



POSITIVE PERFORMANCE

NYSE:GHM • October 29, 2014

Second Quarter Fiscal 2015 Earnings Call

James R. Lines
President & Chief Executive Officer

Jeffery F. Glajch
Vice President & Chief Financial Officer



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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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Executing Our Strategy

- “ Leverage capacity to capture market share
- “ Expanding predictable base business
- “ Key markets:
 - ✓ Refining
 - ✓ Petrochemical
 - ✓ Power
 - ✓ U.S. Navy

**Near-term objective:
Double business**

**Longer-term objective:
Leverage competencies
and financial strength to
diversify and provide
further growth**



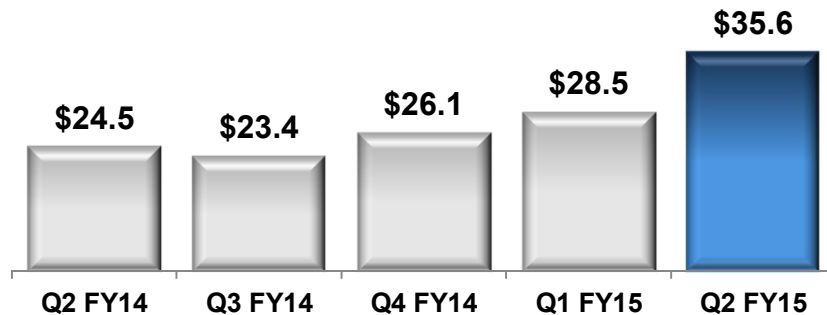
Second Quarter Fiscal 2015 Highlights

- “ Record quarterly revenue of \$35.6 million, up 45%, driven by strong North American petrochemical projects
- “ Net income was \$4.2 million, or \$0.41 per share, up \$1.6 million, or 62%
- “ Maintained record backlog of \$114.8 million
- “ Fiscal 2015 revenue guidance range tightened to upper end of range: \$125 million to \$130 million

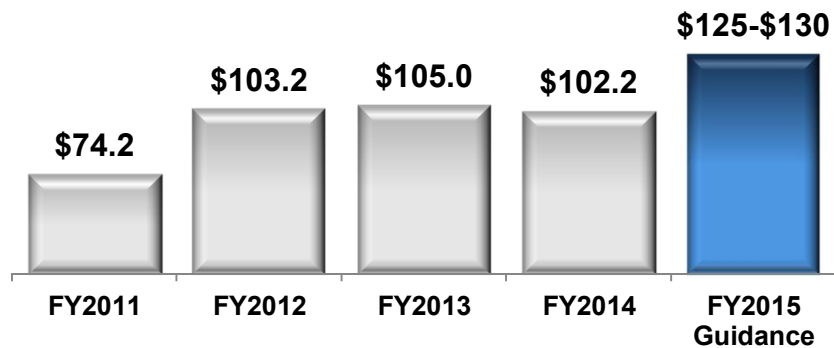
Second Quarter Fiscal 2015 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



- “ Terrific revenue expansion over prior year and sequential quarters
- “ Q2 sales driven by domestic petrochemical orders and South American and Middle Eastern refining orders
 - Chemical/Petrochemical industry sales: \$12.9 million
 - Refining industry sales: \$12.3 million
 - Power industry sales: \$5.6 million
 - Other Commercial and Industrial sales: \$4.8 million
- “ Strong Q2 North American sales
 - U.S sales up 55% to \$21.9 million; 61% of total sales
 - Driven by strong domestic petrochemical orders in fiscal 2014 first half



Financial Overview

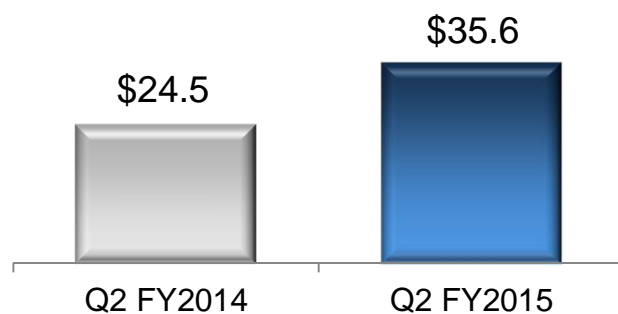
Jeff Glajch

Vice President and CFO

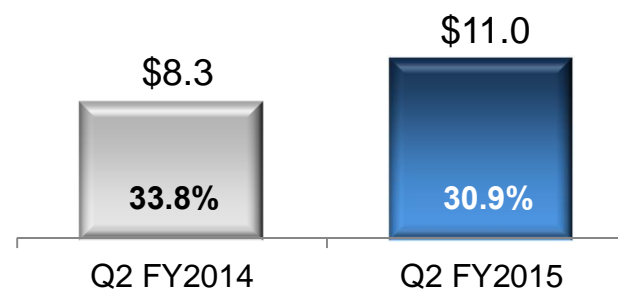
Q2 FY2015 Driven by U.S. Petrochemical Orders

(\$ in millions, except per share data)

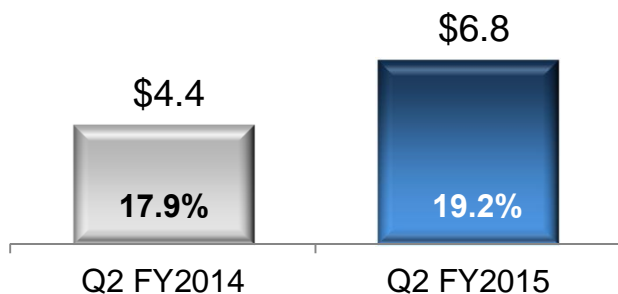
Sales



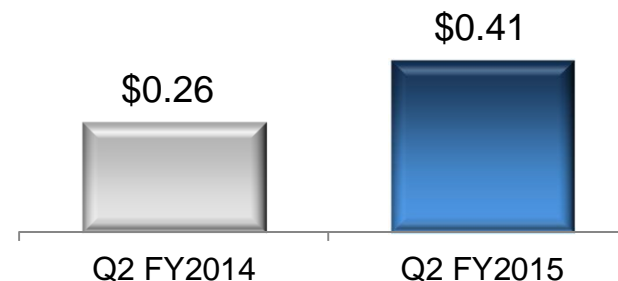
Gross Profit and Margin



EBITDA and Margin*



EPS

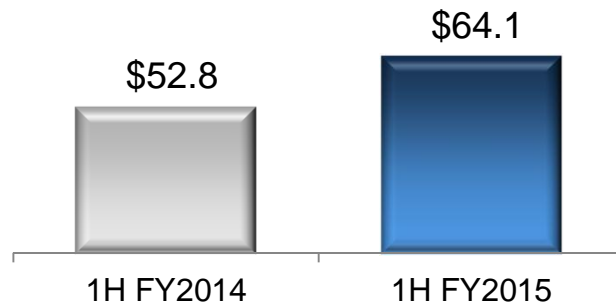


* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

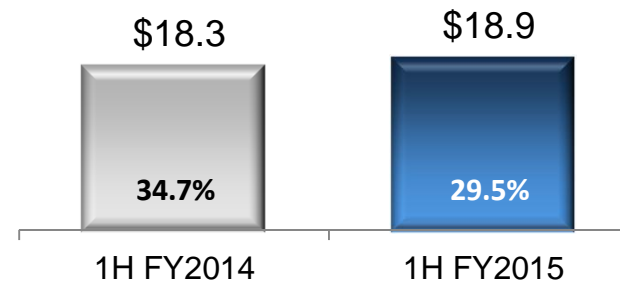
Q2 FY2015 YTD . Solid Execution

(\$ in millions, except per share data)

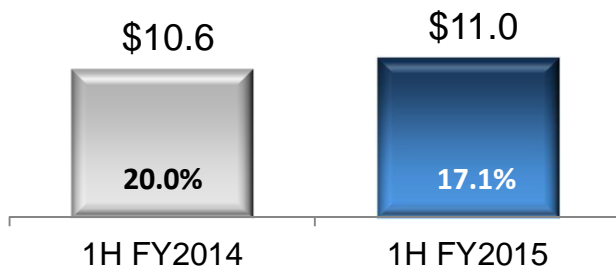
Sales



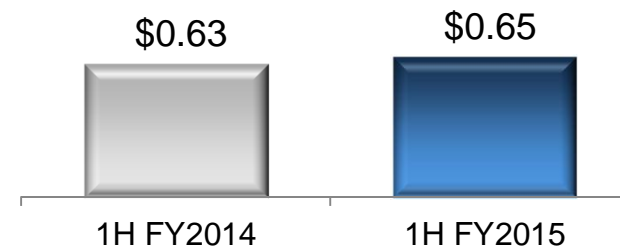
Gross Profit and Margin



EBITDA and Margin*



EPS

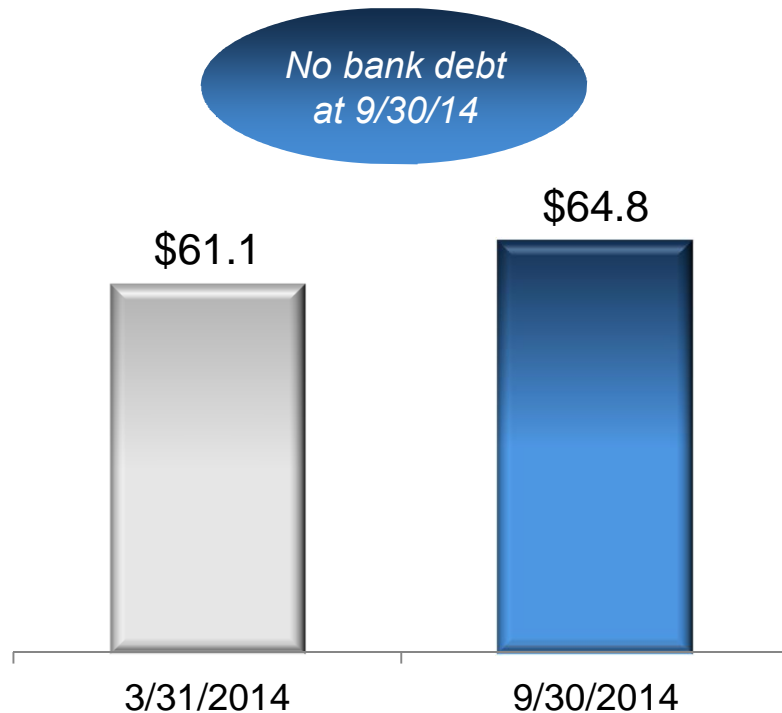


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Strong Cash Position

Cash, Cash Equivalents and Investments

(\$ in millions)



- “ Cash provided by operations was \$8.5 million in 1H FY15, up from \$4.3 million in the prior-year period
- “ Capital expenditures year-to-date were \$4.1 million, primarily for the completion of the Batavia, New York facility expansion
- “ Strong cash and investments position provides flexibility

Cash available for investments in organic growth and acquisitions

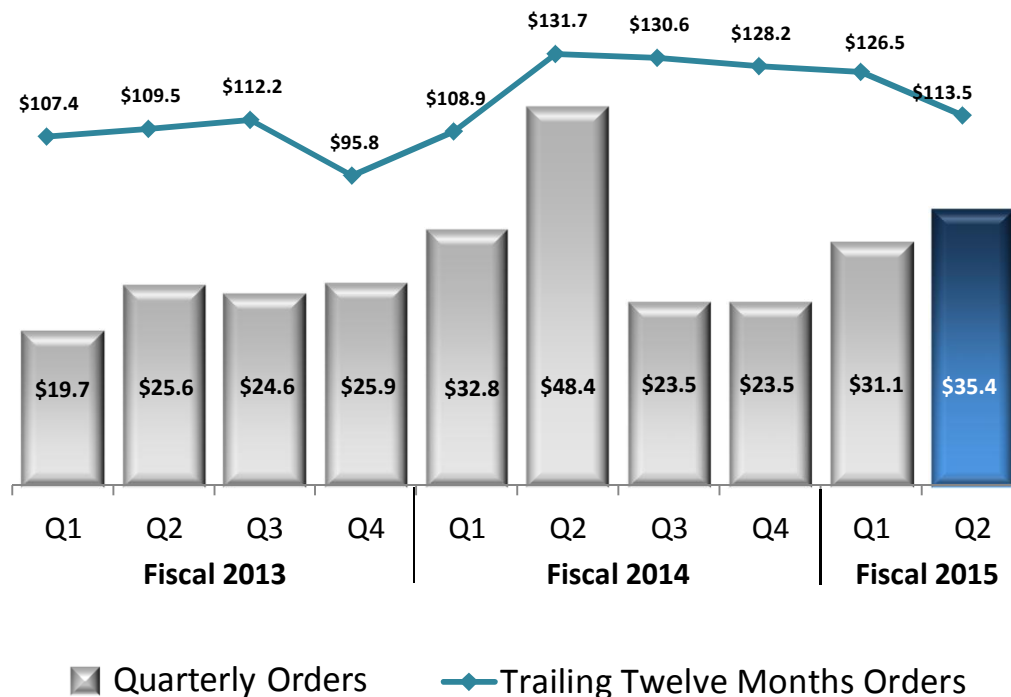


Outlook

Jim Lines
President & CEO

Order Pipeline Steady and Elevated

Quarterly and TTM Orders
(in millions)

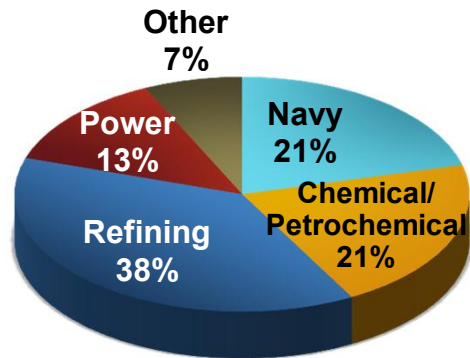


- “ Q2 FY2015 orders increased 14% over trailing Q1
- “ Compared with the prior year, Q2 FY2015 orders decreased \$13.0 million; last year's order level was unusually high
- “ Similar geographic mix of orders in quarter
 - U.S.: 47%
 - International: 53%
- “ Bidding pipeline remains strong
 - Expecting FY15 book-to-bill >1.0

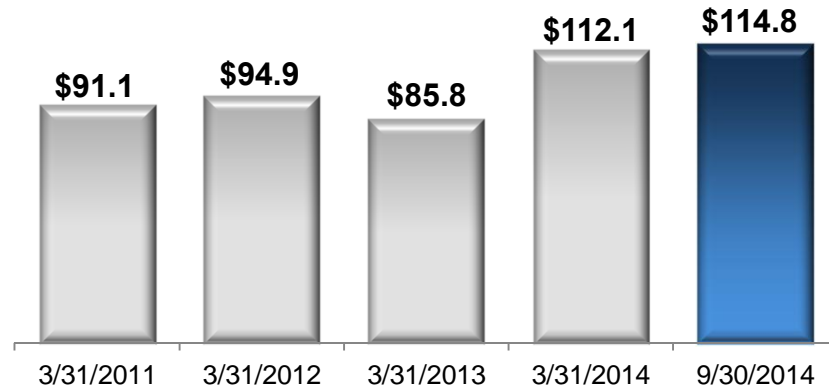
Continued Record Backlog Level

(\$ in millions)

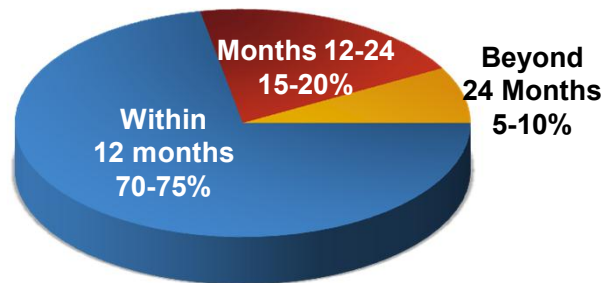
Backlog by Industry
September 30, 2014



Backlog



Projected Backlog Conversion
September 30, 2014



- “ Record backlog maintained
 - Improving mix with higher percentage of refining projects
- “ Approximately 1/3 of backlog is from Nuclear and U.S. Navy strategies

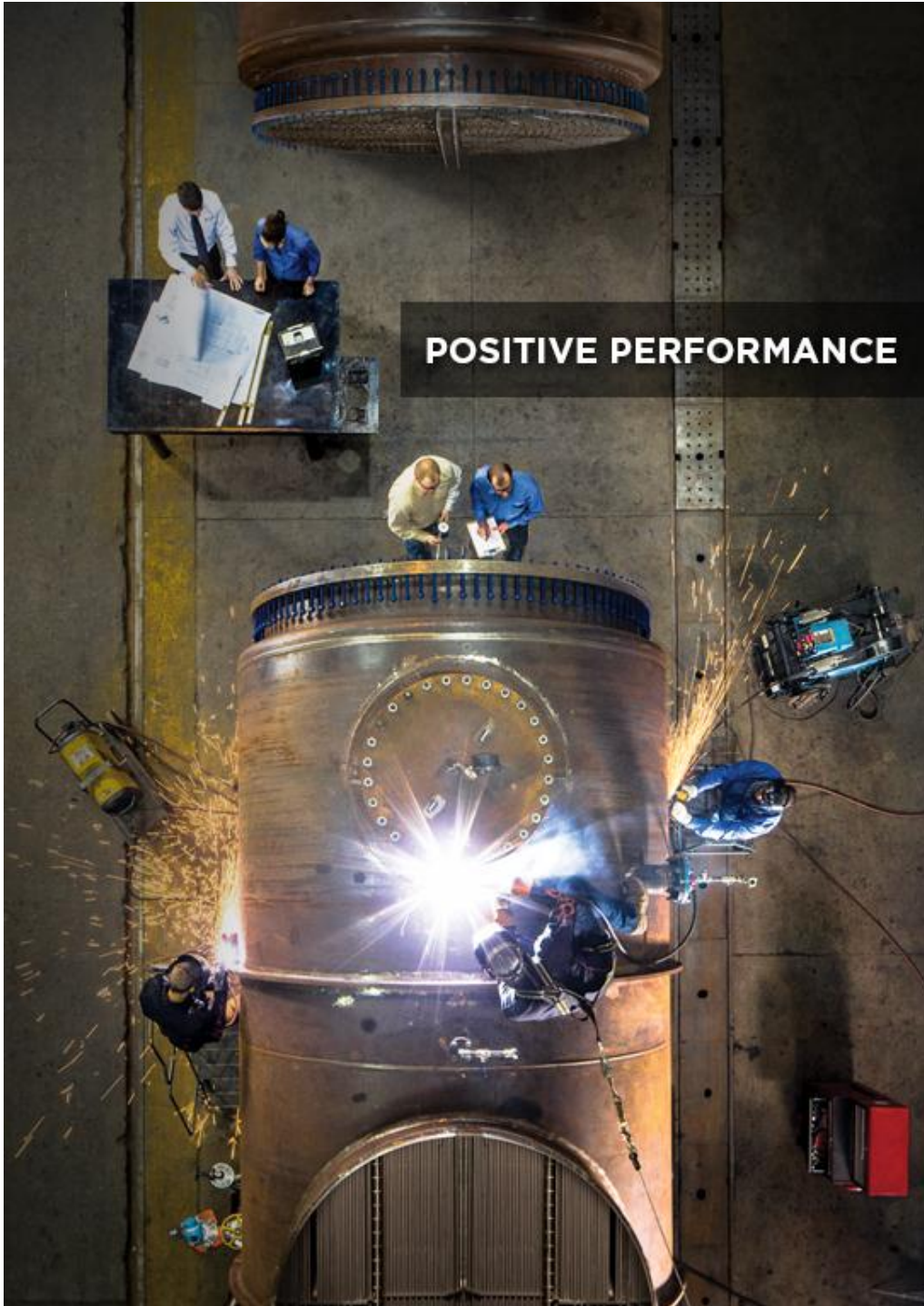
Strong Revenue Expectations and Visibility on Shipment Timing

Fiscal 2015 Guidance:⁽¹⁾

” Revenue	\$125 million - \$130 million
” Gross margin	30% - 31%
” SG&A	15% - 15.5% of sales
” Effective tax rate	33% - 34%

Near Term Target: Exceed \$200 million in organic revenue

⁽¹⁾ FY2015 Guidance provided as of October 29, 2014



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Supplemental Information



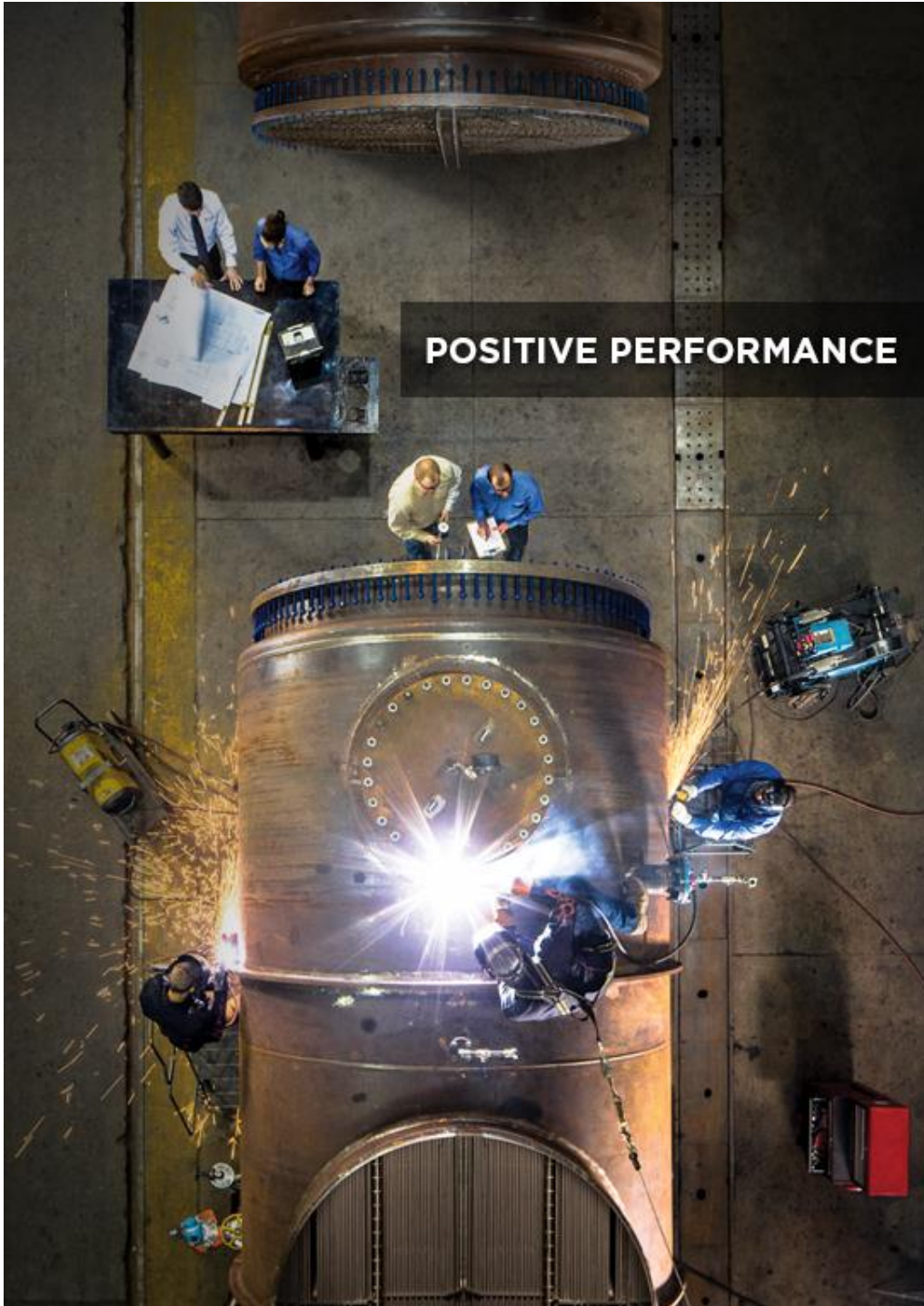
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EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$4,186	\$2,589	\$6,578	\$6,397
+Net interest expense	(40)	(6)	(83)	(12)
+Income taxes	2,086	1,257	3,320	3,067
+Depreciation & amortization	<u>579</u>	<u>549</u>	<u>1,153</u>	<u>1,099</u>
EBITDA	<u>\$6,811</u>	<u>\$4,389</u>	<u>\$10,968</u>	<u>\$10,551</u>
EBITDA margin %	19.20%	17.90%	17.10%	20.00%

EBITDA is defined as consolidated net income before 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 to better understand operating performance. Graham's credit facility also contains ratios based on EBITDA. 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.



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