

NYSE:GHM • May 25, 2016



POSITIVE PERFORMANCE

Fourth Quarter Fiscal 2016 Earnings Call

James R. Lines
President & Chief Executive Officer

Jeffrey F. Glajch
Vice President & Chief Financial Officer



www.graham-mfg.com

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.

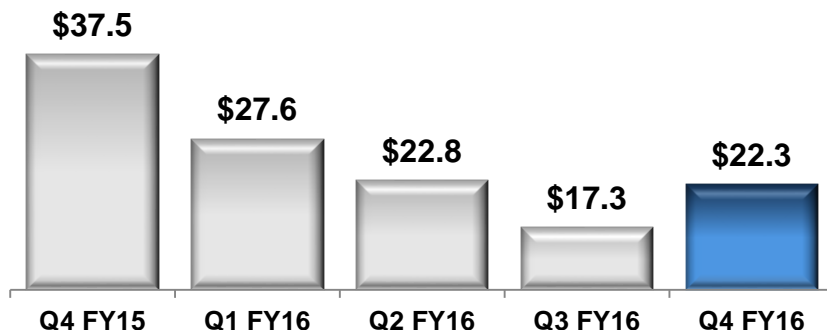
Fourth Quarter Fiscal 2016 Highlights

- Expanded cash and investments balance by \$5.0 million during fiscal 2016, to \$65.1 million, after returning ~\$13 million to shareholders
- Backlog at year end was \$108.0 million
- Q4 revenue was \$22.3 million; fiscal 2016 revenue was \$90.0 million
 - Impacted by weak market conditions
 - Short cycle sales down 15-20% in quarter and 5% for full year
 - Capital spares and replacements off measurably
- Q4 net income was \$0.5 million, \$0.05 per share; fiscal 2016 net income was \$6.1 million; \$0.61 per share

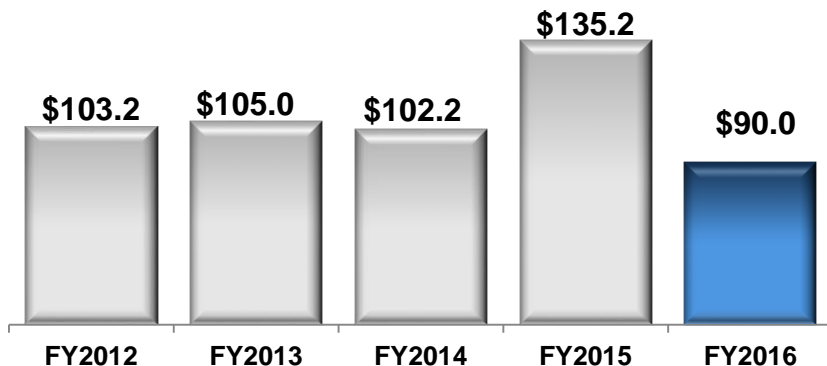
Fourth Quarter Fiscal 2016 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



- Q4 FY2016 sales realized declines in most industries and geographies vs prior year
 - Reflects sequential improvement vs unusually weak Q3 FY2016
 - Sales to power market were up 49% to \$5.2 million vs prior year
 - Asia sales were up 16% to \$3.6 million vs prior year
 - International sales were 40%, compared with 36% in Q4 FY2015
- Q4 mix by industry
 - Refining industry sales: \$7.8 million
 - Chemical/Petrochemical industry sales: \$6.0 million
 - Power industry sales: \$5.2 million
 - Other Commercial and Industrial sales, including U.S. Navy: \$3.3 million



Financial Overview

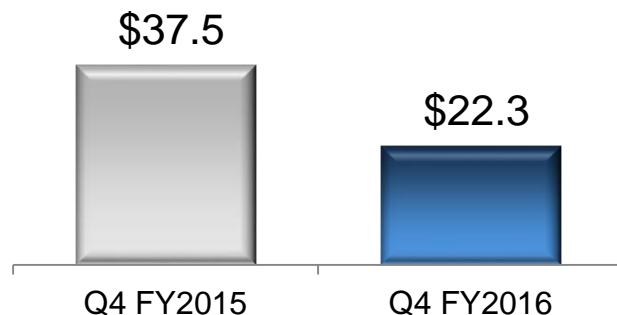
Jeff Glajch

Vice President and CFO

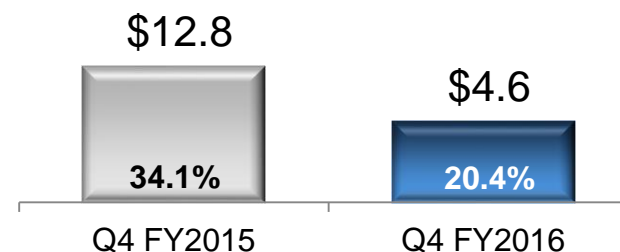
Q4 FY2016 – Weak Market Conditions

(\$ in millions, except per share data)

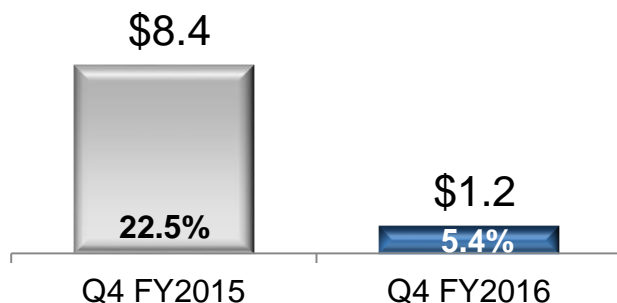
Sales



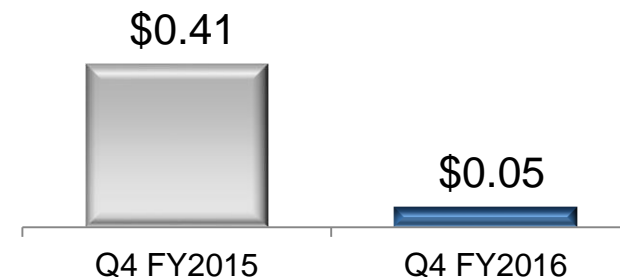
Gross Profit and Margin



Adjusted EBITDA and Margin⁽¹⁾



EPS

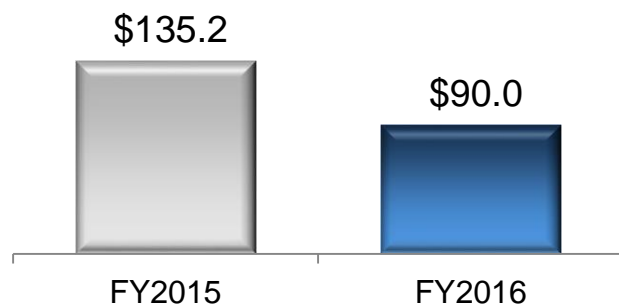


⁽¹⁾ See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Graham's use of Adjusted EBITDA

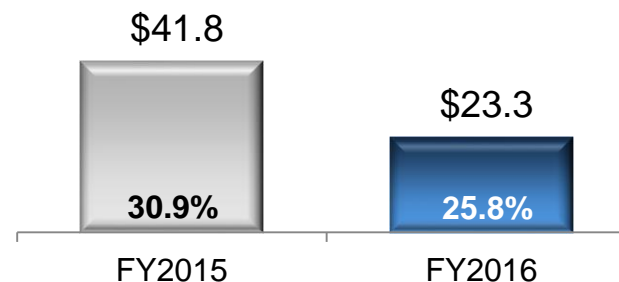
FY2016 – Strength Amid Weak Fundamentals

(\$ in millions, except per share data)

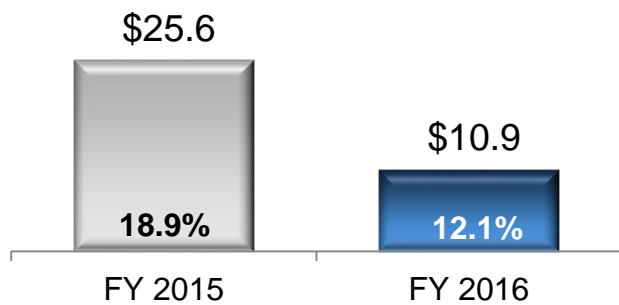
Sales



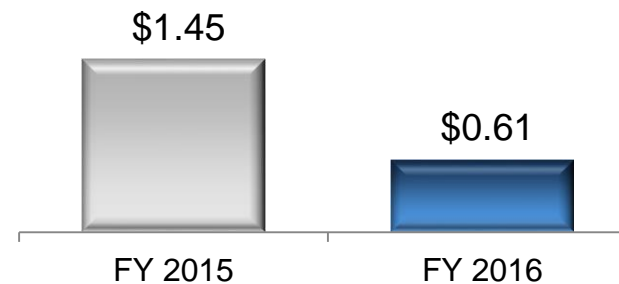
Gross Profit and Margin



EBITDA and Margin⁽¹⁾



EPS



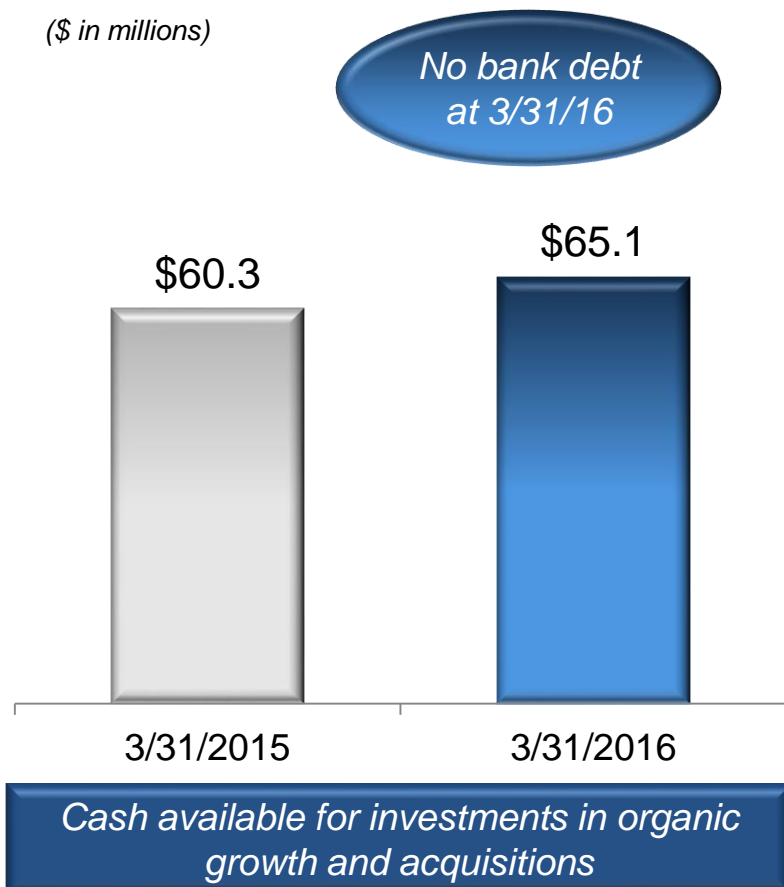
⁽¹⁾ See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Graham's use of Adjusted EBITDA

Increased Returns to Shareholders

Cash Flows Also Provided Reserves for Growth

Cash, Cash Equivalents and Investments

(\$ in millions)



- Returned \$12.7 million to shareholders during FY2016
 - Purchased ~539,000 shares for \$9.4 million under \$18 million stock repurchase program
 - Paid \$3.3 million of dividends
- Cash balances increased \$4.8 million during FY2016
 - Cash provided by operations was \$18.8 million
- Capital expenditures in FY2016 of \$1.2 million compared with \$5.3 million in FY2015
 - FY2017 capital expenditures expected to be between \$2.0 million and \$2.5 million

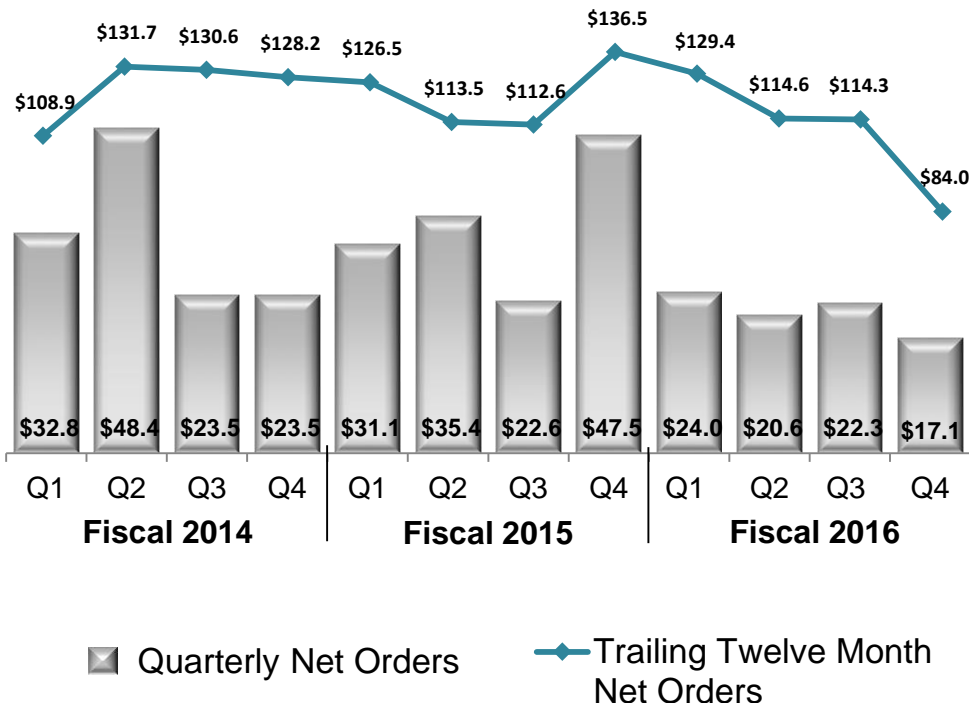


Outlook

Jim Lines
President & CEO

Challenging Order Climate

Quarterly and TTM Net Orders
(in millions)



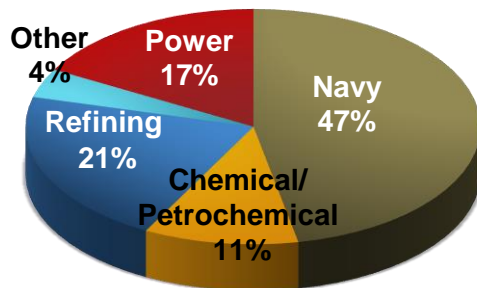
- TTM comparison impacted by:
 - Large U.S. Navy orders in Q4 FY2015
 - \$12 million of orders cancelled during TTM period
- Q4 FY2016 orders are net of a \$4.9 million cancelled international refining order from backlog
- Power and refining industry orders were up \$5.5 million and \$2.4 million, respectively
- Chemical/petrochemical industry orders were down \$6.3 million
- Bidding pipeline remains active but movement to order status remains challenging
 - Bid pipeline contracted 20%
 - Procurement decisions are slow

Backlog Remains Stable

Reflects benefits of diversification strategy

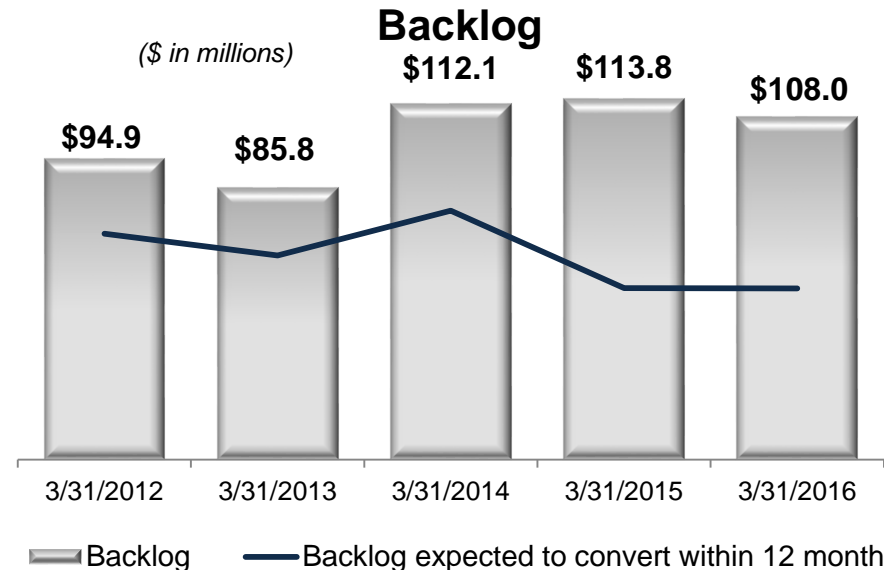
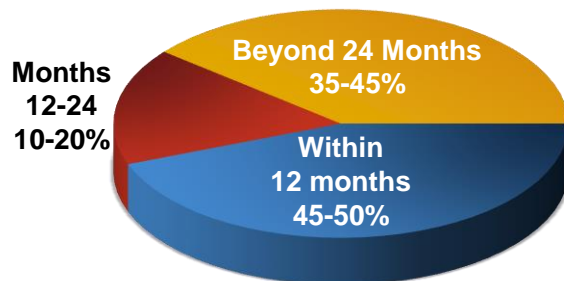
Backlog by Industry

March 31, 2016



Projected Backlog Conversion

March 31, 2016



- Predictable base supports future growth; high percentage of U.S. Navy projects in backlog
- ~60% from markets or customers not served by the Company five years ago
 - Reducing the impact of more cyclical sales in the energy industry


FY2017 Revenue Guidance⁽¹⁾

- Revenue \$80 million – \$95 million
- Gross margin 24% – 26%
- SG&A \$17.5 million – \$18.5 million
- Effective tax rate 32% – 33%

Strategic Target: Exceed \$200 million in organic revenue

⁽¹⁾ FY2016 Guidance provided as of May 25, 2016

NYSE:GHM • May 25, 2016



POSITIVE PERFORMANCE

Supplemental Information



www.graham-mfg.com

Adjusted EBITDA Reconciliation

(Unaudited)


(\$ in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2016	2015	2016	2015
Net income	\$ 520	\$ 4,165	\$ 6,131	\$ 14,735
+Net interest income	(82)	(47)	(251)	(178)
+Income taxes	183	2,021	2,599	7,017
+Depreciation & amortization	585	576	2,435	2,308
+Restructuring charge	-	1,718	-	1,718
Adjusted EBITDA	\$ 1,206	\$ 8,433	\$ 10,914	\$ 25,600
<i>Adjusted EBITDA margin %</i>	<i>5.4%</i>	<i>22.5%</i>	<i>12.1%</i>	<i>18.9%</i>

Non-GAAP Financial Measures:

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 margin is Adjusted EBITDA divided by sales. Adjusted EBITDA and Adjusted EBITDA margin are not measures 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 and Adjusted EBITDA margin are important for investors and other readers of Graham's financial statements, as they are used as analytical indicators by Graham's management to better understand operating performance. Graham's credit facility also contains ratios based on EBITDA. Because Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures and are thus susceptible to varying calculations, Adjusted EBITDA and Adjusted EBITDA margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

NYSE:GHM • May 25, 2016



POSITIVE PERFORMANCE

Fourth Quarter Fiscal 2016 Earnings Call



www.graham-mfg.com