NYSE: GHM • June 10, 2020

Fourth Quarter Fiscal 2020 Earnings Call

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Strategic Overview & Outlook

Jim Lines

President & CEO

COVID-19 Pandemic Impact and Response

Immediate response: Protect workforce and local communities

- ✓ Production facility operated at ~10% from late March through Mid-April
- ✓ Extensive deep cleaning of facility was completed
- ✓ Factory personnel ramped back up in April through May
  - Average production capacity in Q1 2021 ~50%
  - 90% production capacity expected by June 2020
- ✓ Established social distancing procedures
- ✓ Regular hygiene practices are required
- ✓ Wage and benefits continuity during shutdown

Post COVID-19 Near-Term Plan

<u>Capitalize to come out stronger</u>

✓ Balance sheet strength

- Invest in long term value creation strategies
  - Installed base
  - US Navy organic growth
  - M&A

✓ Access global fabrication supply chain

- Greater execution capacity
- Improved cost basis for certain projects

✓ Process improvement and productivity gains

✓ Organization development

- Keep staffing strong
  - Capture opportunities that arise
  - Hold on to knowledge and talent
- Add new talent and capabilities

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Current Business Environment – End Markets

- Refining – varies by region and type of end user
  - Bidding activity strong in Asia, particularly for China and India and we are pursuing aggressively
  - National and integrated oil companies delaying strategic and MRO investment decisions due to poor cash flow from upstream tied to weakened oil price and consumer demand decline,
  - Independent refiners adjusting strategic and MRO investment due to crack spread collapse tied to consumer demand decline
- Chemical/petrochemical – weakening U.S. investment trend
  - Orders are down primarily due to near term cash flow and profitability tied to consumer demand decline
  - Early stage of next ethylene capacity expansion entering bid pipeline, principally for Asia
  - Dramatic reduction in shale fracking altering supply of co-produced natural gas that is principal feedstock for North American petrochemical facilities
- U.S. Navy – opportunities remain robust
  - Pipeline includes $40-$50 million of active bids, expected to close in fiscal 2021
- Short cycle orders down due to global economic impact from pandemic
- Graham backlog supports near-term expected “V-shaped” revenue recovery in FY2021

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Financial Overview

Jeff Glajch

Vice President and CFO

Fourth Quarter & Fiscal 2020 Summary

Fourth Quarter

- Revenue declined 2% to $23.1 million
- Net income of $0.6 million, or $0.06 per share
- Orders of $12.3 million

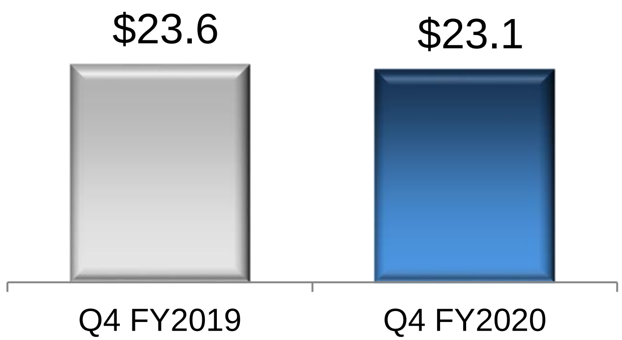
Fiscal 2020

- Revenue declined 1% to $90.6 million
  - $7 million in revenue delayed to 2021 due to COVID-19 pandemic
- Net Income of $1.9 million, or $0.19 per share
- Strong balance sheet provides ample liquidity with cash balance of $73 million at March 31, 2020
- Orders of $80.0 million
- High quality backlog of $112.4 million – 52% for U.S. Navy projects

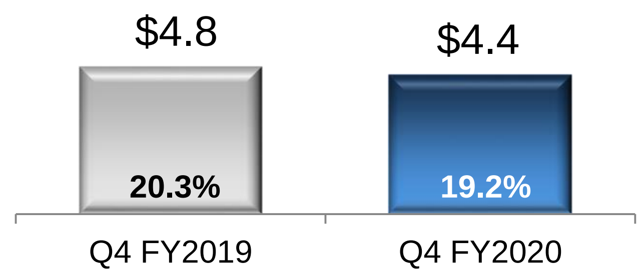
Q4 FY 2020 – COVID-19 Impacted Results

($ in millions, except per share data)

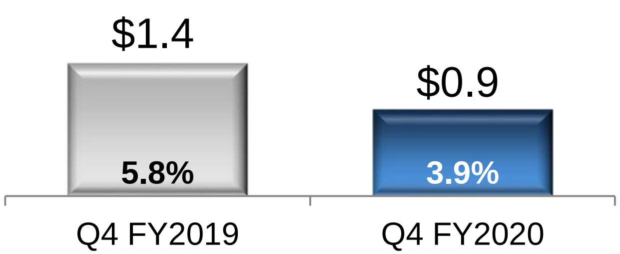
Sales



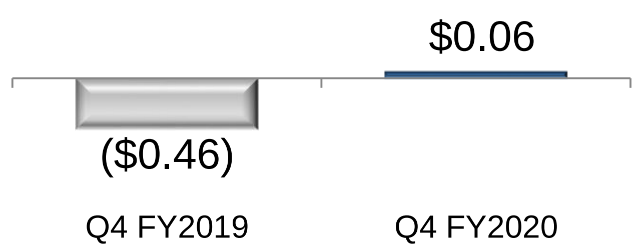
Gross Profit and Margin



Adjusted EBITDA and Margin(1)



Diluted EPS



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

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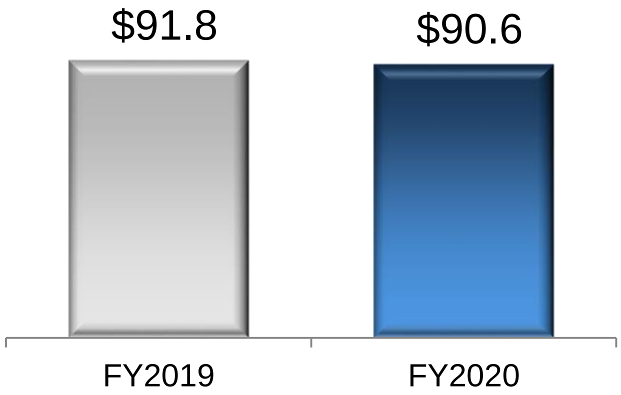
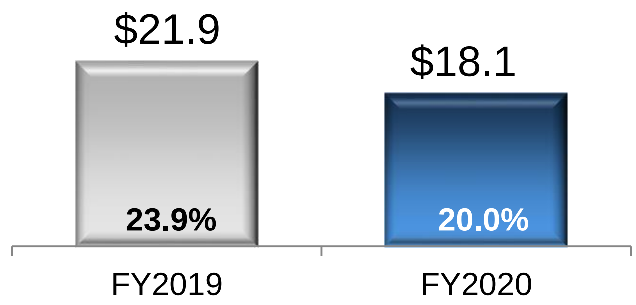
FY2020 – COVID-19 Delays Led To Margin Decline

($ in millions, except per share data)

Sales



Gross Profit and Margin



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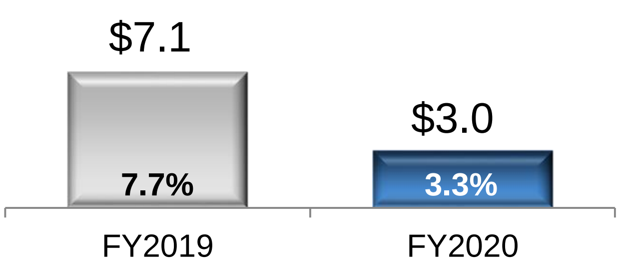

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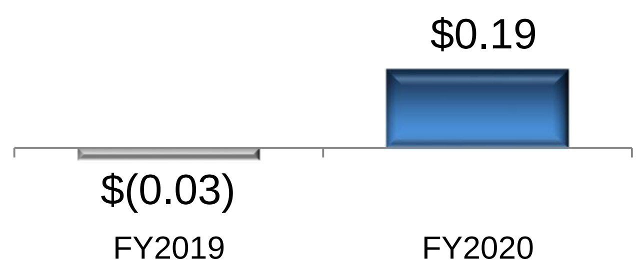

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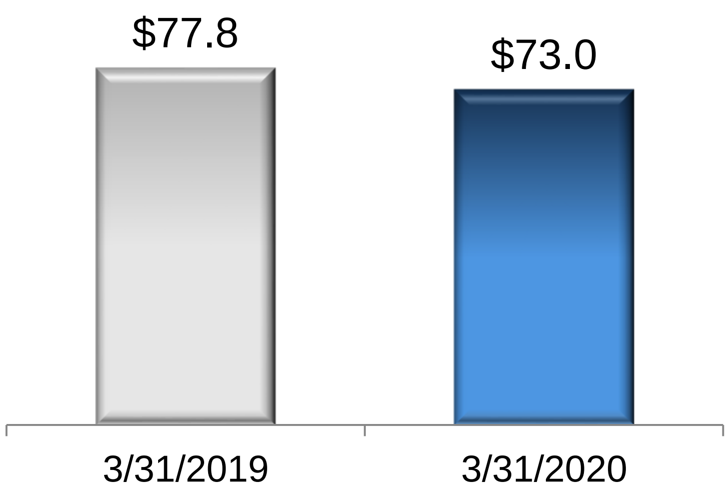
Strong Balance Sheet Provides Liquidity

Cash, Cash Equivalents and Investments

($ in millions)

No bank debt at 3/31/20



Cash available for investments in organic growth and acquisitions

- Cash[1] balance decreased $4.8 million in FY2020
  - Cash provided by operations was $1.2 million
  - Paid $4.3 million of dividends
  - Cash[1] on hand at year end of $7.39 per share
- FY2020 and FY2019 capital expenditures of $2.4 million and $2.1 million, respectively

(1) Represents cash, cash equivalents, and investments

Operations Overview

Alan Smith

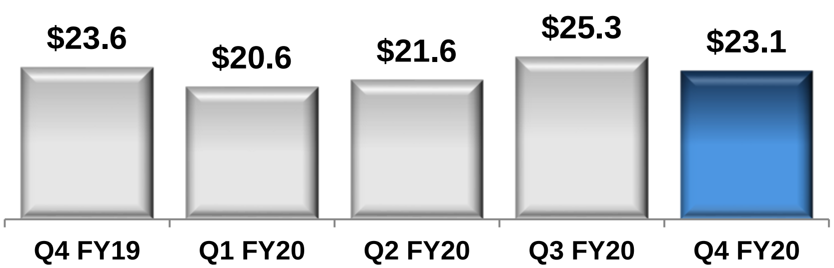
VP & GM-Batavia

Fourth Quarter Fiscal 2020 Sales

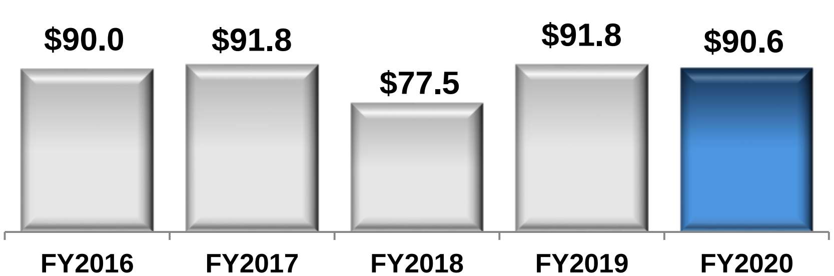
Driven by core markets

($ in millions)

Quarterly Revenue



Annual Revenue



- Q4 sales decreased vs prior year
  - Refining industry:
    $7.4 million, down from $9.6 million
  - Chemical/petrochemical industry:
    $7.1 million, down from $7.4 million
  - Power industry:
    $0.6 million, down from $2.0 million
  - Other commercial, industrial and defense:
    $8.0 million, up from $4.6 million
- Q4 sales by geography
  - Sales to the U.S. were down 13% to $14.5 million, 63% of total; last year was $16.6 million
  - Sales to international markets were $8.6 million; up from $7.0 million last year

** Power industry sales down primarily due to divestiture of Commercial Nuclear Business in June 2019*

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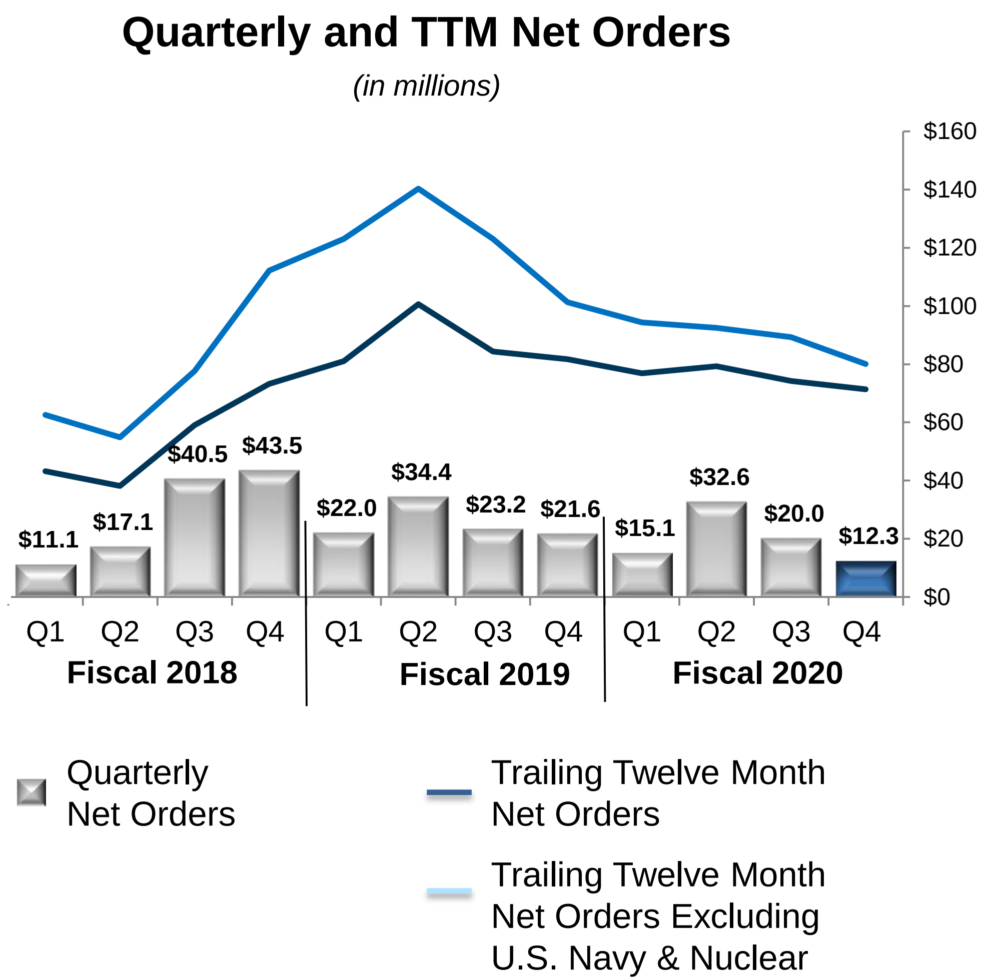
Volatile Order Activity



- TTM trend impacted by
  - COVID-19 pandemic and market uncertainty
  - Declines in refining and chemical/ petrochemical industry orders
- Q4 FY2020 orders by industry vs Q4 FY2019
  - Refining industry down $8.4 million
  - Chemical/petrochemical industry up $2.6 million
  - Power industry down $3.2 million
  - Other commercial, industrial and defense down $0.3 million due to timing of U.S. Navy orders

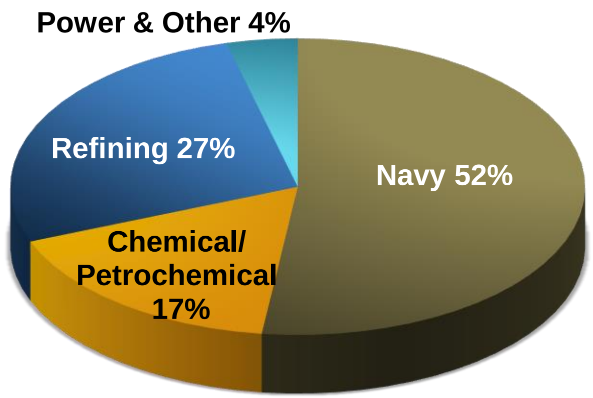
** Power industry orders down primarily due to divestiture of Commercial Nuclear Business in June 2019*

Backlog Level Supports Growth Outlook

Mix highlights importance of diversification strategy

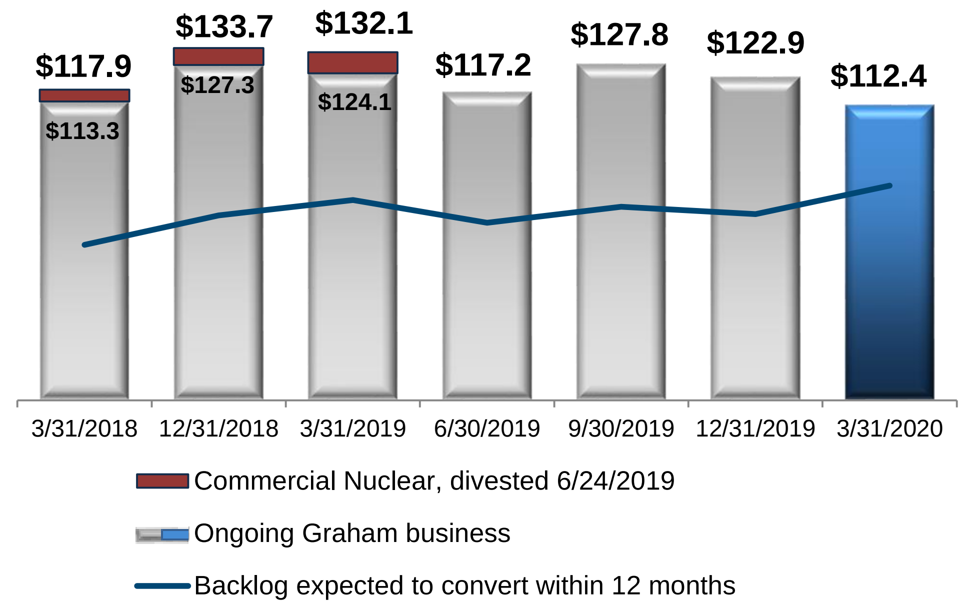
Backlog by Industry

March 31, 2020



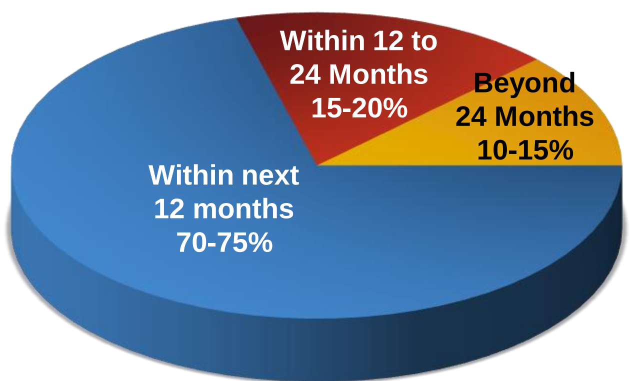
Backlog

($ in millions)



Projected Backlog Conversion

March 31, 2020



- Backlog remains healthy at 3/31/20 driven by U.S. Navy and refining market
- High percentage of U.S. Navy projects in backlog enhances future stability and growth. All programs now in revenue cycle

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Supplemental Information

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Adjusted EBITDA Reconciliation

(Unaudited)

($ in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2020	2019	2020	2019
Net income	**$ 576**	**$ (4,553)**	**$ 1,872**	**$ (308)**
+ Net interest income	(241)	(414)	(1,312)	(1,450)
+ Income taxes	76	(661)	440	163
+ Depreciation & amortization	489	558	1,968	2,205
+ Goodwill and other impairments	-	6,449	-	6,449
Adjusted EBITDA	**$ 900**	**$ 1,379**	**$ 2,968**	**$ 7,059**
Adjusted EBITDA margin %	*3.9%*	*5.8%*	*3.3%*	*7.7%*

Non-GAAP Financial Measure:

Adjusted EBITDA is defined as consolidated net income before net interest income, income taxes, depreciation, amortization and goodwill and other impairments and adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of 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, 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. Moreover, 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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