NYSE: GHM • January 29, 2020

Third Quarter Fiscal 2020 Earnings Call

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CORPORATION

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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,” “confidence,” “projects,” “typically,” “outlook,” “anticipates,” “believes,” “appears,” “could,” “opportunities,” “seeking,” “plans,” “aim,” “pursuit,” “look towards” 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, expected expansion and growth opportunities within its domestic and international markets, anticipated revenue, the timing of conversion of backlog to sales, market presence, profit margins, tax rates, foreign sales operations, its ability to improve cost competitiveness and productivity, customer preferences, changes in market conditions in the industries in which it operates, the effect on its business of volatility in commodities prices, changes in general economic conditions and customer behavior, forecasts regarding the timing and scope of the economic recovery in its markets, its acquisition and growth strategy and its operations in China, India and other international locations, 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, included 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 slide presentation.

This presentation discusses some non-GAAP financial measures, which Graham Corporation believes are useful in evaluating its performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. Graham Corporation has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

GRAHAM CORPORATION

Strategic Overview & Outlook

Jim Lines

President & CEO

Strategic Focus: Profitable Top Line Growth

Expand Predictable Revenue Streams

- Navy
- Installed Base

Increase Market Share

- Crude Oil Refining
- Chemical/Petrochemical
- OEM Development

Add New Revenue Steams

- M&A
  - Share of customer wallet
  - Additional products

Strategic Outcomes

Strengthen long-term shareholder returns

More consistent financial results

Greater cash generation for future
- M&A
- Organic growth investment
- Future dividend increases

Strategic Lever:

Change Position Where Market Share is Low

Capture More Share Within

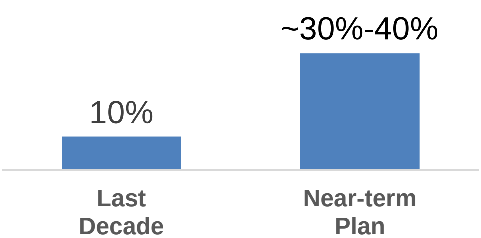
- International crude oil refining
- International chemical/petrochemical

Actions

- Develop greater execution scale
  - Fabrication capacity via global supply chain
  - Shift certain engineering in fabrication partner
- Isolate and moat critical IP and know-how
- Structure quality and supply chain oversight organization
- Aggressively pursue versus opportunistically take this work

Graham Annual Outsourced Hours

(as % of direct labor)



OEM Development Within Short-Cycle Segment

- Hydrogen fuel
- Supercritical fluids
- Industrial gases
- Cryogenic
- Natural gas
- Other

Actions

- Hired strategy leader with sales manager focused on this
- Strengthen opportunity generation and management tools
- Continuous improvement to create execution and quoting capacity
- Aggressiveness to secure this work

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Updating FY2020 Guidance[1]

Excludes divested Energy Steel business:

• Revenue	\$100 million – \$105 million, 20% – 26% growth
• Gross margin	21% – 22%
• SG&A	\$17.0 million – \$17.5 million
• Effective tax rate	~20%

(1) FY2020 guidance updated as of January 29, 2020

Financial Overview

Jeff Glajch

Vice President & CFO

Third Quarter Fiscal 2020 Summary

- Q3 revenue of $25.3 million up 47%
  - Q3 FY 2019 was $17.2 million
- Q3 net income and EPS were breakeven
  - Q3 FY 2019 net income was $95,000, $0.01 per share;
    Q3 FY 2019 adjusted net income was $0.5 million, $0.05 per share
- Q3 orders of $20.0 million
  - Driven by crude oil refining and industrial and defense markets
  - Backlog remains strong at $122.9 million

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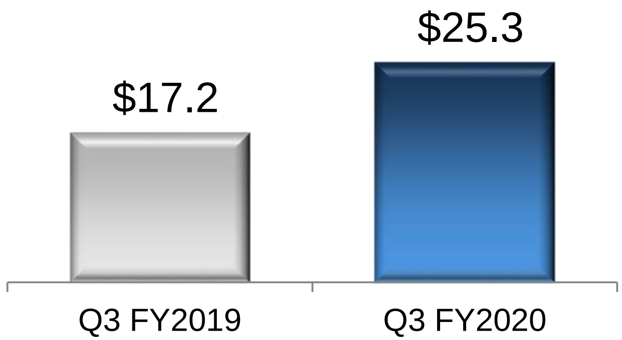
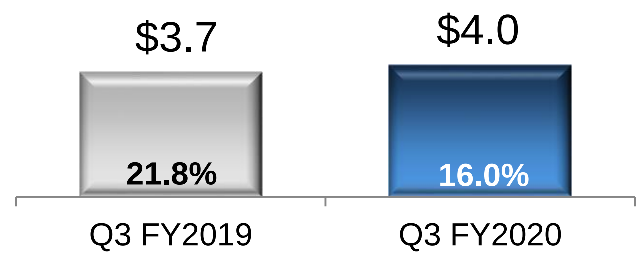
Q3 FY 2020 – Project Mix Impacts Margins

($ in millions, except per share data)

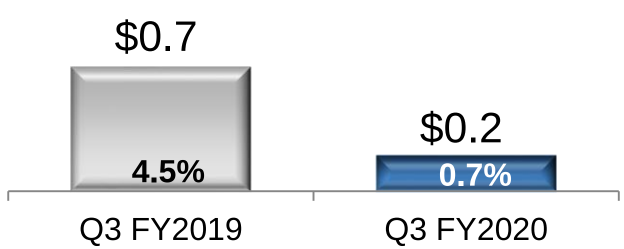
Sales



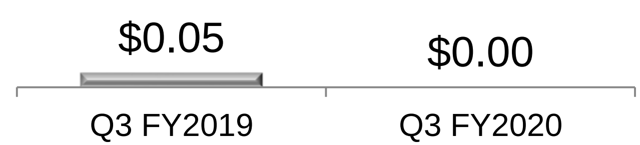
Gross Profit and Margin



Adjusted EBITDA and Margin[1]



Adjusted EPS[2]



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

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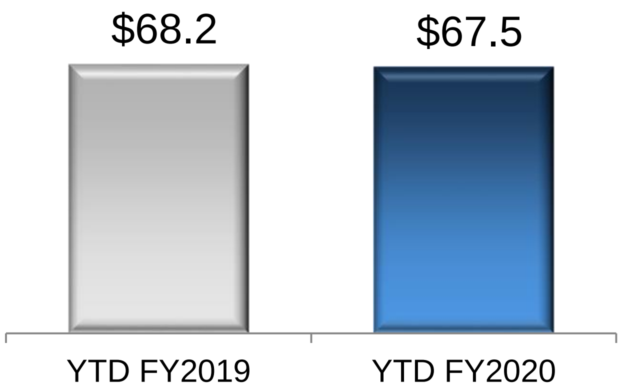
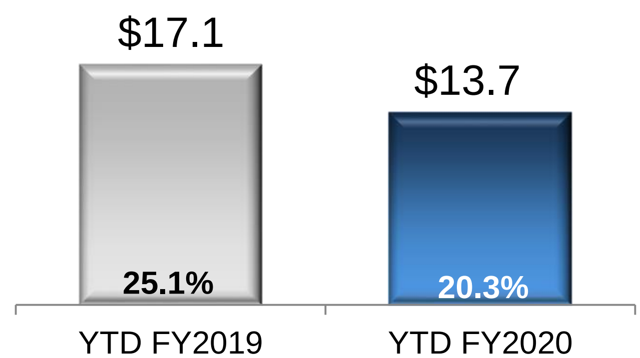
YTD FY2020 – Adverse Mix Impacts Results

($ in millions, except per share data)

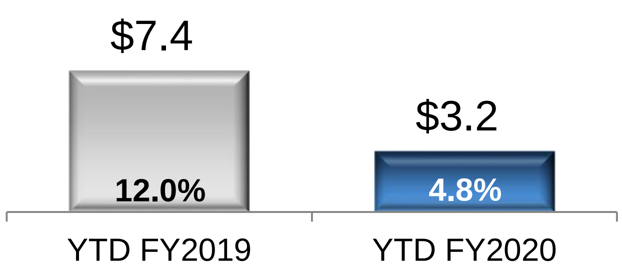
Sales



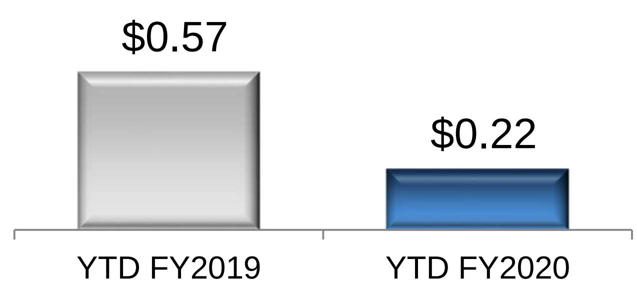
Gross Profit and Margin



Adjusted EBITDA and Margin(1)



Adjusted EPS(2)



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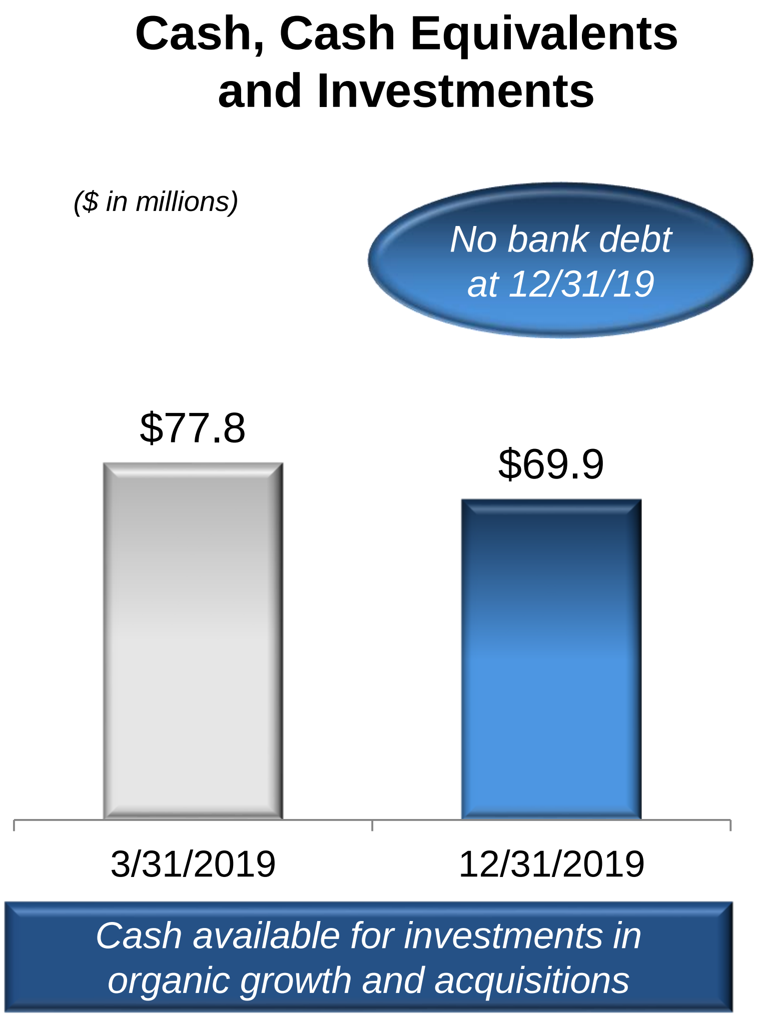
Balance Sheet Remains Strong



- Cash[1] balance decreased $7.9 million in YTD FY2020
  - Cash used by operations was $4.1 million, impacted by lower net income and timing of working capital
  - Paid $3.2 million of dividends
  - Cash[1] on hand at quarter end of $7.07 per share
- Capital expenditures of $1.4 million in YTD FY2020 compared with $1.5 million in YTD FY2019
  - FY2020 capital expenditures expected to be between $2.5 million and $2.8 million[2]

(1) Represents cash, cash equivalents, and investments
(2) FY2020 guidance reaffirmed as of January 29, 2020

Operations Overview

Alan Smith

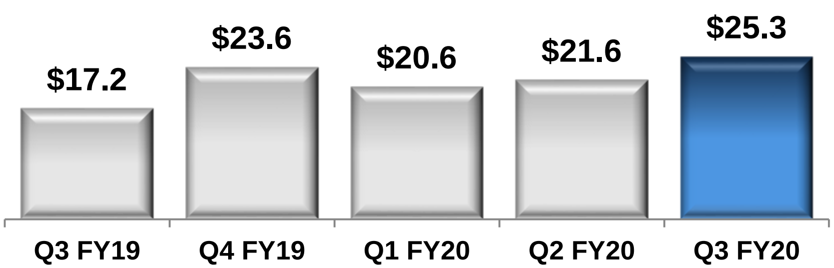
VP & GM-Batavia

Third Quarter Fiscal 2020 Sales

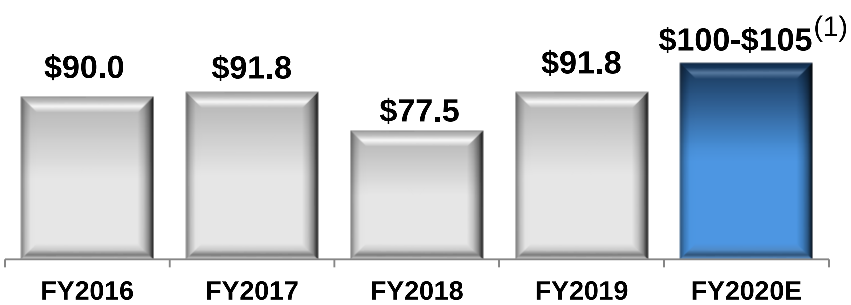
Driven by refining market

($ in millions)

Quarterly Revenue



Annual Revenue



(1) FY2020 guidance as of January 29, 2020; excludes commercial nuclear utility business divested June 24, 2019

- Q3 sales increased vs prior year
  - Refining industry: $12.2 million, up from $6.6 million
  - Chemical/petrochemical industry: $6.2 million, up from $2.9 million
  - Power industry: $0.3 million, down from $2.7 million*
  - Other commercial, industrial and defense: $6.6 million, up from $5.0 million
- Q3 sales by geography
  - Sales to the U.S. were down to $13.4 million, 53% of total; last year was $14.3 million
  - Sales to international markets were $11.9 million; up from $2.9 million last year

** Power industry sales down primarily due to divestiture of Energy Steel in June 2019*

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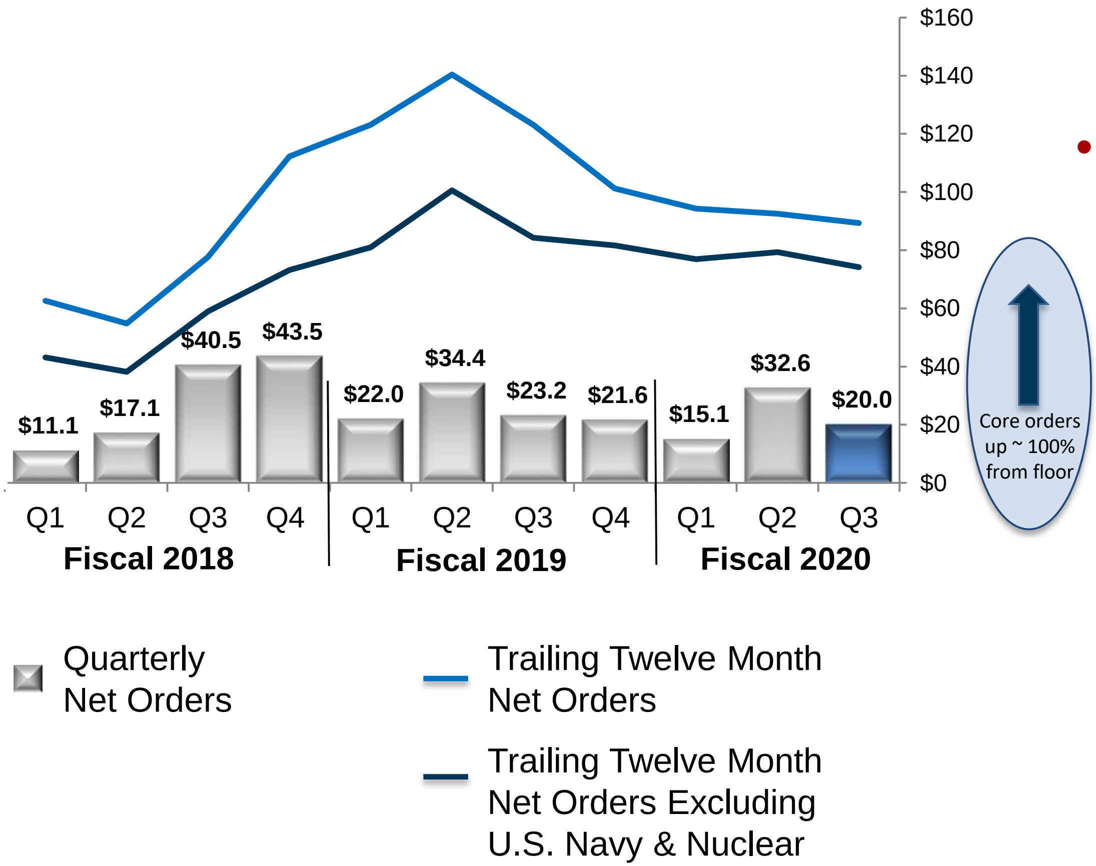
Volatile Order Activity

Quarterly and TTM Net Orders

(in millions)



- TTM trend impacted by
  - Timing of large traditional refining and chemical/petrochemical orders
  - U.S. Navy orders
- Q3 FY2020 orders by industry vs Q3 FY2019
  - Refining industry up $1.6 million
  - Chemical/petrochemical industry down $6.8 million
  - Power industry down $1.7 million*
  - Other commercial, industrial and defense up $3.7 million due to timing of U.S. Navy orders

** Power industry orders down primarily due to divestiture of Energy Steel in June 2019*

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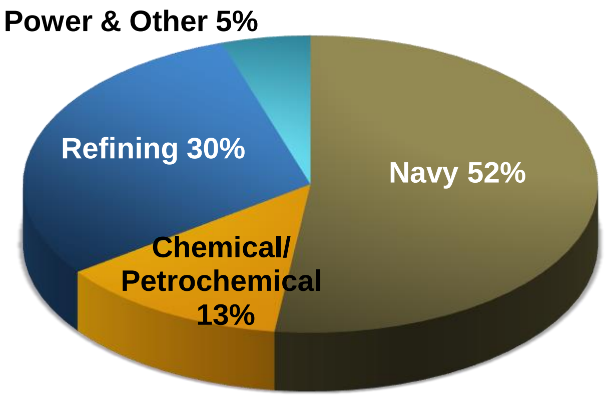
Backlog Level Supports Growth Outlook

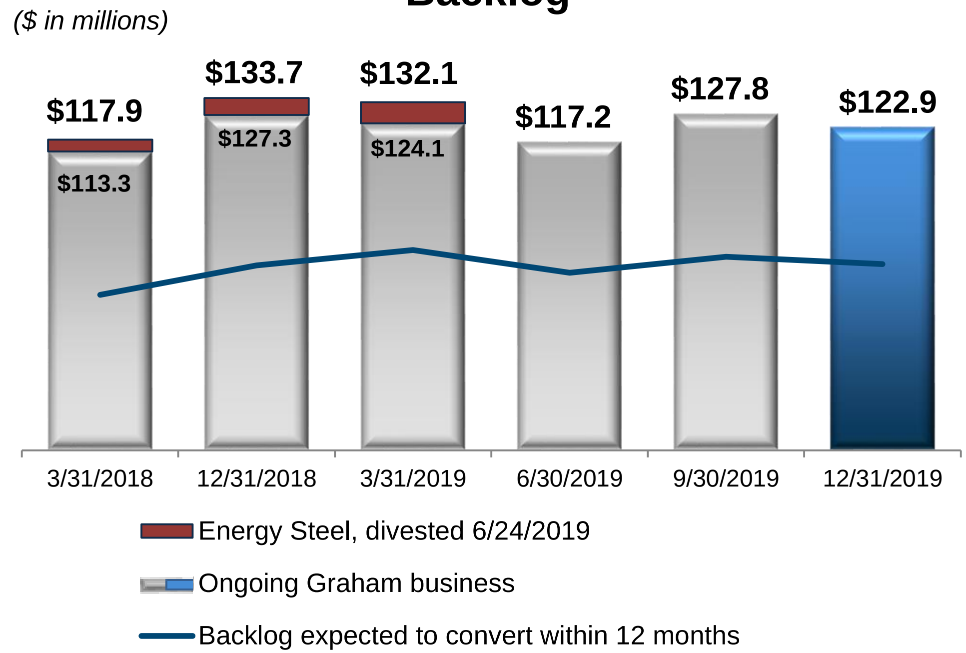
Mix highlights importance of diversification strategy

Backlog by Industry

December 31, 2019

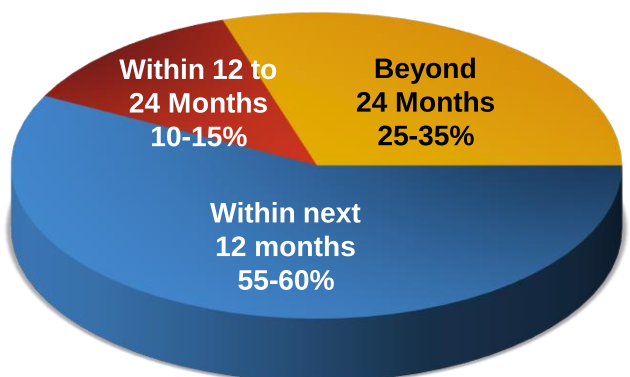


Backlog



Projected Backlog Conversion

December 31, 2019



- Backlog continues to be strong at 12/31/19 driven by refining market and U.S. Navy
- High percentage of U.S. Navy projects in backlog enhances future stability and growth

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Supplemental Information

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Adjusted EBITDA Reconciliation

(Unaudited)

($ in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2019	2018	2019	2018
Net income	**$ 9**	**$ 95**	**$ 1,296**	**$ 4,245**
+ Net interest income	(316)	(399)	(1,071)	(1,036)
+ Income taxes	(3)	(56)	364	824
+ Depreciation & amortization	488	548	1,479	1,647
+ Loss on sale of commercial nuclear utility business	-	-	87	-
+ Operating loss of commercial nuclear utility business	-	502	1,016	1,683
Adjusted EBITDA	**$ 178**	**$ 690**	**$ 3,171**	**$ 7,363**
Adjusted EBITDA margin %	*0.7%*	*4.5%*	*4.8%*	*12.0%*

Non-GAAP Financial Measure:

Adjusted EBITDA is defined as consolidated net income before interest expense and income, income taxes, depreciation and amortization, and the operating loss and loss on the sale of the commercial nuclear utility business. Adjusted EBITDA margin is adjusted EBITDA divided by sales excluding sales of the commercial nuclear utility business. 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.

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Adjusted Net Income Reconciliation

(Unaudited)

($ in thousands,
except per share data)

	Three Months Ended December 31,				Nine Months Ended December 31,			
	2019		2018		2019		2018	
		Per Diluted Share		*Per Diluted Share*		*Per Diluted Share*		*Per Diluted Share*
Net income	$ 9	$ -	$ 95	$ 0.01	$ 1,296	$ 0.13	$ 4,245	$ 0.43
+ Loss on sale of commercial nuclear utility business	-	-	-	-	87	0.01	-	-
+ Operating loss of commercial nuclear utility business	-	-	502	0.05	1,016	0.10	1,683	0.17
- Tax effect of above	-	-	(95)	(0.01)	(203)	(0.02)	(314)	(0.03)
Adjusted net income	$ 9	$ -	$ 502	$ 0.05	$ 2,196	$ 0.22	$ 5,614	$ 0.57

Non-GAAP Financial Measure:

Adjusted net income is defined as GAAP net income excluding the operating loss and loss on the sale of the commercial nuclear utility business. 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.

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