

NYSE:GHM • May 29, 2015



POSITIVE PERFORMANCE

Fourth Quarter Fiscal 2015 Earnings Call

James R. Lines

President & Chief Executive Officer

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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.”

Should one or more of these risks or uncertainties materialize, or should any of Graham Corporation's underlying assumptions prove incorrect, actual results may vary materially from those currently anticipated. In addition, undue reliance should not be placed on Graham Corporation's forward-looking statements. Except as required by law, Graham Corporation disclaims any obligation to update or publicly announce any revisions to any of the forward-looking statements contained in this presentation.

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:
Drive top line growth through greater market share

Near-term objective:
Double organic business

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



Fourth Quarter Fiscal 2015 Highlights

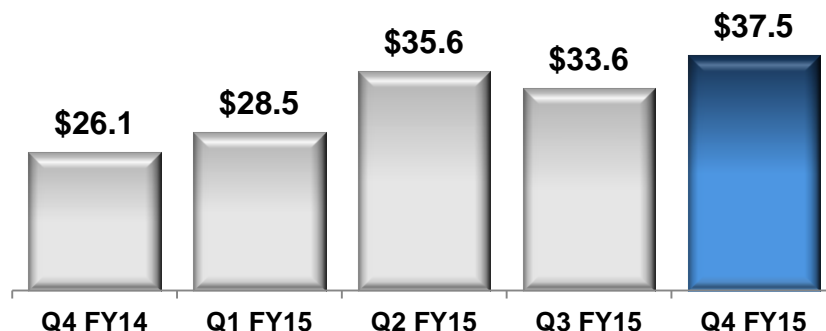
- Q4 revenue up 44% to \$37.5 million
 - Fiscal 2015 revenue up 32% to \$135.2 million
- Q4 net income of \$4.2 million, \$0.41 per share
 - Adjusted net income⁽¹⁾ of \$5.3 million, \$0.53 per share, up from \$2.3 million, \$0.23 per share, last year
- Fiscal 2015 net income of \$14.7 million, \$1.45 per share
 - Adjusted net income⁽¹⁾ of \$15.9 million, \$1.57 per share, a 57% increase over fiscal 2014
- Record fiscal 2015 orders of \$136.5 million
 - Record year-end backlog of \$113.8 million

⁽¹⁾ See supplemental slide for Adjusted net income reconciliation and other important disclaimers regarding Graham's use of Adjusted net income

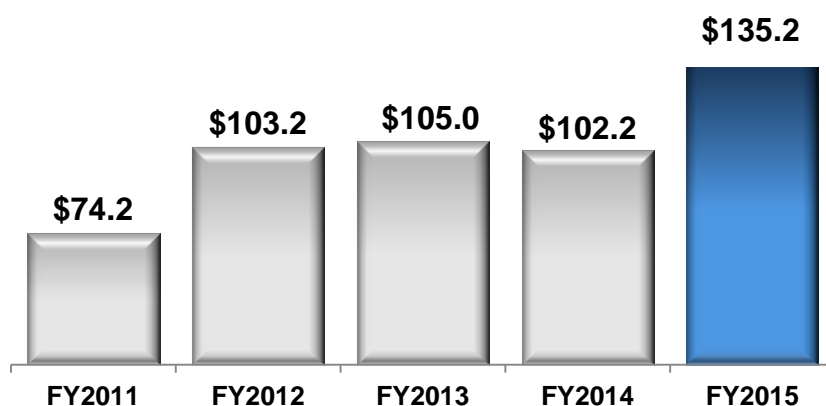
Fourth Quarter & Fiscal 2015 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



- FY2015 Q4 sales driven by industry and geographic diversity
 - Refining industry sales: \$11.8 million
 - Chemical/Petrochemical industry sales: \$13.5 million
 - Power industry sales: \$3.5 million
 - Other Commercial and Industrial sales: \$8.7 million
- Strong Q4 North American sales
 - U.S sales up 18% to \$24.0 million; 64% of total
- Fiscal 2015 sales driven by \$22.6 million domestic increase
 - Strong chemical/petrochemical industry as well as U.S. Navy sales

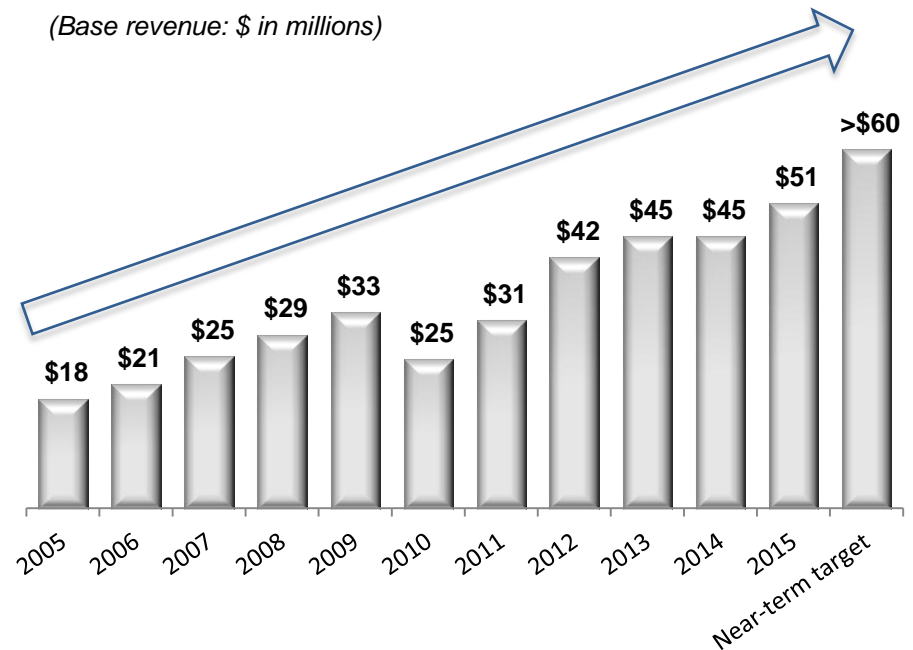
Reducing Volatility

Increasing predictable base business to achieve top-line growth

- Stronger predictable base of sales reduces earnings volatility:
 - Nuclear market MRO
 - Executing Naval strategy
 - Aftermarket strategy
 - Short-cycle product strategies
- Expected to exceed \$60 million in near-term, through organic growth strategies to capture greater market share

Annual Predictable Base Business

(Base revenue: \$ in millions)





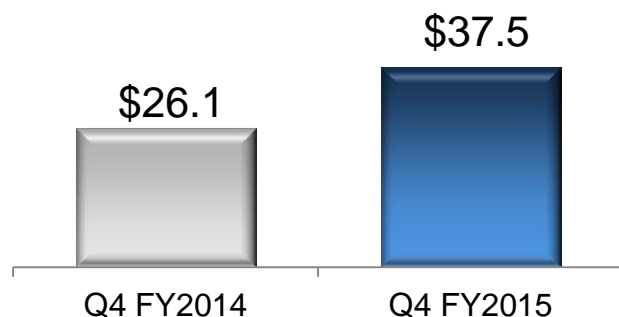
Financial Overview

Jeff Glajch
Vice President and CFO

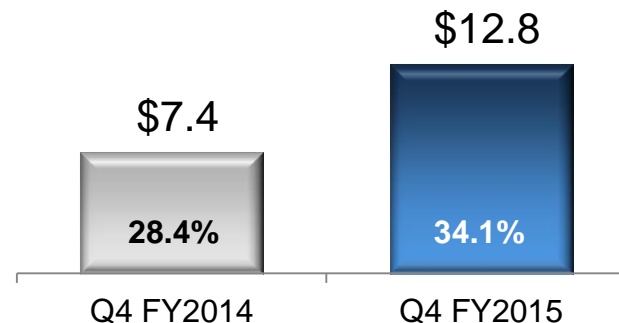
Q4 FY2015 – Outstanding Leverage from Greater Volume

(\$ in millions, except per share data)

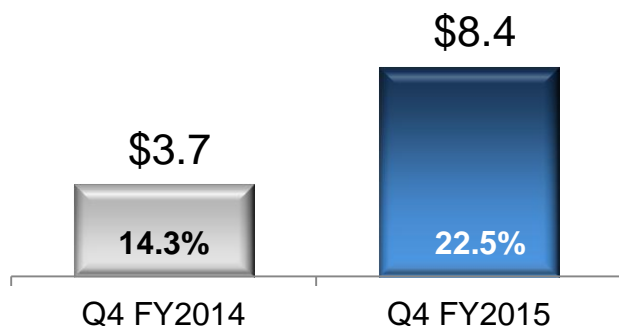
Sales



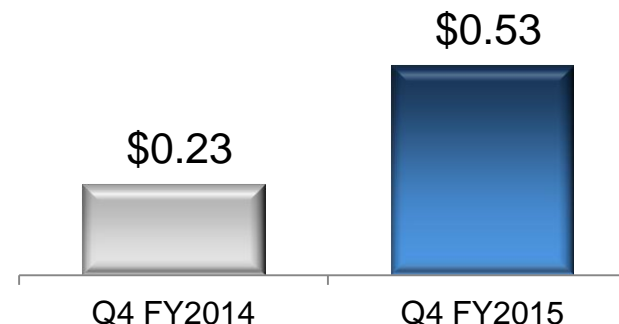
Gross Profit and Margin



Adjusted EBITDA and Margin⁽²⁾



Adjusted EPS⁽¹⁾



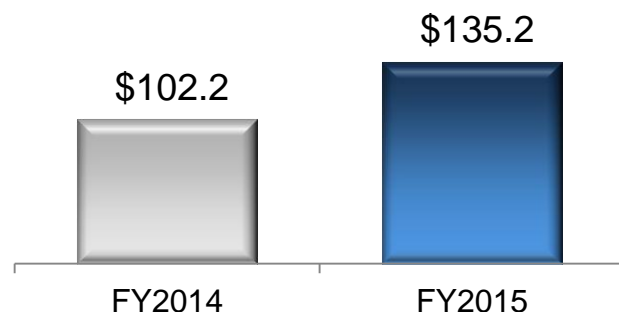
⁽¹⁾ See supplemental slide for Adjusted net income reconciliation and other important disclaimers regarding Graham's use of Adjusted net income

⁽²⁾ See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

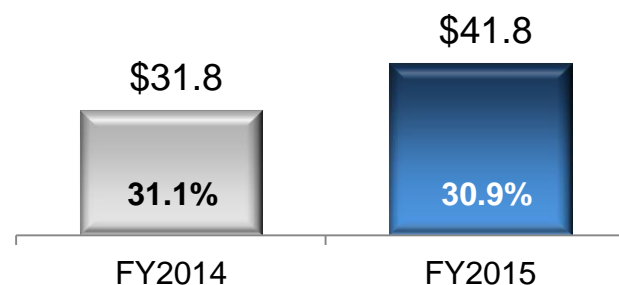
FY2015 – Results of Strategic Execution

(\$ in millions, except per share data)

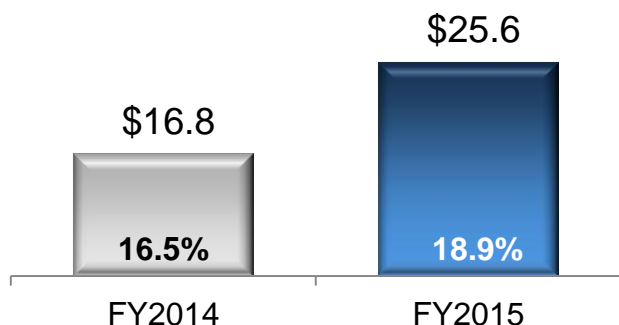
Sales



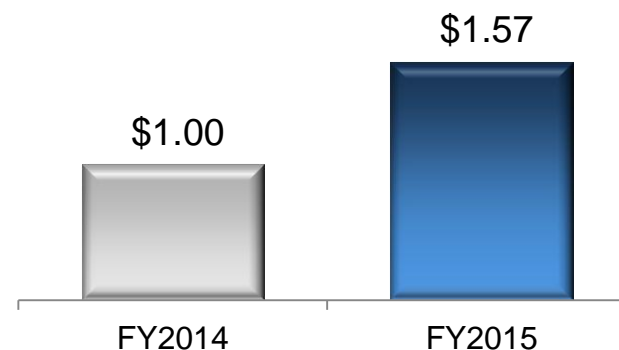
Gross Profit and Margin



Adjusted EBITDA and Margin⁽²⁾



Adjusted EPS⁽¹⁾



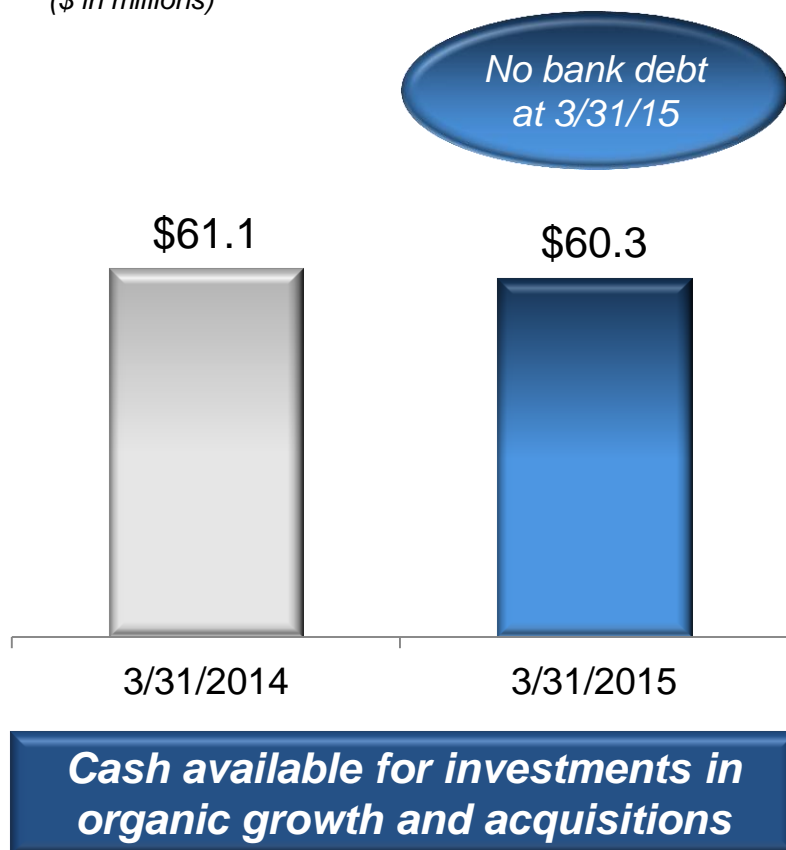
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Strong Cash Position to Support Growth

Cash, Cash Equivalents and Investments

(\$ in millions)



- Dividend increased to \$0.32 per share annually, effective January 2015
- No share repurchases under authorized \$18 million program
- Cash provided by operations was \$6.3 million in FY2015
 - Q4 cash flow impacted by strong sales and resulting higher A/R
- Capital expenditures in FY2015 of \$5.3 million; consistent with FY2014
 - 65% of FY2014 and FY2015 CapEx for expansion of the Batavia, New York facility

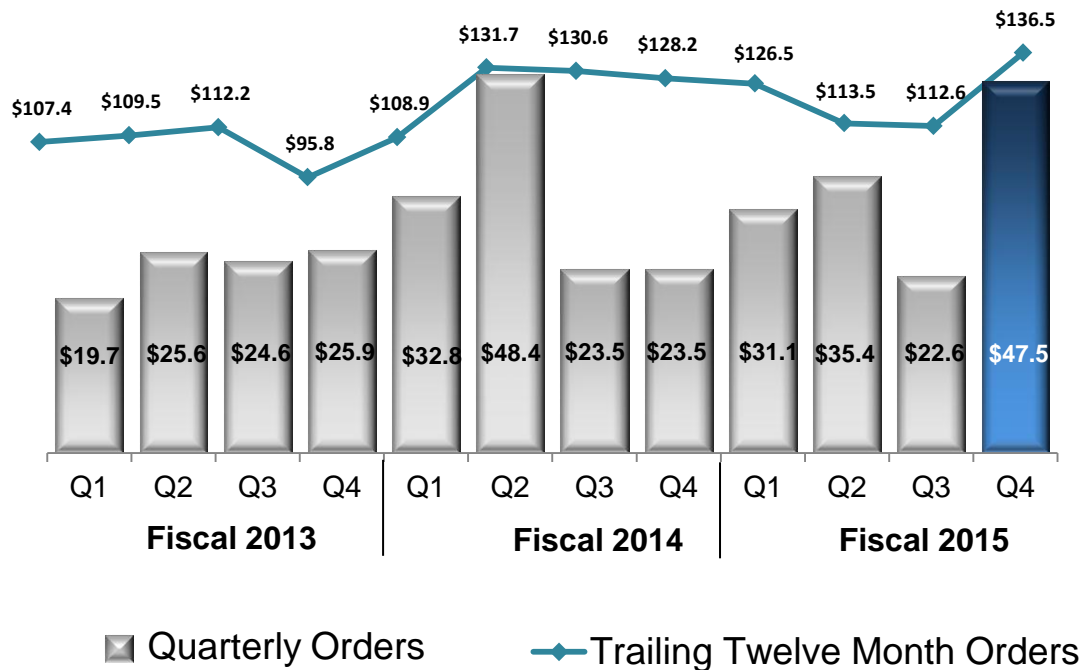


Outlook

Jim Lines
President & CEO

Record Order Level in Fiscal 2015

Quarterly and TTM Orders
(in millions)



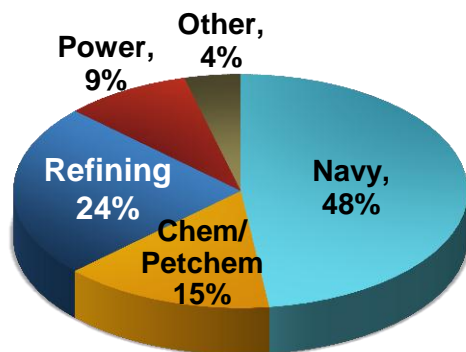
- Majority of Q4 FY2015 orders from U.S Navy, reflecting success of revenue diversification strategy
- Refining and chemical/ petrochemical industry orders reflect market uncertainty
- Geographic mix of orders in FY2015:
 - US: 67%
 - International: 33%

Record Year-End Backlog Level

Reflects benefits of diversification strategy

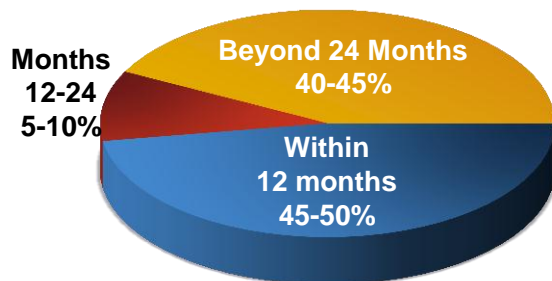
Backlog by Industry

March 31, 2015



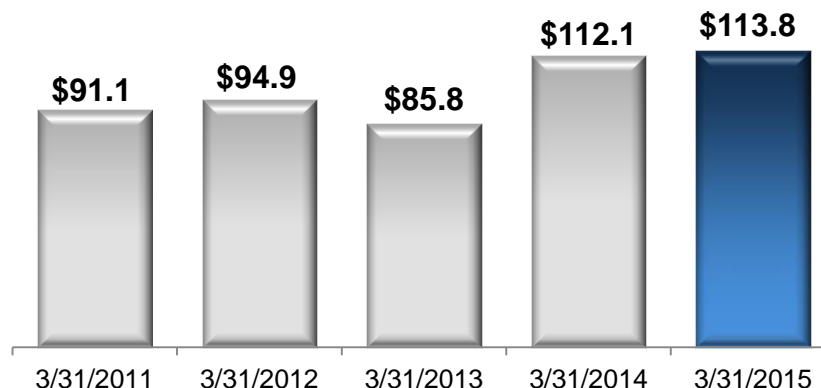
Projected Backlog Conversion

March 31, 2015



Backlog

(\$ in millions)



- Strong backlog mix with high percentage of U.S. Navy projects
- 55% from markets or customers not served by the Company five years ago
 - Reducing the impact of more cyclical sales in the energy industry

Uncertain Near-Term Market Impacts

FY2016 Revenue Expectations


Fiscal 2016 Guidance:⁽¹⁾

- Revenue \$95 million – \$105 million
- Gross margin 26% – 28%
- SG&A 17% – 18% of sales
- Effective tax rate 32% – 33%

Strategic Target: Exceed \$200 million in organic revenue

⁽¹⁾ FY2016 Guidance provided as of May 29, 2015

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An aerial photograph of a large industrial manufacturing facility. In the center, a massive cylindrical metal component is being welded. Several workers in protective gear are positioned around the component, with bright sparks emanating from the welding points. To the left, two workers in business attire are seated at a table, reviewing large blueprints. The scene is set in a vast, dimly lit industrial space with concrete floors and large structural elements.

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Supplemental Information



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Adjusted Net Income Reconciliation

(Unaudited)

(\$ in thousands)

	Three Months Ended March 31,				Year Ended March 31,			
	2015		2014		2015		2014	
	Per Diluted Share		Per Diluted Share		Per Diluted Share		Per Diluted Share	
Net income	\$ 4,165	\$ 0.41	\$ 2,317	\$ 0.23	\$ 14,735	\$ 1.45	\$ 10,145	\$ 1.00
+Restructuring charge, net of tax	1,164	0.12	-	-	1,164	0.12	-	-
Adjusted net income	<u>\$ 5,329</u>	<u>\$ 0.53</u>	<u>\$ 2,317</u>	<u>\$ 0.23</u>	<u>\$ 15,899</u>	<u>\$ 1.57</u>	<u>\$ 10,145</u>	<u>\$ 1.00</u>

(1) Adjusted net income is GAAP net income excluding a nonrecurring restructuring charge. Adjusted net income 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 net income 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. Because Adjusted net income is a non-GAAP measure and is thus susceptible to varying calculations, Adjusted net income, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Adjusted EBITDA Reconciliation

(Unaudited)

	Three Months Ended March 31,		Year Ended March 31,	
	2015	2014	2015	2014
Net income	\$ 4,165	\$ 2,317	\$ 14,735	\$ 10,145
+Net interest income	(47)	(60)	(178)	(93)
+Income taxes	2,021	920	7,017	4,565
+Depreciation & amortization	576	553	2,308	2,199
+Restructuring charge	1,718	-	1,718	-
Adjusted EBITDA	\$ 8,433	\$ 3,730	\$ 25,600	\$ 16,816
Adjusted EBITDA margin %	22.5%	14.3%	18.9%	16.5%

(2) Adjusted EBITDA is defined as consolidated net income before interest expense and income, income taxes, depreciation and amortization and a nonrecurring restructuring charge. 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 to better understand operating performance. Graham's credit facility also contains ratios based on EBITDA. 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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An aerial photograph of a large industrial manufacturing facility. In the center, a massive cylindrical metal component is being welded. Several workers in protective gear are positioned around the cylinder, with bright sparks emanating from the welding points. To the left, two workers in business attire are seated at a table, reviewing large blueprints. The scene is dimly lit, with the primary light source being the intense glow of the welding process.

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