

Energy Recovery, Inc.
Form 10-Q
August 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34112

Energy Recovery, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

01-0616867

(IRS Employer Identification No.)

1717 Doolittle Drive, San Leandro, CA

(Address of Principal Executive Offices)

94577

(Zip Code)

(510) 483-7370

(Registrant's Telephone Number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

As of July 31, 2017, there were 53,576,521 shares of the registrant's common stock outstanding.

ENERGY RECOVERY, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2017

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PART I — FINANCIAL INFORMATION**Item 1. Financial Statements (unaudited)****ENERGY RECOVERY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share data and par value)****(unaudited)**

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$33,281	\$ 61,364
Restricted cash	2,478	2,297
Short-term investments	57,478	39,073
Accounts receivable, net of allowance for doubtful accounts of \$95 and \$130 at June 30, 2017 and December 31, 2016, respectively	12,347	11,759
Unbilled receivables, current	451	190
Cost and estimated earnings in excess of billings	3,861	1,825
Inventories	6,370	4,550
Prepaid expenses and other current assets	1,835	1,311
Total current assets	118,101	122,369
Restricted cash, non-current	778	2,087
Deferred tax assets, non-current	1,631	1,270
Property and equipment, net of accumulated depreciation of \$22,626 and \$21,385 at June 30, 2017 and December 31, 2016, respectively	10,974	8,643
Goodwill	12,790	12,790
Other intangible assets, net	1,585	1,900
Other assets, non-current	2	4
Total assets	\$145,861	\$ 149,063
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,829	\$ 1,505
Accrued expenses and other current liabilities	6,883	9,019
Income taxes payable	80	16
Accrued warranty reserve	374	406

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Deferred revenue	5,856	6,201
Current portion of long-term debt	11	11
Total current liabilities	16,033	17,158
Long-term debt, net of current portion	22	27
Deferred tax liabilities, non-current	2,361	2,233
Deferred revenue, non-current	61,458	63,958
Other non-current liabilities	459	554
Total liabilities	80,333	83,930
Commitments and Contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value; 200,000,000 shares authorized; 57,835,209 shares issued and 53,572,376 shares outstanding at June 30, 2017, and 56,884,207 shares issued and 53,162,551, shares outstanding at December 31, 2016	58	57
Additional paid-in capital	145,296	139,676
Accumulated other comprehensive loss	(87)	(118)
Treasury stock, at cost, 4,262,833 repurchased at June 30, 2017 and 3,721,656 repurchased at December 31, 2016	(20,486)	(16,210)
Accumulated deficit	(59,253)	(58,272)
Total stockholders' equity	65,528	65,133
Total liabilities and stockholders' equity	\$ 145,861	\$ 149,063

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

ENERGY RECOVERY, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Product revenue	\$ 10,922	\$ 11,973	\$ 23,183	\$ 22,024
Product cost of revenue	3,530	4,236	8,140	7,910
Product gross profit	7,392	7,737	15,043	14,114
License and development revenue	1,250	1,250	2,500	2,500
Operating expenses:				
General and administrative	3,927	3,992	8,335	8,876
Sales and marketing	2,174	1,935	4,627	4,005
Research and development	3,077	2,422	5,586	5,087
Amortization of intangible assets	158	158	316	315
Total operating expenses	9,336			