

NYSE:GHM • July 31, 2014



POSITIVE PERFORMANCE

First Quarter Fiscal 2015 Earnings Call

James R. Lines
President & Chief Executive Officer

Jeffery F. Glajch
Vice President & Chief Financial Officer



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Safe Harbor Statement

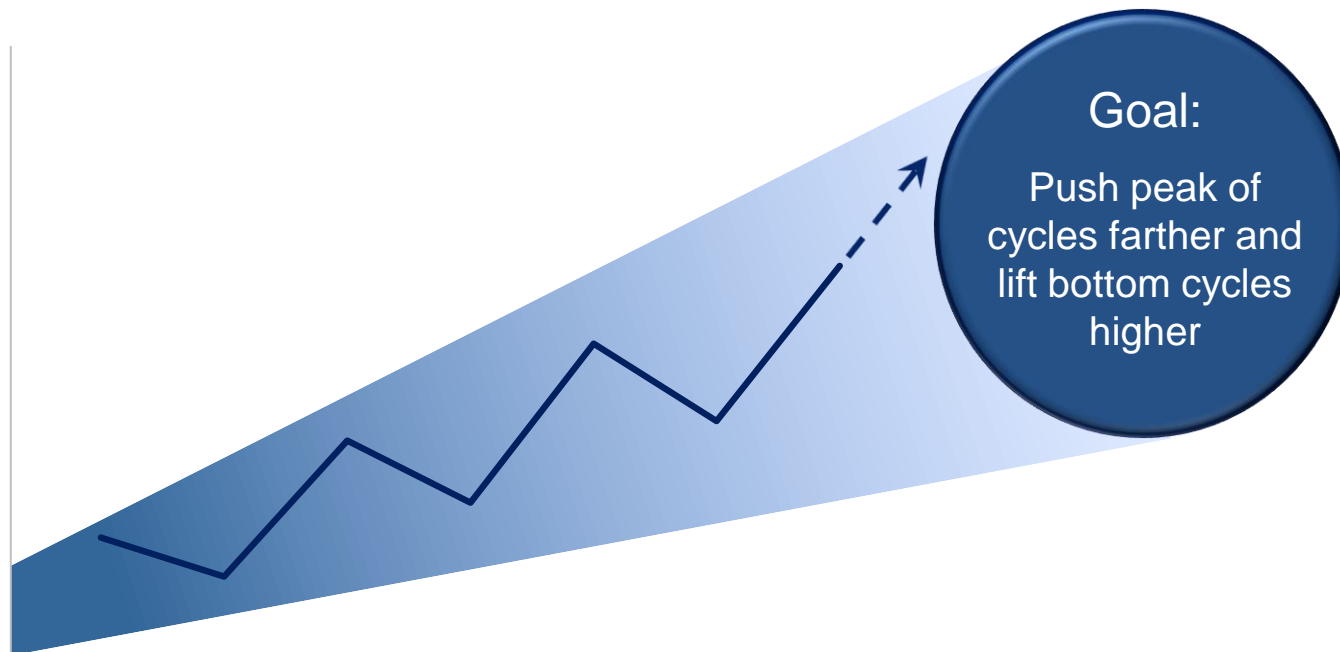
This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as “expects,” “estimates,” “projects,” “anticipates,” “believes,” “goal,” “outlook,” “priorities,” “could,” and other similar words. All statements addressing operating performance, events, or developments that Graham Corporation expects or anticipates will occur in the future, including but not limited to, statements relating to revenue, backlog and expected performance of Energy Steel & Supply Co., and expected expansion and growth opportunities within the domestic and international nuclear power generation markets, anticipated revenue, the timing of conversion of backlog to sales, profit margins, foreign sales operations, Graham Corporation’s strategy to build its global sales representative channel, the effectiveness of automation in expanding engineering capacity, the ability to improve cost competitiveness, customer preferences, changes in market conditions in the industries in which Graham Corporation operates, changes in general economic conditions and customer behavior and Graham Corporation’s acquisition and organic growth strategies are forward-looking statements. Because they are forward-looking, they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham Corporation's most recent Annual Report filed with the Securities and Exchange Commission, including under the heading entitled “Risk Factors.”

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Double Revenue in Current 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 current cycle.*



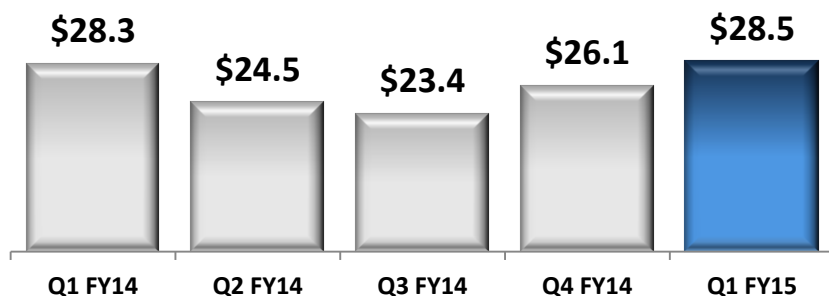
First Quarter Fiscal 2015 Highlights

- First quarter orders of \$31.1 million, up 32% over trailing quarter
- Record backlog of \$114.8 million
- First quarter revenue of \$28.5 million; diluted earnings per share of \$0.24
- Fiscal 2015 guidance confirmed; revenue expected to grow 17% to 27% to range of \$120 to \$130 million

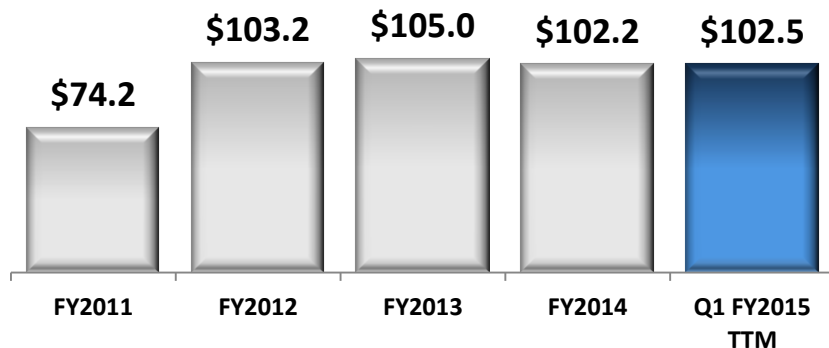
First Quarter Fiscal 2015 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



- Q1 sales driven by infrastructure investment in the North American chemical/petrochemical industry
 - Chemical/Petrochemical industry sales were \$11.7 million
 - Refining industry sales were \$6.6 million
 - Power industry sales were \$4.9 million
 - Other Commercial and Industrial sales were \$5.3 million
- Strong Q1 North American sales
 - U.S sales were \$22.2 million representing 78%, up 48%
 - Defense/U.S. Navy strong

Jeffrey F. Glajch

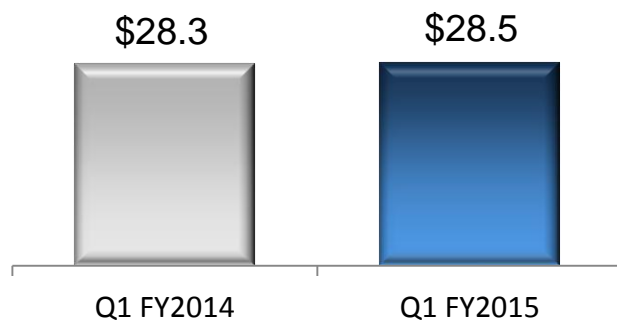
Vice President & Chief Financial Officer

➤ Financial Overview

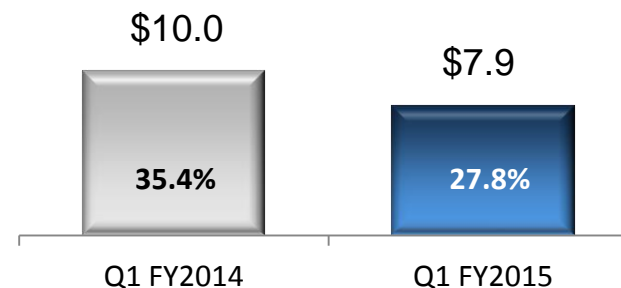
Q1 FY2015 Impacted by 1H FY2014 Order Mix

(\$ in millions, except per share data)

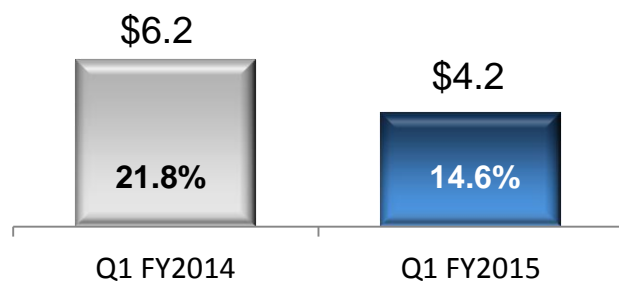
Sales



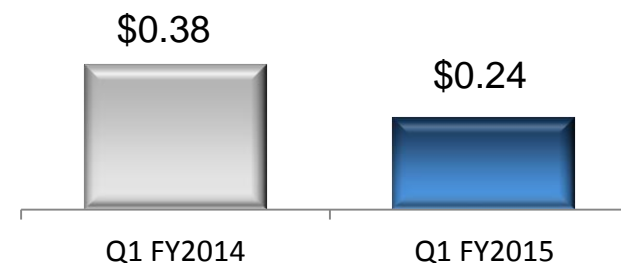
Gross Profit and Margin



EBITDA and Margin*



EPS

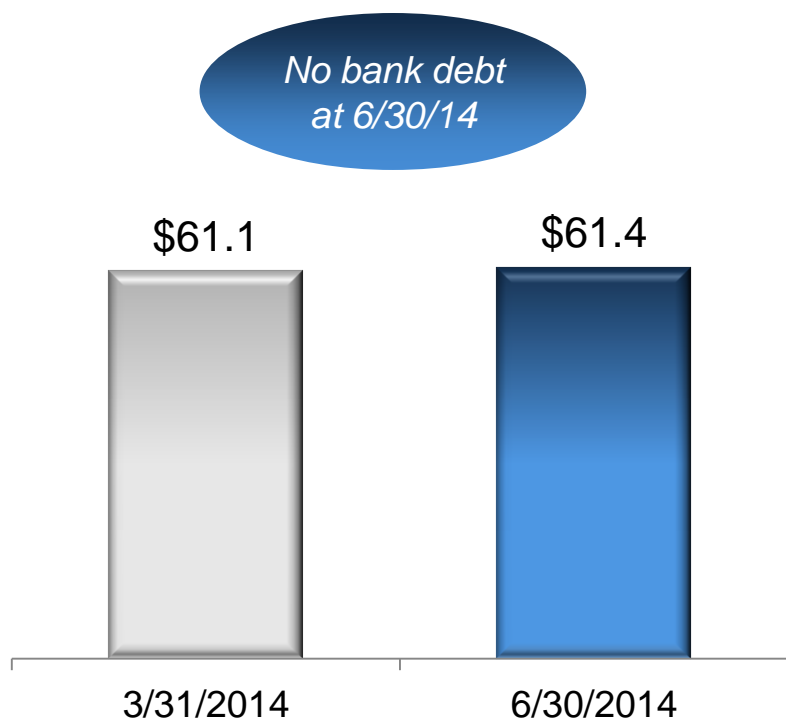


* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

Strong Cash Position

Cash, Cash Equivalents and Investments

(\$ in millions)



- Cash provided by operations was \$3.2 million in Q1, up from \$2.0 million in the prior-year quarter
- Used \$2.6 million in Q1 for property plant and equipment investments, including Batavia capacity expansion
- Strong cash and investments position provides flexibility

Cash available for investments in organic growth and acquisitions



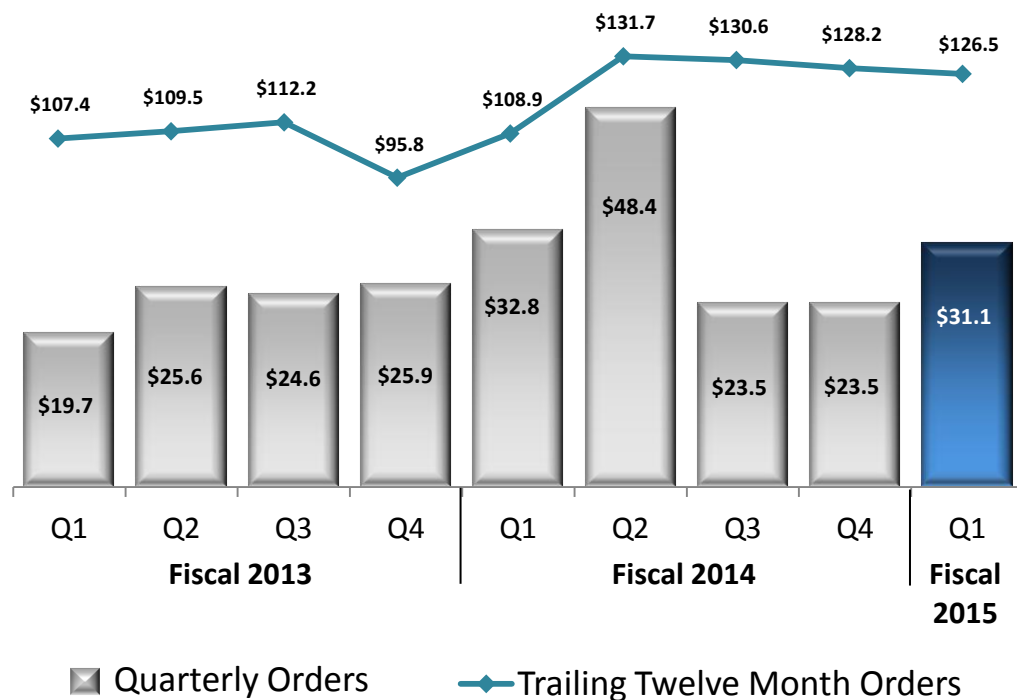
James R. Lines

President & Chief Executive Officer

➤ Outlook

Healthy Order Pipeline

Quarterly and TTM Orders
(in millions)



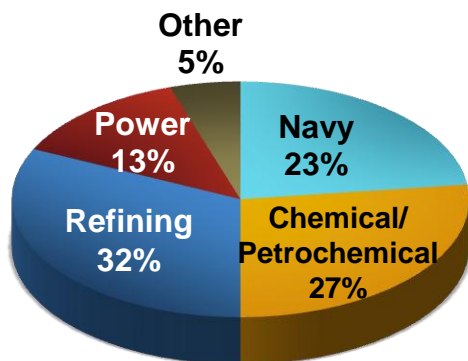
- Quarterly average of \$32 million in orders for Q1 FY2015 TTM
 - Q1 FY2015 reflected 32% increase over trailing Q4 FY2014, driven by global oil refining and petrochemical projects
- Q1 FY2015 orders diverse by geography
 - U.S.: 53%
 - International: 47%
- Bidding pipeline remains strong

Record Backlog Level

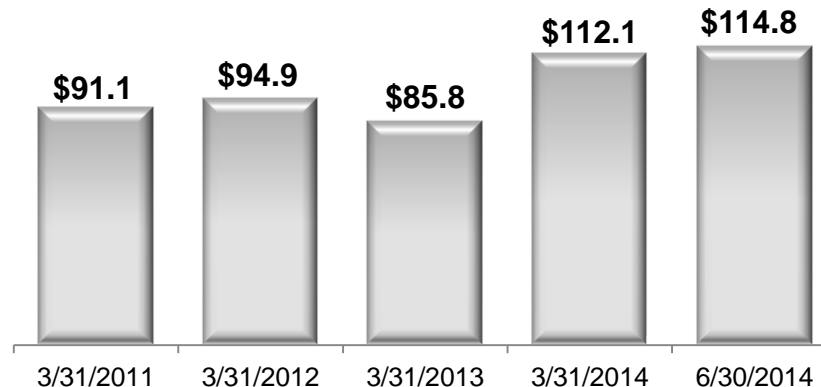
(\$ in millions)

Backlog by Industry

June 30, 2014

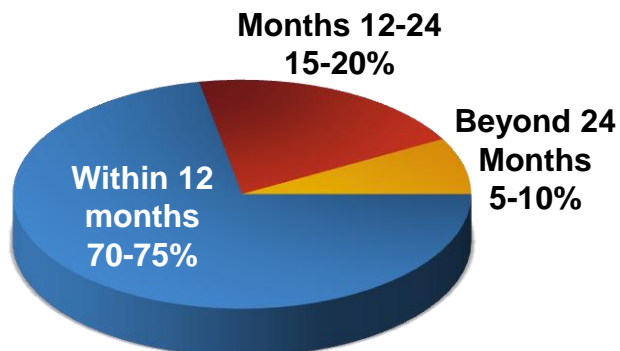


Backlog



Projected Backlog Conversion

June 30, 2014



- Record 1Q FY15 backlog
 - Anticipate continued near-term strength of U.S. chemical/petrochemical market and increased international activity
- Approximately 1/3 of backlog is from Nuclear and U.S. Navy strategies

Outlook: FY2015 and Beyond

Fiscal 2015 Guidance:⁽¹⁾

- Revenue \$120 million - \$130 million
- Gross margin 30% - 32%
- SG&A 15% - 16% of sales
- Effective tax rate 33% - 34%

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

⁽¹⁾ FY2015 Guidance provided as of July 31, 2014

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EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended	
	June 30,	
	2014	2013
Net income	\$ 2,392	\$ 3,808
+Net interest income	(43)	(6)
+Income taxes	1,234	1,810
+Depreciation and amortization	<u>574</u>	<u>550</u>
EBITDA	<u>\$ 4,157</u>	<u>\$ 6,162</u>
<i>EBITDA margin %</i>	14.6%	21.8%

* 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.