



GRAHAM
ENGINEERING ANSWERS

Fourth Quarter Fiscal 2013 Earnings Call

May 31, 2013

James R. Lines

President &
Chief Executive Officer

Jeffrey F. Glajch

Vice President &
Chief Financial Officer



NYSE MKT: GHM

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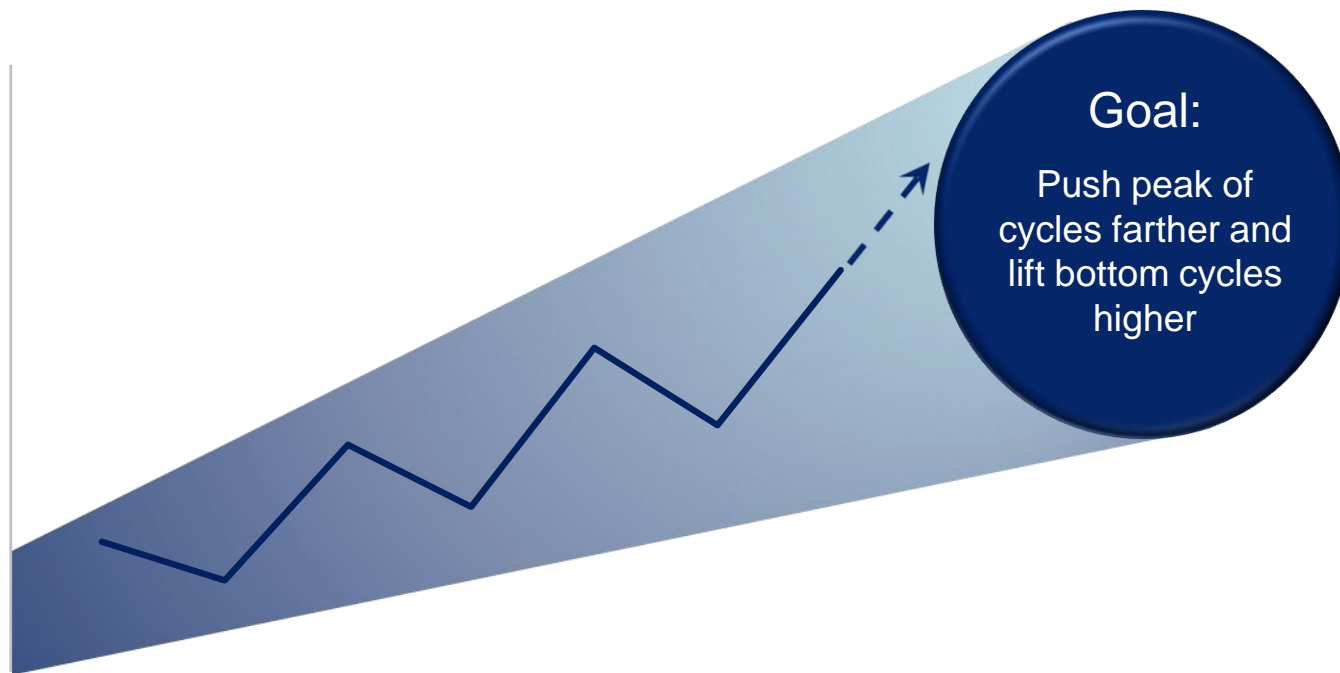
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Double Revenue in Next Cycle

*A world leader in the design and manufacture of **Engineered-to-Order (ETO)** products for the **Energy Markets** with a goal to **Double Revenue to Exceed \$200 million** in next cycle.*



Fourth Quarter and Fiscal 2013 Highlights



- **Well executed quarter drove solid results**
- **Fourth quarter sales up \$10.7 million to \$30.9 million; Fiscal 2013 sales of \$105.0 million**
 - Strong fourth quarter: Q4 up ~20% compared with Q2 and Q3
 - Year-over-year growth of 1.7% due to tempered recovery thus far
- **Fourth quarter operating profit of \$5.7 million or 18.4% of sales; \$15.3 million or 14.5% for fiscal 2013**
 - Operating profit up 45%+ compared with Q2 and Q3
 - Operating leverage and improved profitability from backlog
 - Timing of refining industry aftermarket backlog conversion
- **Net income of \$4.1 million in fourth quarter; \$11.1 million for full year**
- **Modest market recovery**
- **Encouraging bidding activity in pipeline for petrochemical, refining and power markets**
 - \$750 million to \$1 billion in trailing twelve month bids

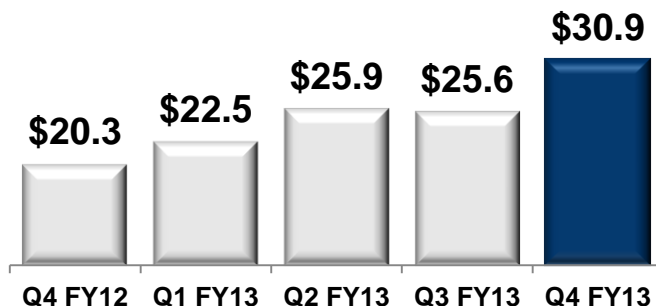




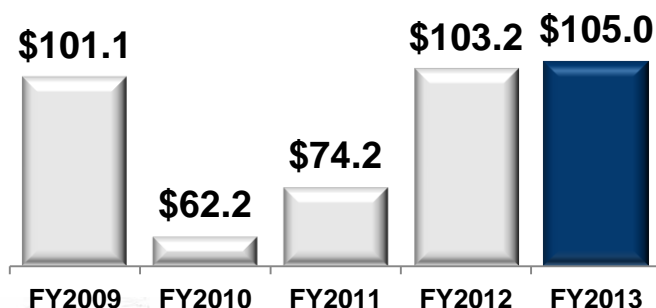
Moderated Annual Sales Growth

(\$ in millions)

Quarterly Revenue



Annual Revenue



➤ Refining and power industries drove Q4 sales growth

- Core market spare parts sales ~2x typical level
- Refining sales were \$13.7 million
- Power industry sales of \$7.3 million
- Chemical/Petrochemical industry sales were \$4.9 million

➤ Globally diverse Q4 sales

- U.S sales represented 53%
- International sales:
 - Middle east: 11%
 - Asia: 20%
 - Other international: 16%

➤ Modest global recovery in Fiscal 2013 on improved Chemical/Petrochemical sales

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Financial Overview

Jeffrey F. Glajch

Vice President &
Chief Financial Officer



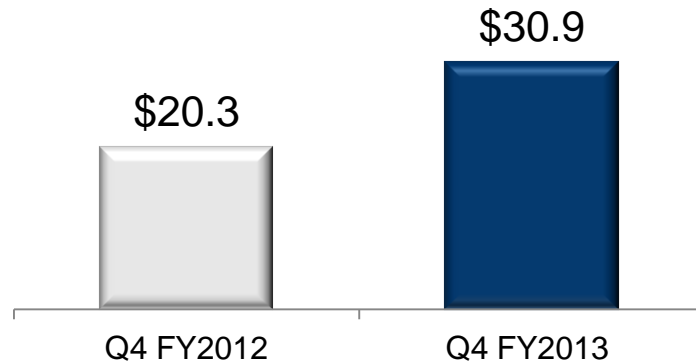
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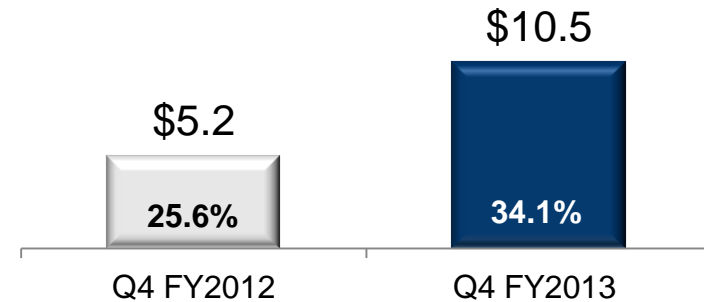
Q4 Operating Leverage on Volume

(\$ in millions)

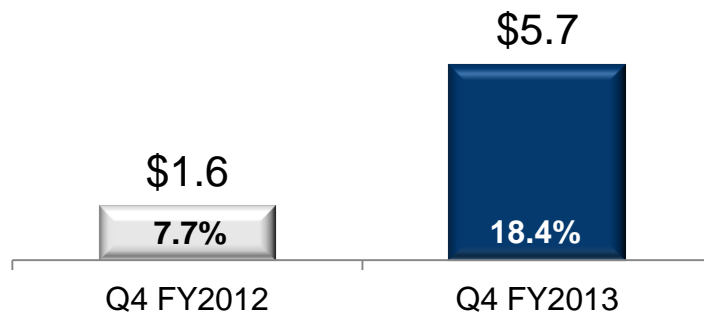
Sales



Gross Profit and Margin



Operating Profit and Margin



EBITDA* and Margin



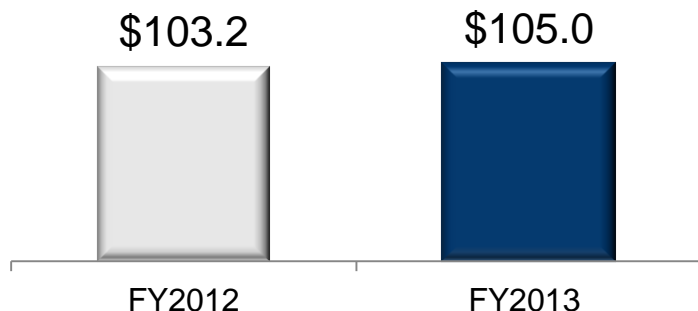
* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA



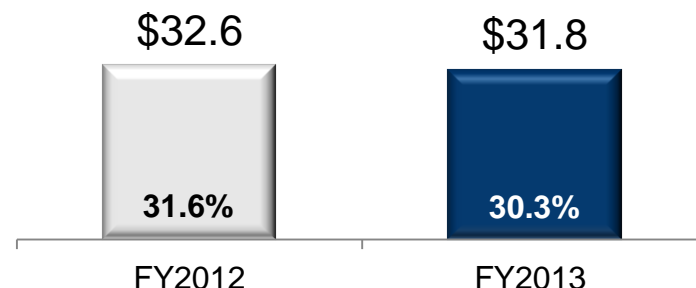
Fiscal 2013 Financial Highlights

(\$ in millions)

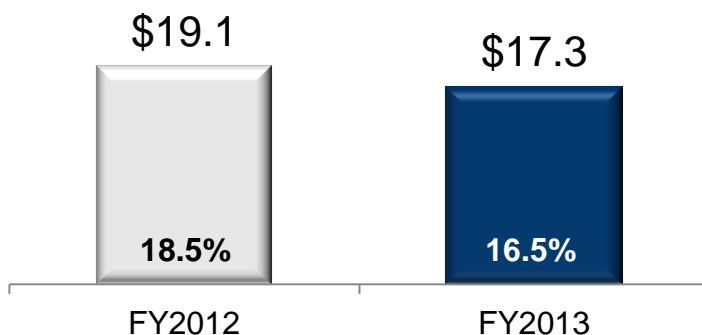
Sales



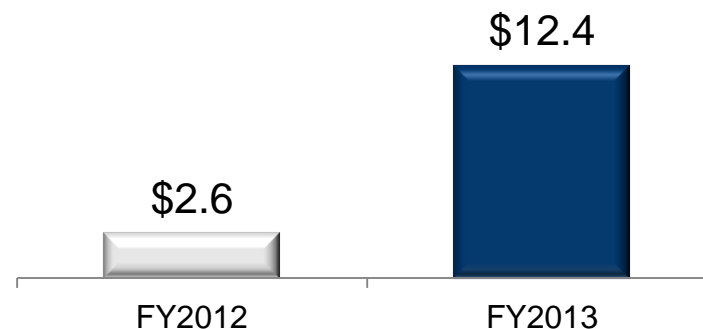
Gross Profit and Margin



EBITDA* and Margin



Cash Flow from Operations



* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

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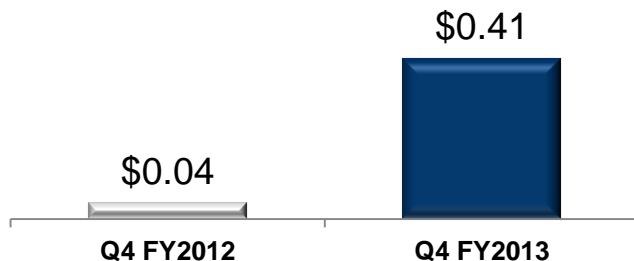
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Bottom Line Expansion

(\$ in millions)

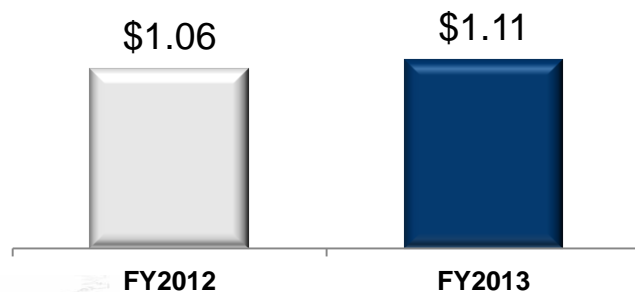
Quarterly EPS



➤ **Diluted earnings per share increased over prior-period results**

- Q4 FY2012 EPS included a \$0.04 per share charge for tax settlement with IRS

Annual EPS



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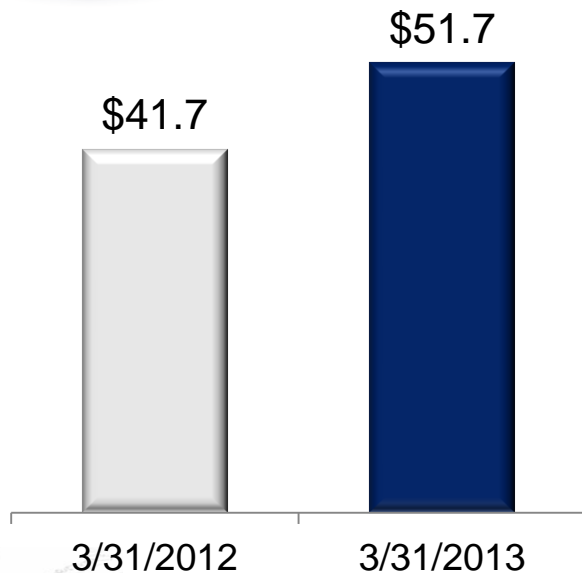


Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)

No bank debt at
3/31/13



- Cash and investments position increased \$10.0 million in fiscal 2013
- Strong cash and investments position and financial flexibility supports acquisition strategy

Cash available for investments in organic growth and acquisitions

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Outlook

James R. Lines

President &
Chief Executive Officer



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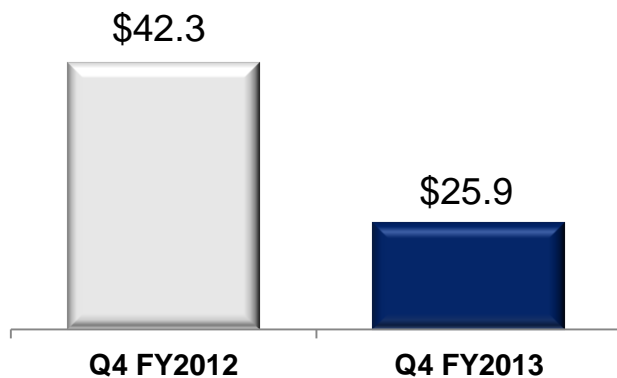


Strong Pipeline, Slow Releases

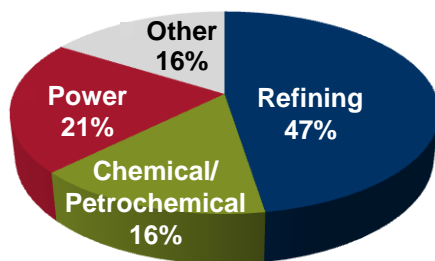
Q4 FY2013 Orders of \$25.9 million

(in millions)

Quarterly Orders



FY2013 Orders by Industry



- **Fourth quarter orders decreased 39% vs. Q4 FY2012**
 - 4Q FY2012 orders were unusually high due to surge in nuclear power and refining market orders
- **U.S orders represent 58% of total orders**
- **Expanded pipeline**
 - TTM bids: \$750 million to \$1 billion; more than double FY04 – FY05 period
 - North American petrochemical market
 - Global refining opportunities
 - Power market steady



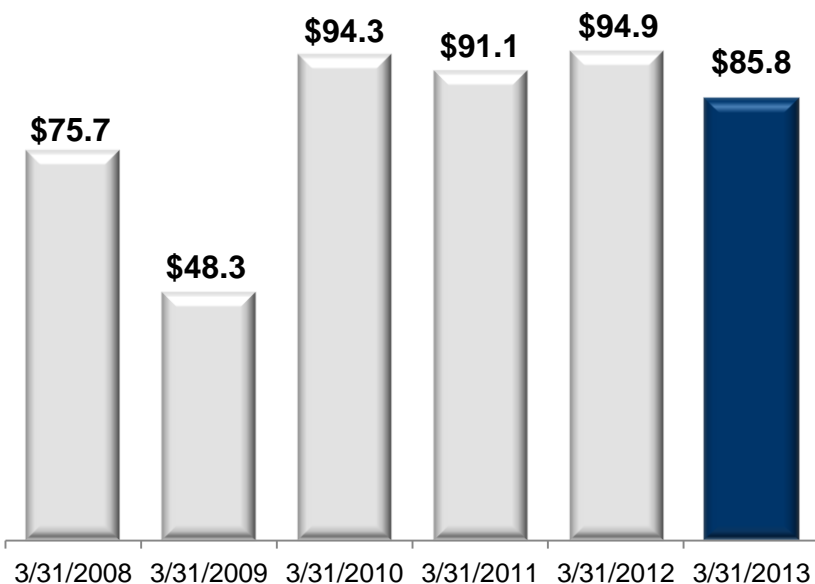
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Backlog Level Moderate

(in millions)



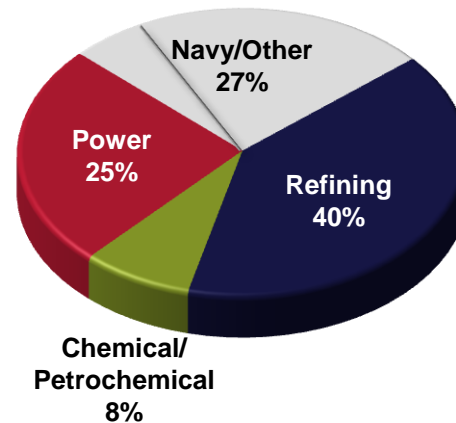
➤ Chippy order patterns

- Expecting backlog expansion once strong bidding pipeline begins to convert

➤ Expect 75% to 80% to convert to sales within next 12 months

Backlog by Industry

March 31, 2013



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Outlook: FY 2014 and Beyond

Fiscal 2014 Guidance:⁽¹⁾

- Revenue \$100 million - \$115 million
- Gross margin 29% - 31%
- SG&A 15% - 16% of sales
- Effective tax rate 33% - 34%

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

(1) Guidance provided as of May 31, 2013





Strategic Focus

- **Sustainable earnings growth**
- **Reducing earnings volatility**
- **Improving operating performance**
- **Generating high cash flow from operations**
- **A strong focus on customers and employees**





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EBITDA Reconciliation

(in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2013	2012	2013	2012
Net income	\$4,096	\$429	\$11,148	\$10,553
+Net interest expense	(6)	206	(315)	418
+Income taxes	1,603	918	4,429	6,124
+Depreciation & amortization	519	564	2,079	2,024
EBITDA	\$6,212	\$2,117	\$17,341	\$19,119
EBITDA Margin %	20.1%	10.5%	16.5%	18.5%

* EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. 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 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 EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.

