;">●</span>
Overall	<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: lightgreen;">●</span>	<span style="color: orange;">●</span>

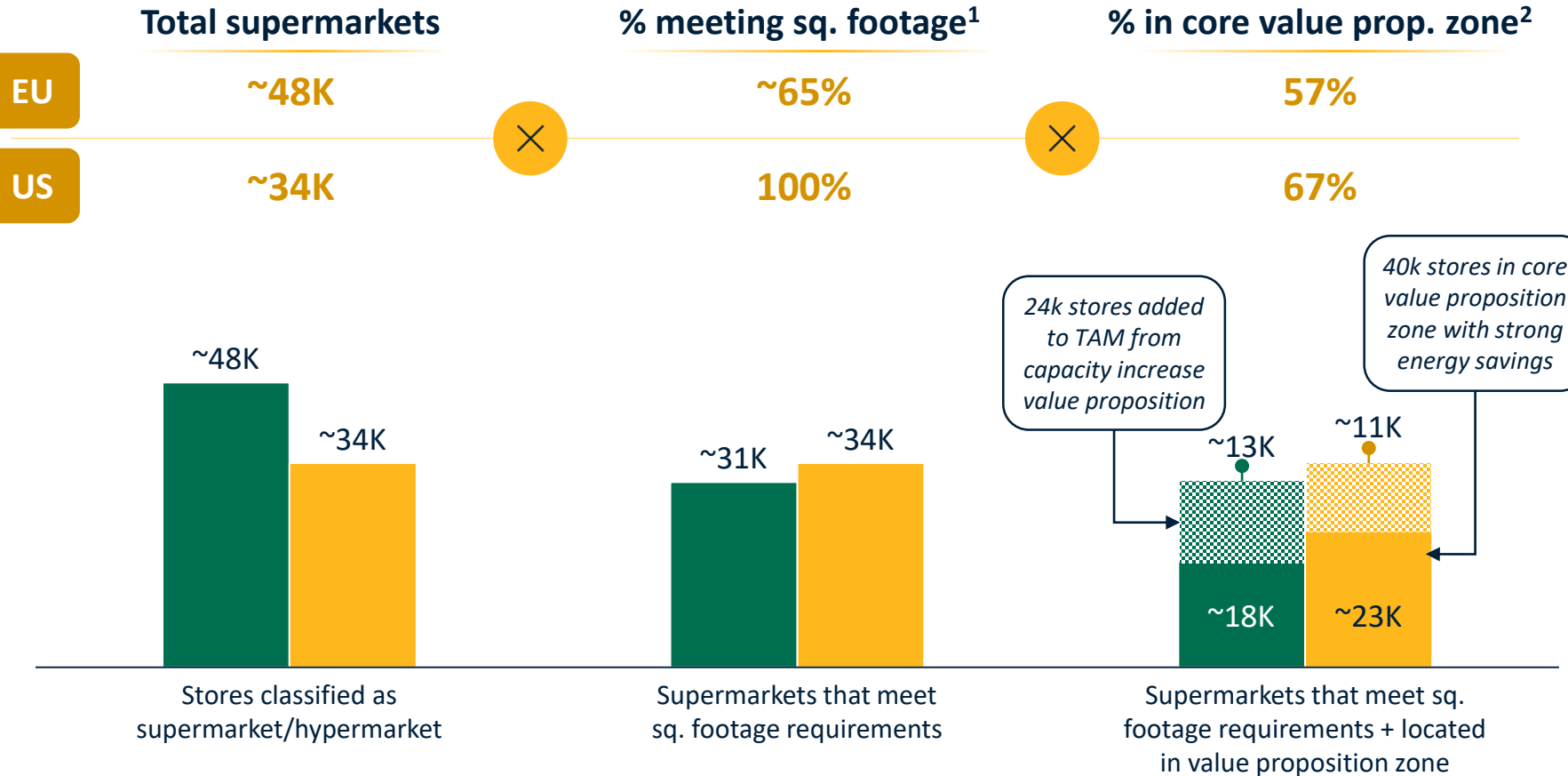
**PX G is the technology with best value proposition in the market**

# 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

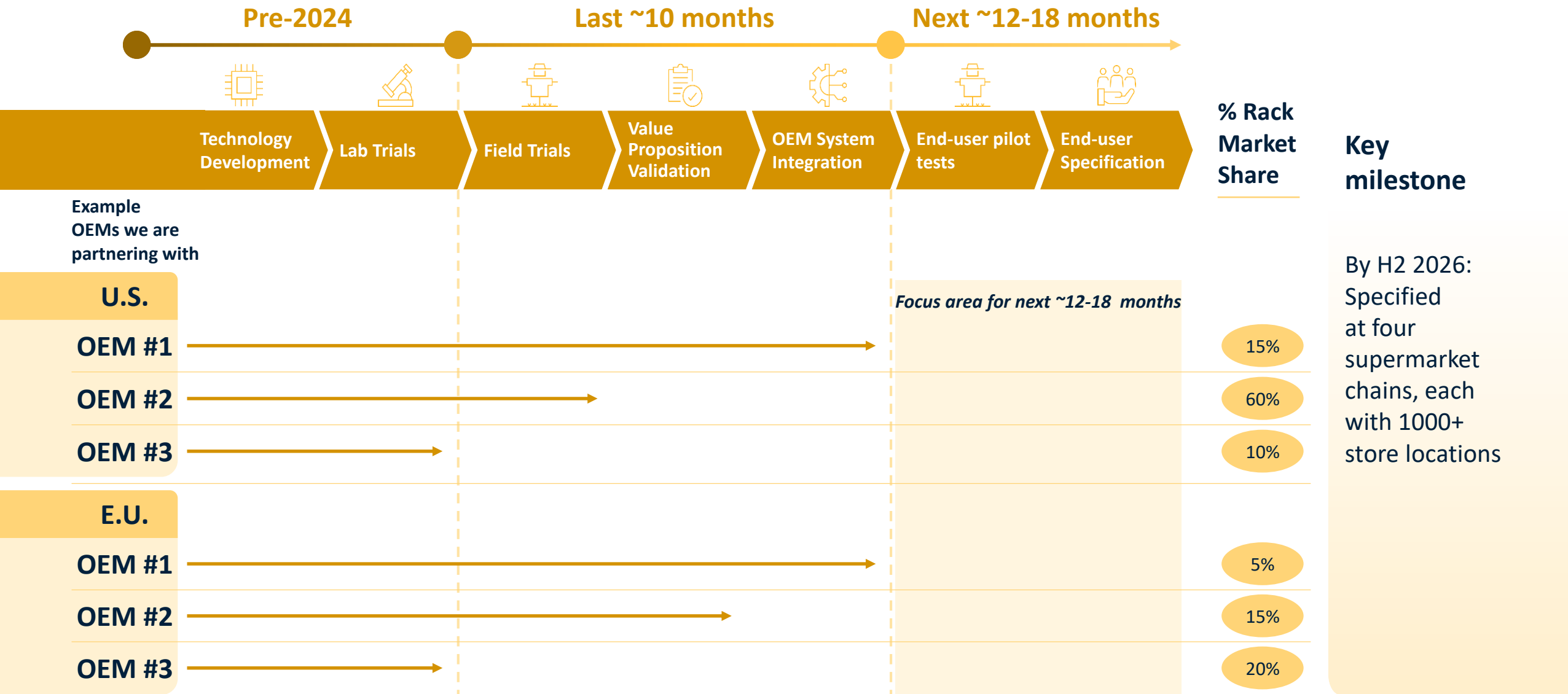


### Transparency and accountability on performance

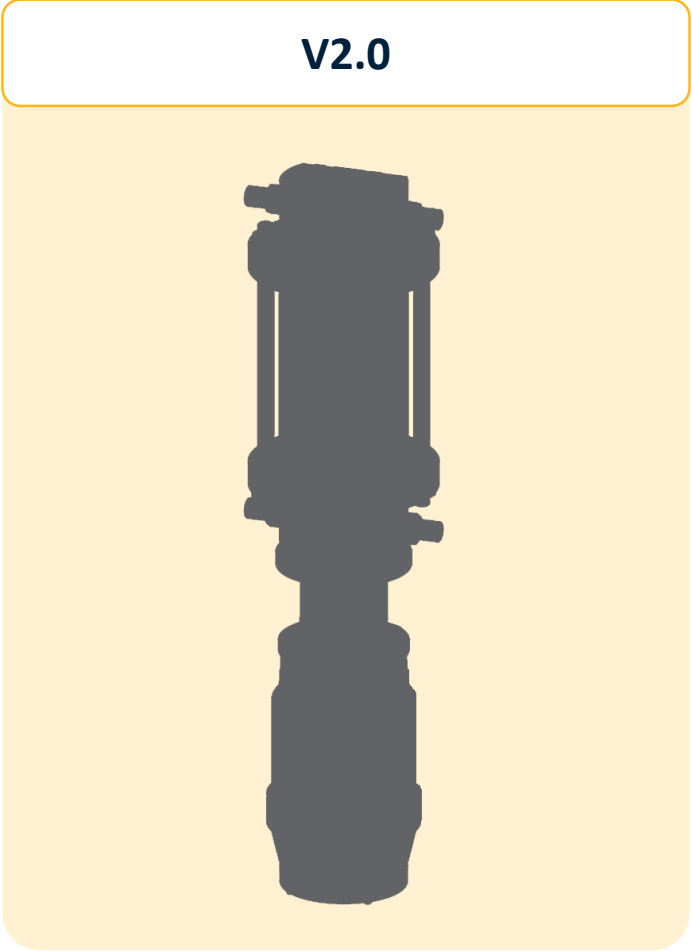


- Clear KPIs for 2025-26 focused on PX G deployment

# 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 <sup>1</sup>	↑
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:

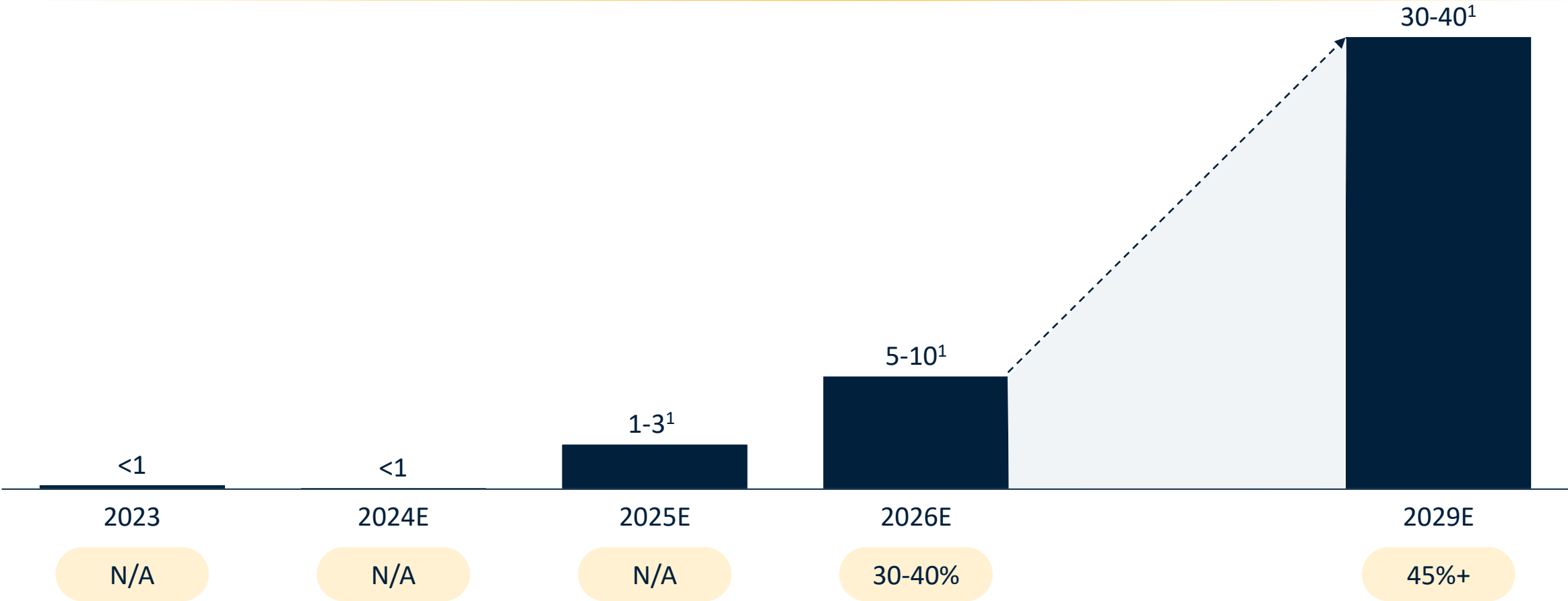
Develop business case for industrial heat pump and data center markets by H2 2025

## Growth drivers

# CO2 - financial outlook




XX% Gross margins

## Revenue guidance and targets, \$M



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

# CO2 – critical milestones

Business unit	Milestone	Expected timing
<b>Desalination</b> 	Q400 10% annual cost reduction	2025 - 2027
	Launch new partnership	H1 2025
	Next-gen product release	H2 2026
<b>Wastewater</b> 	Build out wastewater sales team	2025 - 2026
	Two additional reference cases per vertical	H2 2025
	Develop engineering services capabilities	H2 2026
<b>CO2</b> 	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

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

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

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- 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

Wastewater **~\$12M** Likely low-end of the \$12-\$15 million guidance

CO2 **<\$1M** Initial sales of PX G to certain test sites

**Total Revenue** **\$140 - \$150M**

Gross Margins **64% - 67%** Strong Q3 margin performance solidifies guidance

Opex **\$76 - \$78M** Cost control taking effect; \$7 million of one-time costs expected

SBC Expense **\$10 - \$11M** Slightly elevated due to executive transition costs

Depreciation **\$3.5 - \$4.5M**

Capex **\$1.5 - \$2.5M**

# Launching 2025 guidance

## 2025 Energy Recovery Guidance

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



# Launching 2026 targets

## 2026 Energy Recovery Targets

Desalination	<b>\$145 - \$153M</b>	Last year of lagging growth before pipeline strength kicks in
Wastewater	<b>\$16 - \$20M</b>	25% growth; Rate accelerating as sales team investments generate returns
CO2	<b>\$5 - \$10M</b>	First full year of PX G specified in CO2 systems; ramp rate could vary
<b>Total Revenue</b>	<b>\$166 - \$183M</b>	10% growth as new businesses contribute
Gross Margins	<b>66 - 70%</b>	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	<b>\$128 to \$138 million</b>
2025E	<b>\$138 to \$145 million</b>
2026E	<b>\$145 to \$153 million</b>

## 2029 Target Operating Model

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

# 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	<b>\$12 to \$15 million</b> (low end)
2025E	<b>\$13 to \$16 million</b>
2026E	<b>\$16 to \$20 million</b>

## 2029 Target Operating Model

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

# 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

## Key questions to be answered

Strategic fit



- 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

- ✔ Ensure sufficient manufacturing capacity to support growth
- ✔ Invest in wastewater sales team to drive revenue targets
- ✔ Invest in supermarket CO2 to breakeven
- ✔ Deploy capital in new markets when returns are known
- ✘ Increase corporate overhead to support growth

## Strategic inorganic growth

- ✘ Enhance product portfolio for Water business beyond PX
- ✘ Enhance Pressure Exchanger product portfolio
- ✘ Strategic bolt-ons to enhance organic growth

## Capital return to shareholders

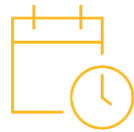
- ✔ One-time share repurchase, beginning immediately
- ✔ Ongoing share repurchases as excess cash is generated
- ✘ Dividends or other capital return mechanisms

# 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

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**Market leaders in a high-value product**

**Business in high-growth markets with tailwinds**



## Go-forward vision from growth playbook

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- 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:

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



# Q&A

2024 Virtual Investor Day



[energyrecovery.com](http://energyrecovery.com)







# Appendix



# Sustainability Goals: 2025-2027

★ = New goal or target

Topic	 <b>Innovation &amp; Opportunity</b>		 <b>Employees</b>		 <b>Operational Impact &amp; Management</b>			 <b>Product Safety &amp; Performance</b>
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) ★				