

POSITIVE PERFORMANCE

NYSE:GHM • January 30, 2015

Third Quarter Fiscal 2015 Earnings Call

James R. Lines

President & Chief Executive Officer

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Executing Our Strategy to Expand Earnings

- “ Leverage capacity to capture market share
- “ Expanding predictable base business
- “ Use of capital to diversify & strengthen revenue streams
- “ Key markets:
 - ✓ Refining
 - ✓ Petrochemical
 - ✓ Power
 - ✓ U.S. Navy

**Short-term objective:
Double business**

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



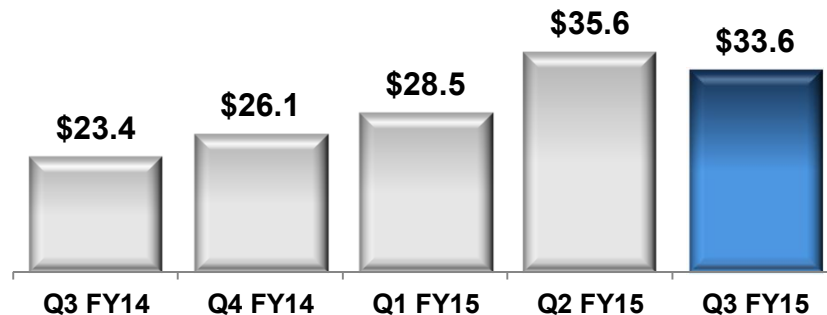
Third Quarter Fiscal 2015 Highlights

- “ Solid quarterly revenue of \$33.6 million, up 44%, driven by strong North American refining and chemical industry projects
- “ Net income was \$4.0 million, or \$0.39 per share, up from \$1.4 million; net income margin 12% of sales
- “ Strong bottom line results driven by throughput at expanded Batavia facilities
- “ Fiscal 2015 revenue outlook and gross margin guidance reaffirmed based on backlog

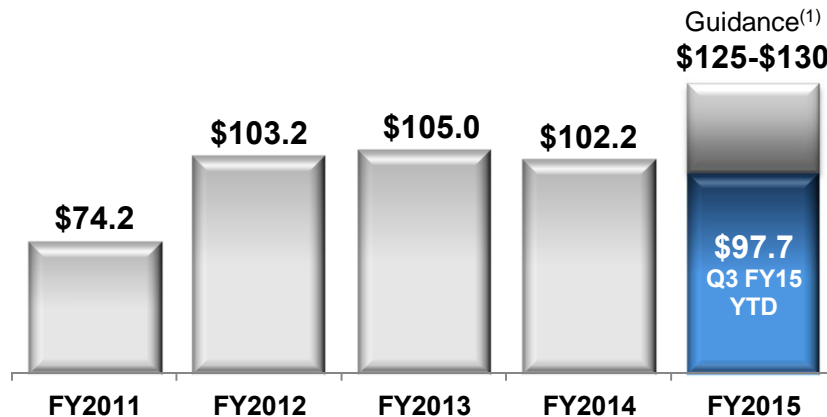
Third Quarter Fiscal 2015 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



⁽¹⁾ FY2015 Guidance confirmed as of January 30, 2015

- “ Solid conversion of backlog into sales
- “ FY2015 Q3 sales driven by global refining and domestic chemical industries
 - Refining industry sales: \$12.8 million
 - Chemical/Petrochemical industry sales: \$9.4 million
 - Power industry sales: \$5.5 million
 - Other Commercial and Industrial sales: \$5.9 million
- “ Strong Q3 North American sales
 - U.S sales up 26% to \$18.3 million; 55% of total sales
 - Driven by strong domestic chemical industry orders in fiscal 2014 first half

Increasing Predictable Base Business

Reduce earnings volatility and achieve top-line growth

- Short-term growth objective will be achieved through expansion of predictable base business:

- Nuclear market MRO

- Executing Naval strategy

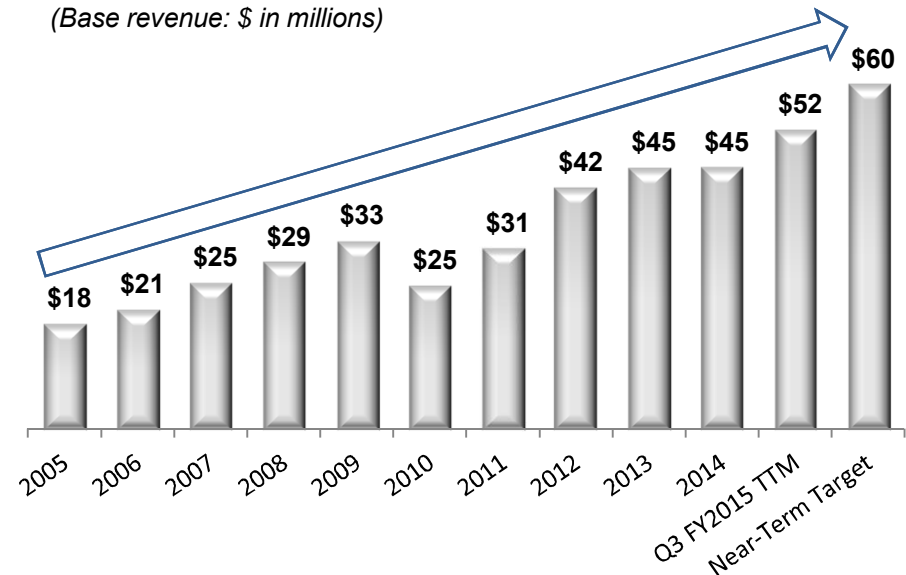
- Aftermarket strategy

- Short-cycle product strategies

- Expected to exceed \$60 million in near-term, through organic growth strategies

Annual Predictable Base Business

(Base revenue: \$ in millions)





Financial Overview

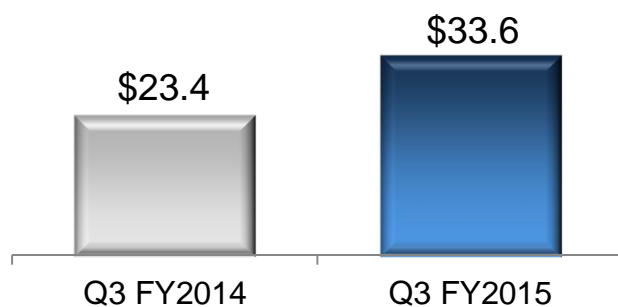
Jeff Glajch

Vice President and CFO

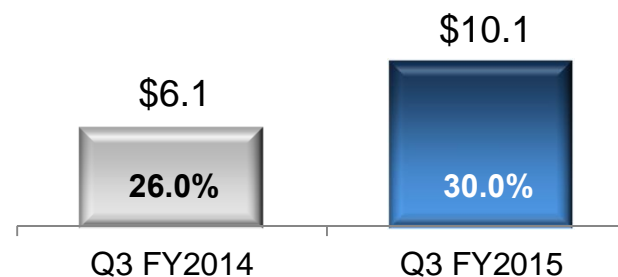
Q3 FY2015 Driven by U.S. Refining Orders

(\$ in millions, except per share data)

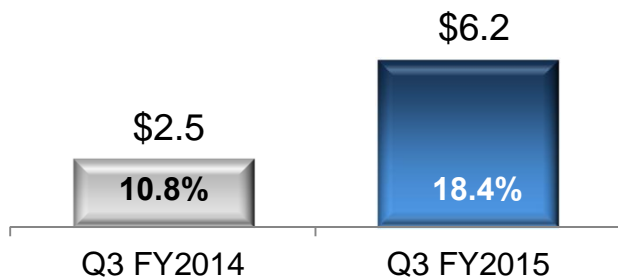
Sales



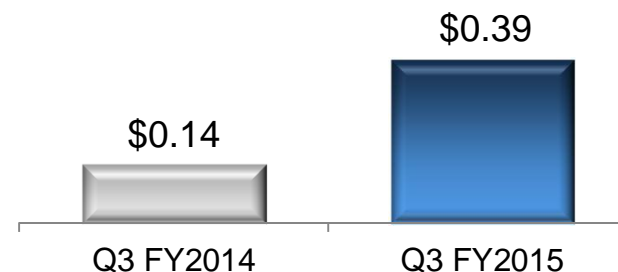
Gross Profit and Margin



EBITDA and Margin*



EPS

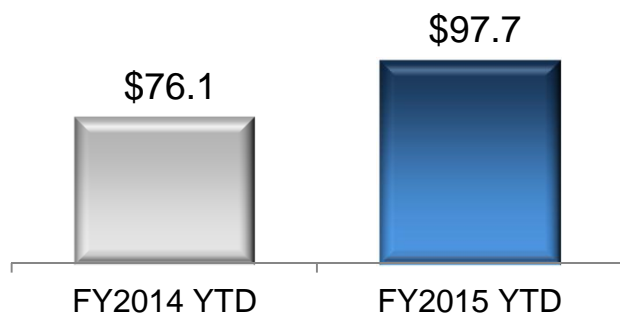


* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

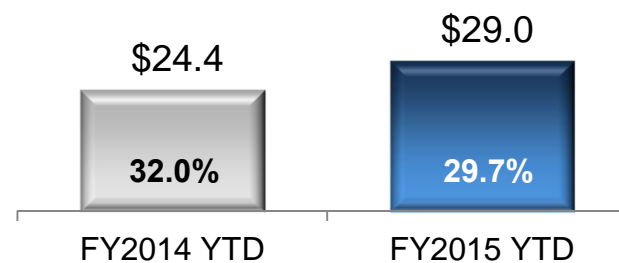
Q3 FY2015 YTD . Solid Execution and Throughput

(\$ in millions, except per share data)

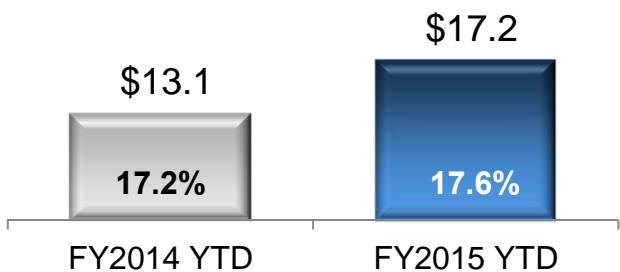
Sales



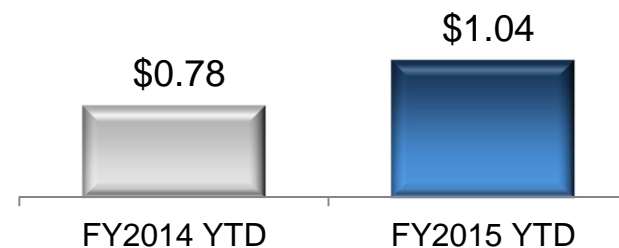
Gross Profit and Margin



EBITDA and Margin*



EPS



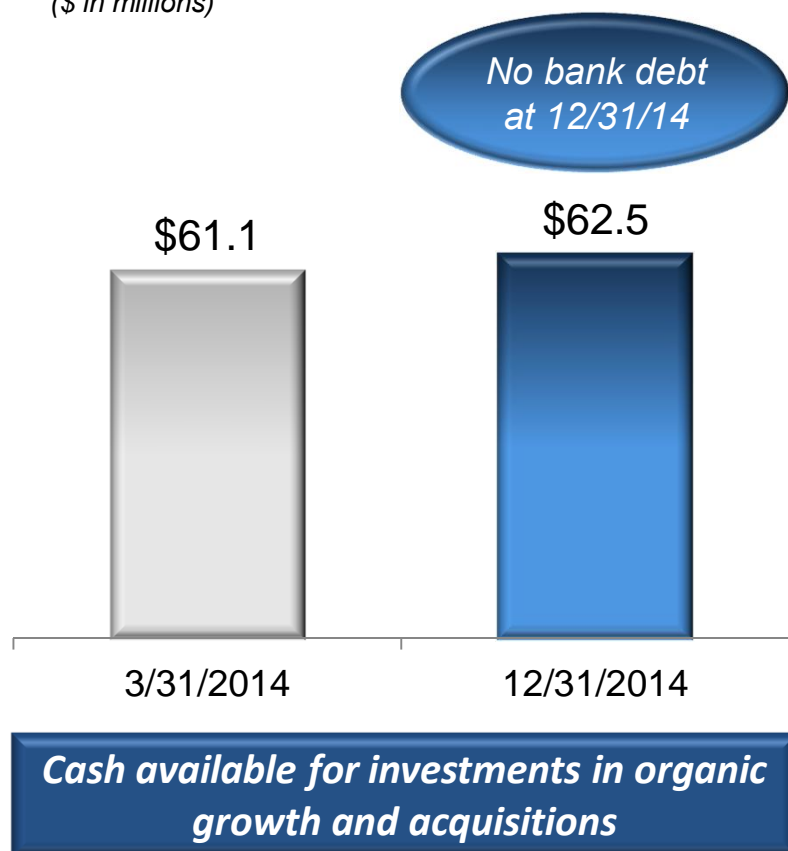
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Strong Cash Position

Cash, Cash Equivalents and Investments

(\$ in millions)



- “ Declared 100% increase in quarterly dividend; now \$0.32 per share annually
- “ Board authorized stock repurchase program up to \$18 million
- “ Cash provided by operations was \$7.5 million in the first nine months of FY2015
- “ Capital expenditures year-to-date were \$5 million
 - FY2015 guidance⁽¹⁾ of \$5.5 million to \$6.0 million; 60% for the completion of the Batavia, New York facility expansion

⁽¹⁾ FY2015 Guidance confirmed as of January 30, 2015

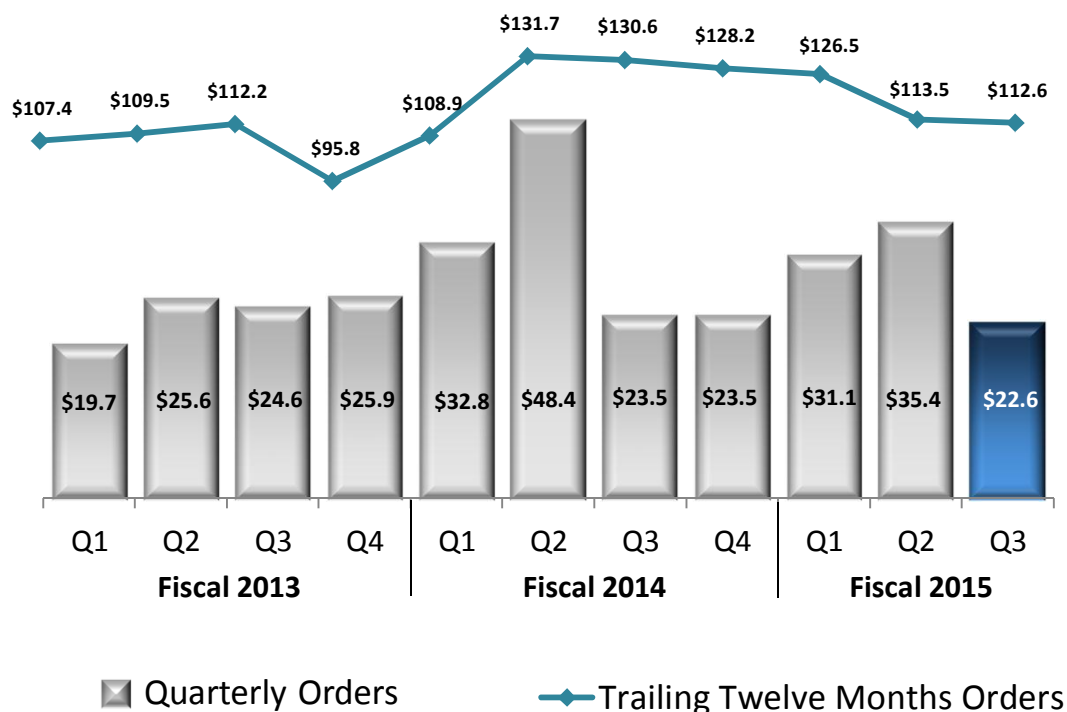


Outlook

Jim Lines
President & CEO

Greater Order Volatility Expected Near-Term

Quarterly and TTM Orders
(in millions)

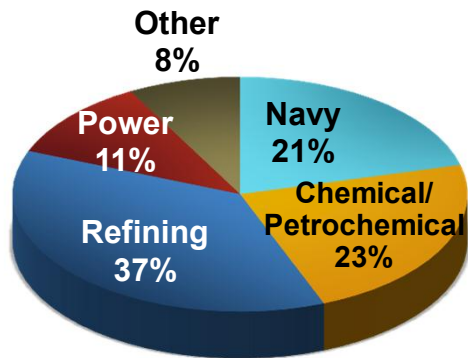


- “ Q3 FY2015 orders impacted by uncertainty in refining industry
- “ Bidding pipeline remains strong
- “ Geographic mix of orders year-to-date:
 - US: 51%
 - International: 49%

Diverse and Strong Backlog Level

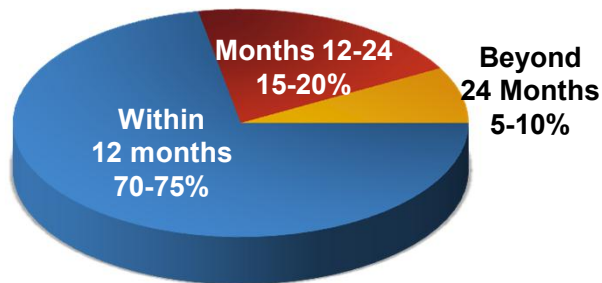
Backlog by Industry

December 31, 2014



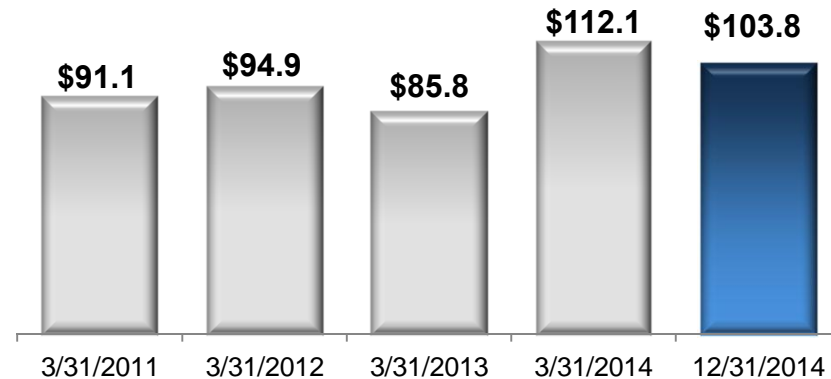
Projected Backlog Conversion

December 31, 2014



Backlog

(\$ in millions)



- “ Backlog declined due to refining market uncertainties
- “ Strong backlog mix with high percentage of refining projects
- “ Approximately 1/3 of backlog is from non-cyclical Nuclear and U.S. Navy strategies
 - Supporting continued growth of predictable base business

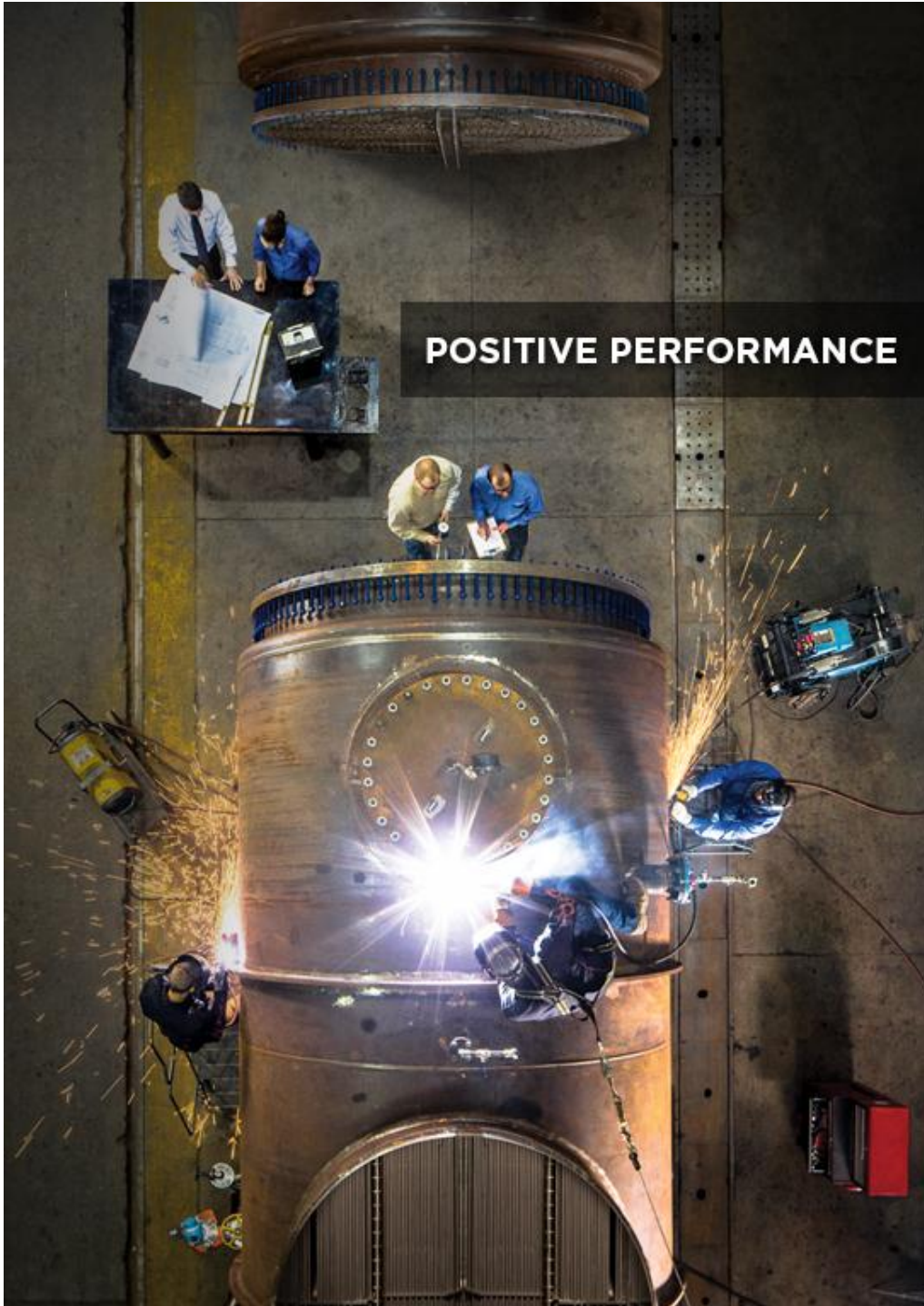
Strong Revenue Expectations and Visibility on Shipment Timing

Fiscal 2015 Guidance:⁽¹⁾

“ Revenue	Upper half of \$125 million - \$130 million
“ Gross margin	30% - 31%
“ SG&A	14% - 14.5% of sales
“ Effective tax rate	32% - 33%

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

⁽¹⁾ FY2015 Guidance confirmed as of January 30, 2015



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Supplemental Information



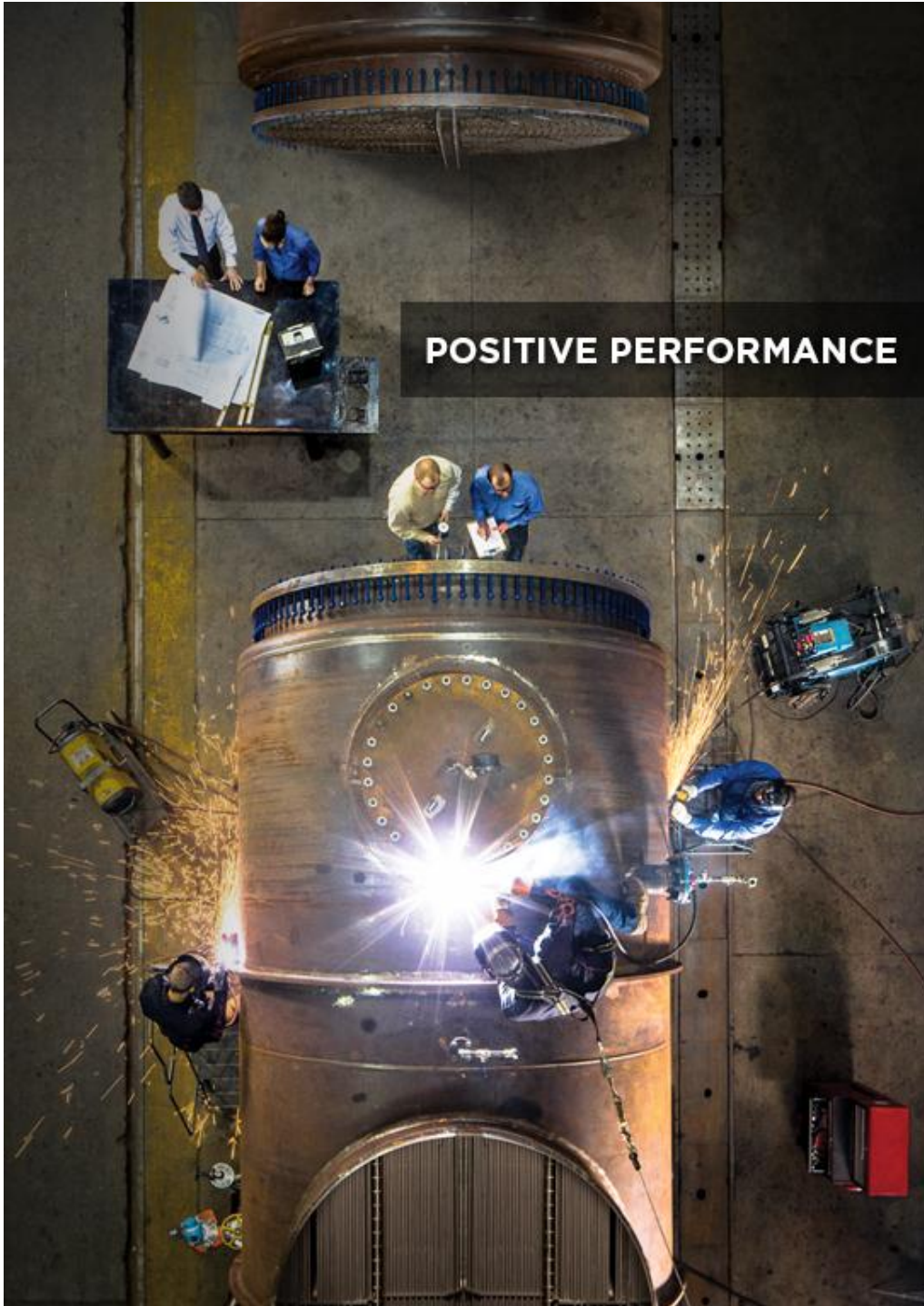
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EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Net income	\$ 3,992	\$ 1,431	\$ 10,571	\$ 7,828
+Net interest income	(48)	(21)	(131)	(33)
+Income taxes	1,676	578	4,996	3,645
+Depreciation & amortization	<u>579</u>	<u>547</u>	<u>1,732</u>	<u>1,646</u>
EBITDA	<u>\$ 6,199</u>	<u>\$ 2,535</u>	<u>\$17,167</u>	<u>\$13,086</u>
<i>EBITDA margin %</i>	18.4%	10.8%	17.6%	17.2%

EBITDA is defined as consolidated net income before interest expense and income, 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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