



GRAHAM
ENGINEERING ANSWERS

First Quarter Fiscal 2013 Earnings Call



NYSE MKT: GHM

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James R. Lines

President & Chief Executive Officer

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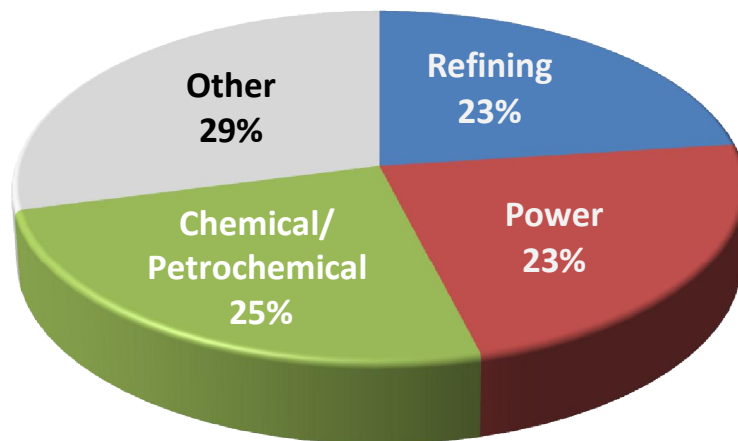




First Quarter FY13 Sales

Q1 FY2013 Revenue of \$22.5 million

Sales by Industry Q1 FY2013



- Revenue in 1QFY13 reflected soft market conditions 12 to 18 months ago
- Sales of \$5.2 mm to refining industry up \$0.8 mm from trailing quarter, but down from \$6.8 mm in prior year period. Large Middle East refinery project had positive impact on 1QFY12.
- Power industry sales (\$5.2 mm) down from trailing and prior year period, primarily due to project timing
- Chem/petrochem sales of \$5.6 mm up 80% over prior year on industry expansion, down from \$6.1 mm in trailing quarter on timing



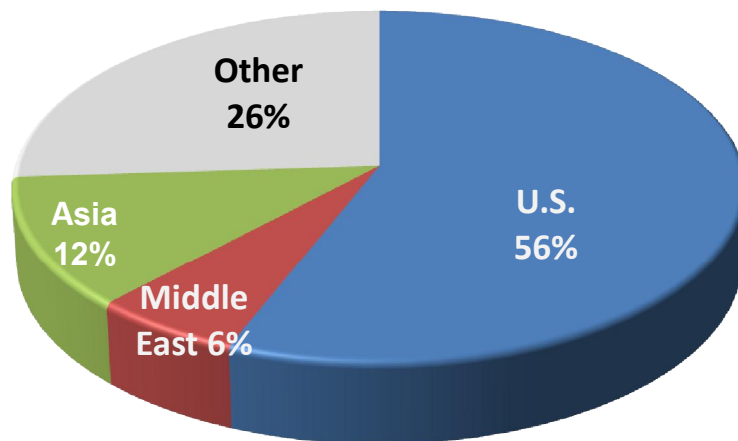
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First Quarter FY13 Sales

Q1 FY2013 Revenue of \$22.5 million

Sales by Geography Q1 FY2013



- Sales to the nuclear industry and the U.S. Navy carrier project strongly influenced U.S. sales. U.S. sales of \$12.6 mm similar to trailing quarter, but up 12.5% from prior year period
- International sales down, reflected impact of Middle East refinery project in FY12.
- Sales to Canada (in Other) up \$2.9 mm for tar sands projects



Slow Global Recovery

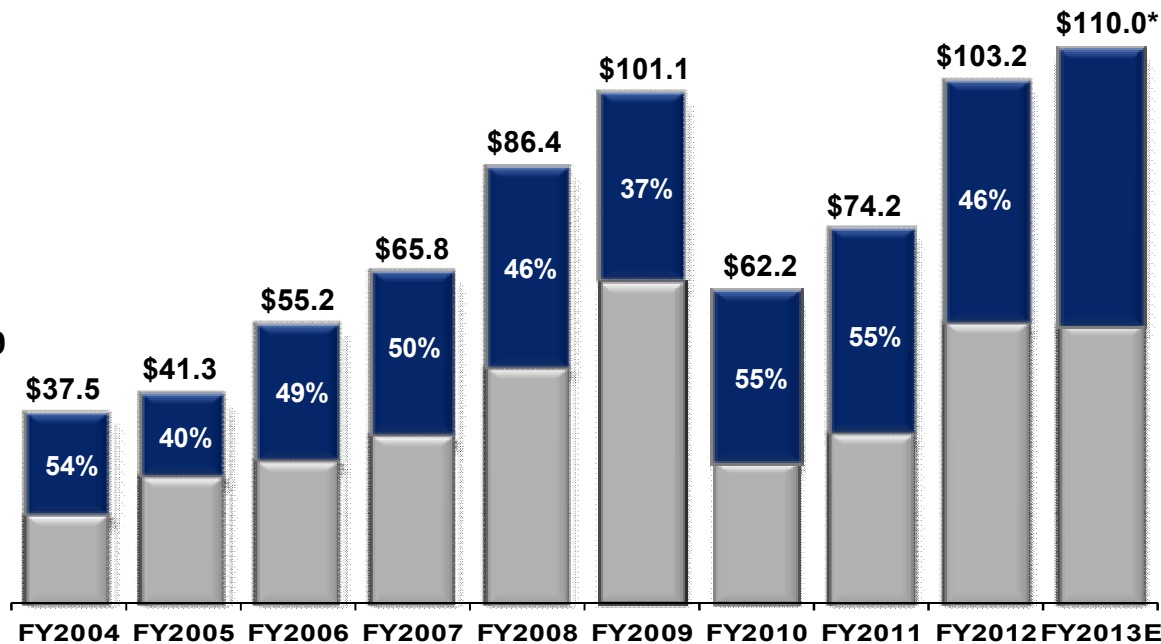


Fiscal Year Revenue

(\$, in millions)

FY 2004 – FY 2009
22% CAGR

Driven by oil refining and petrochemical markets



FY 2010 – FY 2013E
21% CAGR

Oil refining, petrochemicals, Navy and power markets drive growth

Graham's fiscal year ends March 31

Domestic Revenue
 International Revenue

* Midpoint of revenue guidance provided on July 26, 2012 (range of \$105 million to \$115 million)



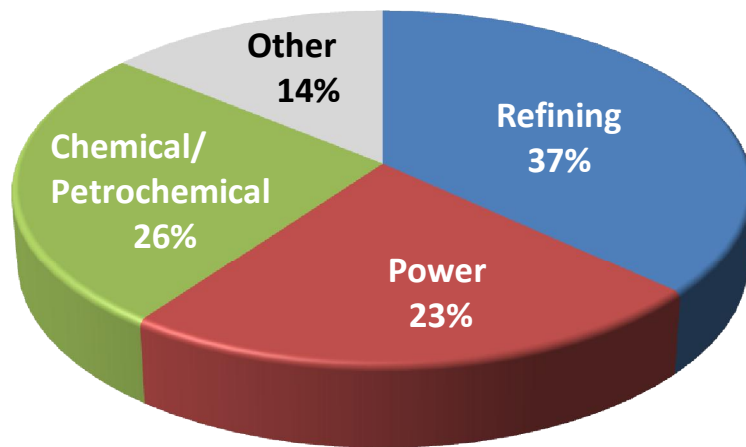
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Solid Pipeline of Quality Opportunities



Q1 FY2013 Orders of \$19.7 million

Orders by Industry Q1 FY2013



- Orders increased 3.6% compared with Q1 FY2012
 - Refining orders up 20% to \$7.3 mm
 - Chemical/Petrochemical more than double to \$5.0 mm
 - Power market orders down 35% to \$4.6 mm on timing of releases
 - Other industries orders down 22% to \$2.8 mm
- Expecting growing investment in the U.S. petrochemical markets
- Order size improving; Near-term order levels expected to vary, however, pipeline remains encouraging



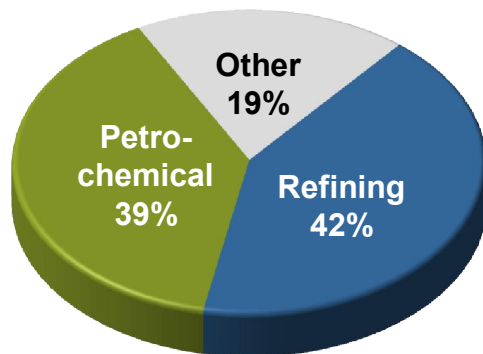
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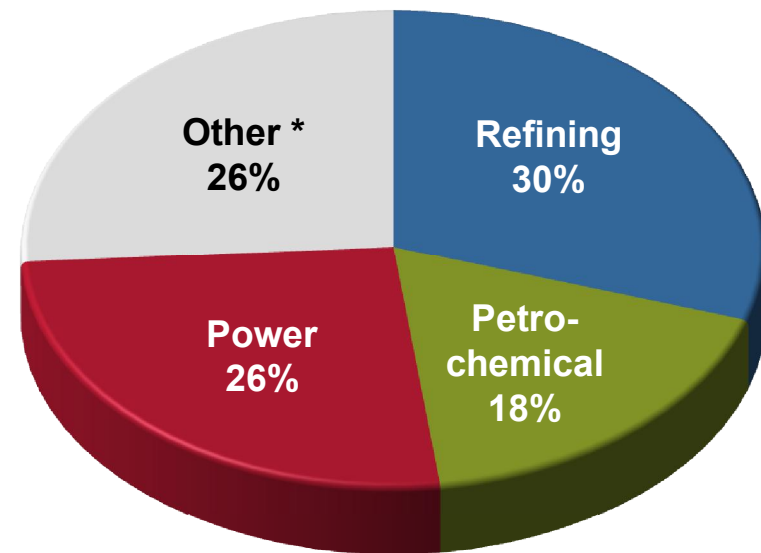
Diversification Drives Recovery

Backlog by Industry

March 31, 2009
\$48.3 million



June 30, 2012
\$92.0 million



* includes Navy



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Jeffrey F. Glajch

Chief Financial Officer

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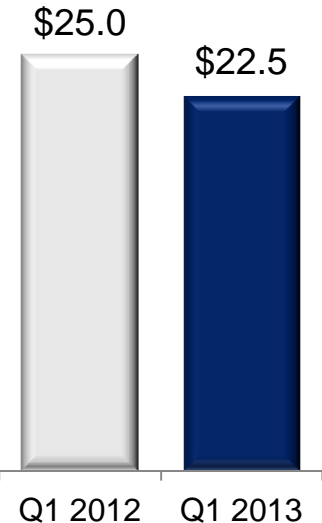


First Quarter FY2013

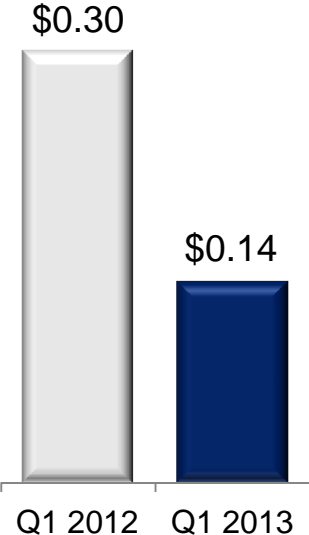


Sales

(in millions)

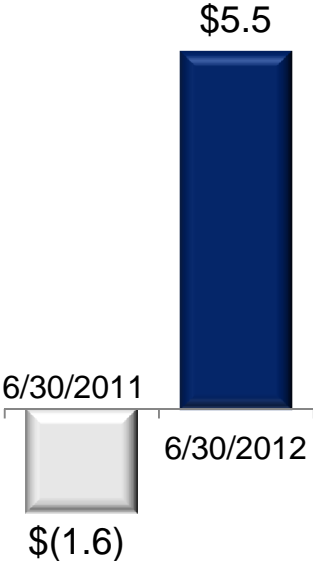


EPS



Cash from Operations

(in millions)

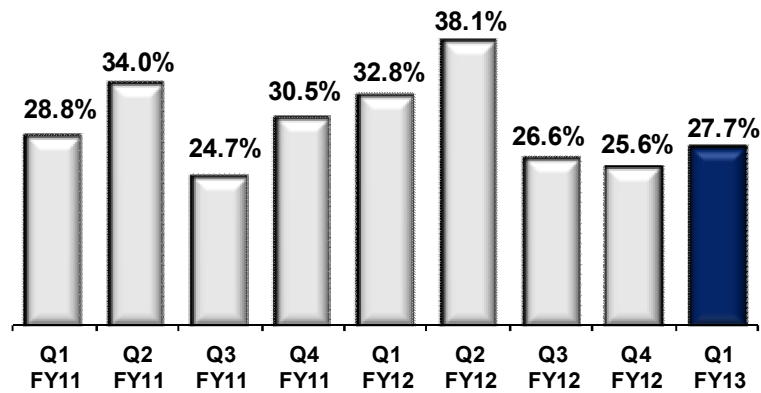


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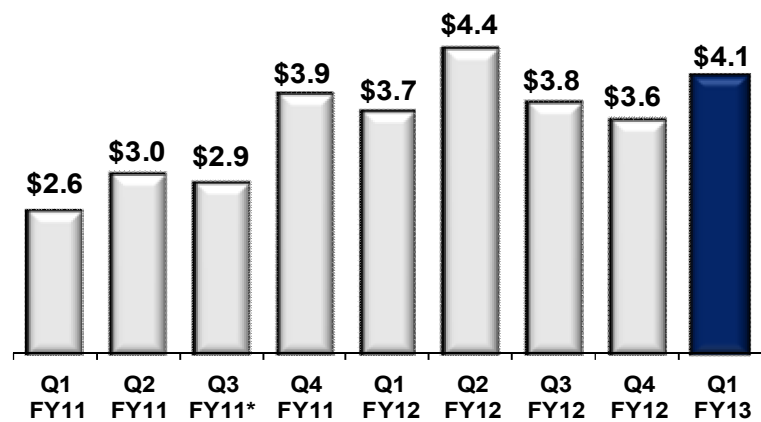


Operational Review: Q1 FY2013

Gross Margin

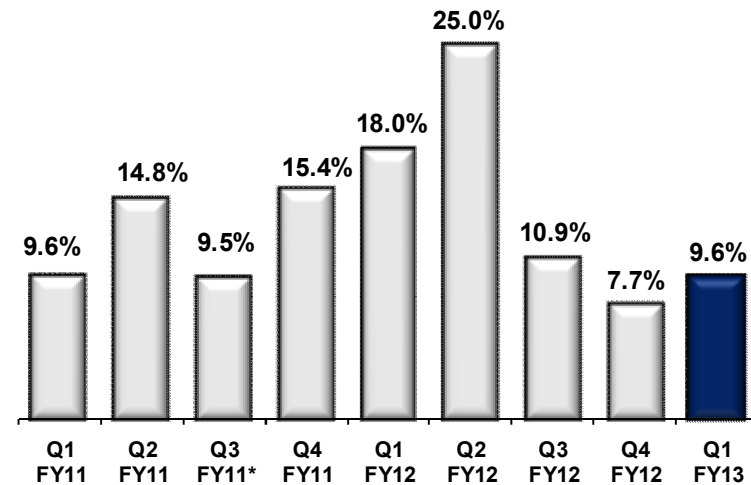


SG&A (in millions)



% of Sales: 19.2% 19.2% 15.2% 15.0% 14.8% 13.1% 15.7% 17.9% 18.1%

Operating Margin

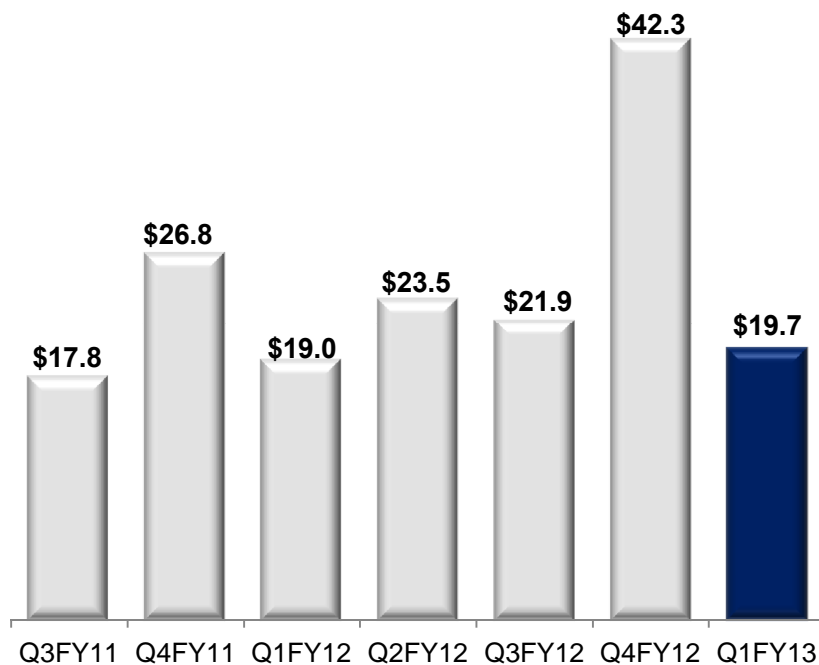


* Excludes \$0.7 million in transaction costs related to the acquisition of Energy Steel on December 14, 2010.

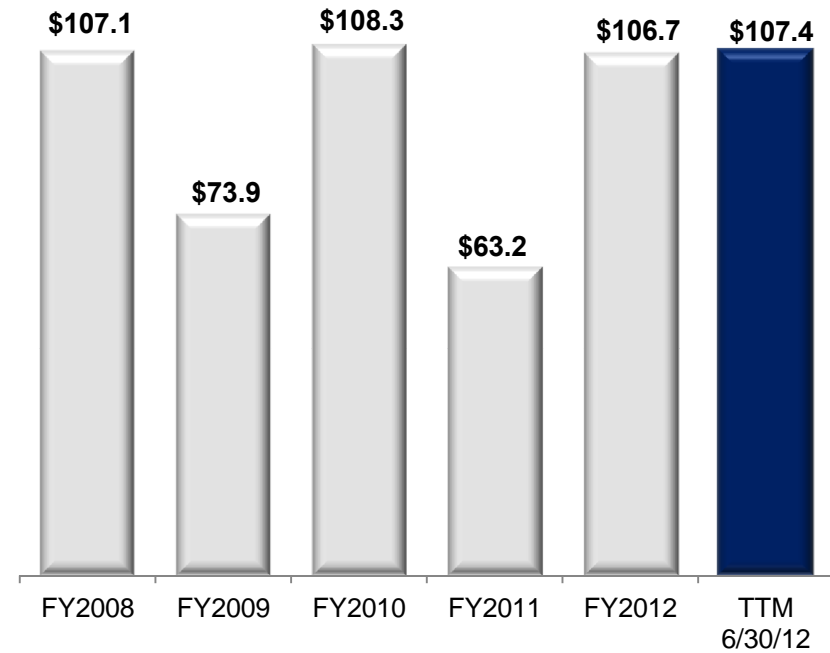
Orders Indicate Still Early in Recovery



Quarterly Trends *(in millions)*



Annual Trends *(in millions)*

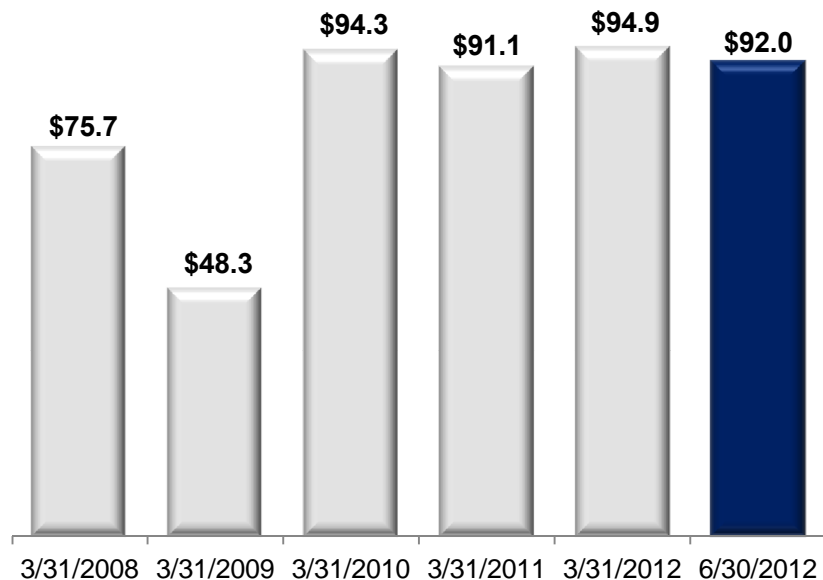


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Backlog Level Remains Steady

(in millions)



- Chippy order pattern delays backlog expansion
- Expect 70% to 80% to convert to sales within next 12 months
- Approximately 1/3 of backlog related to nuclear power and U.S. Navy projects



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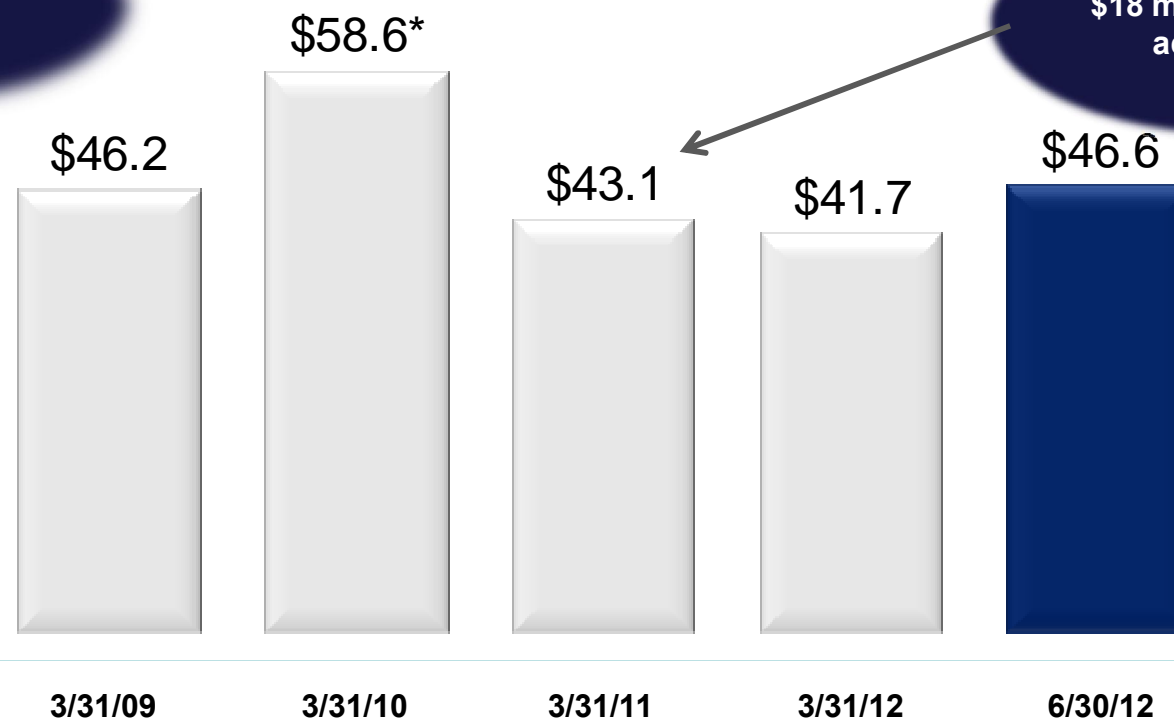
Strong Cash Position



Cash, Cash Equivalents, and Investments

(in millions)

No bank debt at
6/30/12



Energy Steel:
\$18 million all-cash
acquisition
FY2011

Cash available for acquisitions and organic growth

* Excludes \$16 million in unusually high upfront and near-term customer advances utilized to lock in raw material costs

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President & Chief Executive Officer

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Outlook: FY 2013 and Beyond

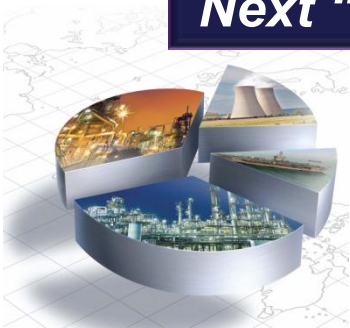
Fiscal 2013 Guidance:*

- Revenue \$105 million - \$115 million
- Gross margin 28% - 31%
- SG&A 15% - 16% of sales
- Effective tax rate 34% - 35%
- 1H FY13 impacted by soft bookings in 2H CY2012
- 1H FY13 projected to be similar to 2H FY12

Next “Top of Cycle” Target: Exceed \$200 million in revenue

** Guidance provided as of July 26, 2012*

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- FY2013: expect growth in orders for FY2014 and beyond
 - Making investments to develop internal capacity
 - “ Expecting strong wave of new work once recovery is well underway
 - “ Be “at the ready” to capture greater share and expand more rapidly than last cycle
- Advance market share in oil refining and petrochemical markets
 - Gain share in Asia and South America
 - Maintain strong position in Middle East
 - Continue to dominate North American market
- Continue to broaden reach in global nuclear power market
- Further advance Naval Nuclear Propulsion Program sales channel
- Build acquisition pipeline
- Maintain patience and discipline with timing on order wins



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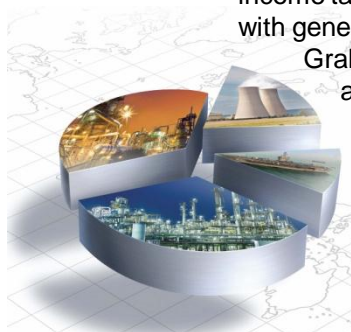


EBITDA Reconciliation

(in thousands)

	First Quarter Ended	
	<u>6/30/12</u>	<u>6/30/11</u>
Net income	\$ 1,390	\$3,016
+ Net interest expense	69	(1)
+ Income taxes	693	1,481
+ Depreciation & amortization	520	511
EBITDA	\$2,672	\$5,007
EBITDA margin	11.9%	20.0%

* Adjusted EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Graham believes that providing non-GAAP information such as Adjusted EBITDA is important for investors and other readers of Graham's financial statements, as it is used as an analytical indicator by Graham's management. Because Adjusted EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, Adjusted EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.



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