NYSE: GHM • July 30, 2020

First Quarter Fiscal 2021 Earnings Call

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GRAHAM CORPORATION

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This presentation includes some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The Company has provided a discussion of these non-GAAP financial measures and reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

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Financial Overview

Jeff Glajch

Vice President and CFO

First Quarter Fiscal 2021 Summary

- **Q1 fiscal 2021 sales of $16.7 million**
  - Average operating capacity of 50% during the quarter due to COVID-19 pandemic
  - Defense industry sales up $1.4 million; 21% of total sales
- **Net loss of $0.18 per share due to reduced leverage of fix costs on lower throughput**
- **Cash and short-term investments at June 30, 2020 was $67.2 million**
- **Backlog at June 30, 2020 was $107.2 million**
  - 51% from Defense industry
  - Backlog Supports remaining three quarters of FY21

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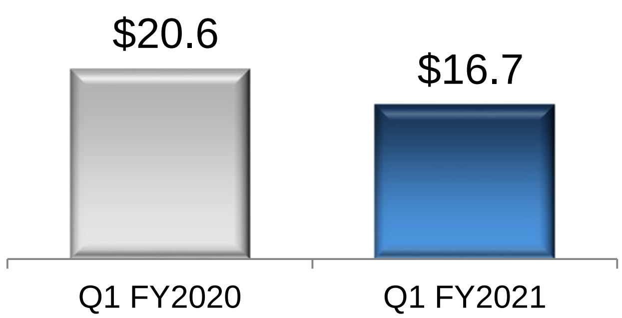
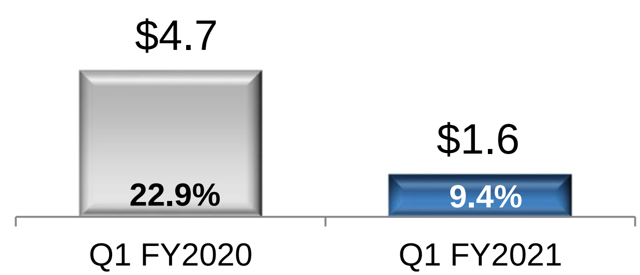
Q1 FY 2021: COVID-19 And Related Capacity Reductions

($ in millions, except per share data)

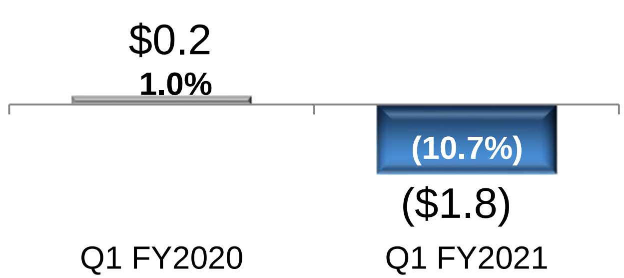
Sales



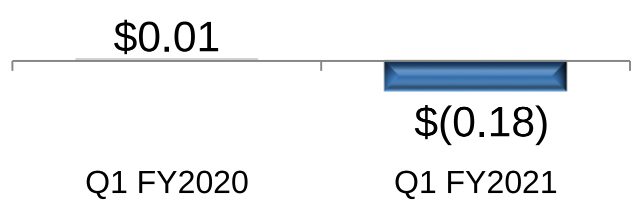
Gross Profit and Margin



EBITDA and Margin(1)



Diluted EPS



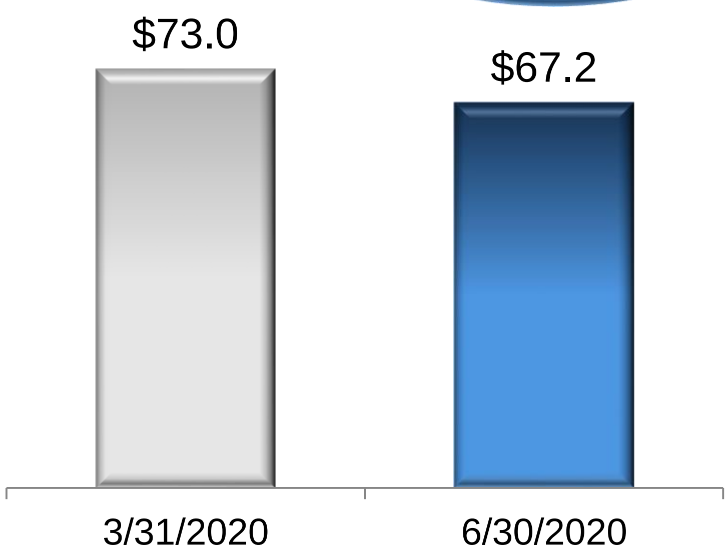
(1) See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

Significant Financial Flexibility

Cash, Cash Equivalents and Investments

($ in millions)

No bank debt at 6/30/20



Cash available for investments in organic growth and acquisitions

- Cash[1] balance decreased $5.8 million in Q1 FY2021
  - Cash used by operations was $4.4 million
  - Paid $1.1 million of dividends
  - Cash[1] on hand at year end of $6.74 per share
- Capital expenditures of $0.3 million in Q1 FY2021 remained at the same level compared with Q1 FY2020

(1) Represents cash, cash equivalents, and investments

Operations Overview

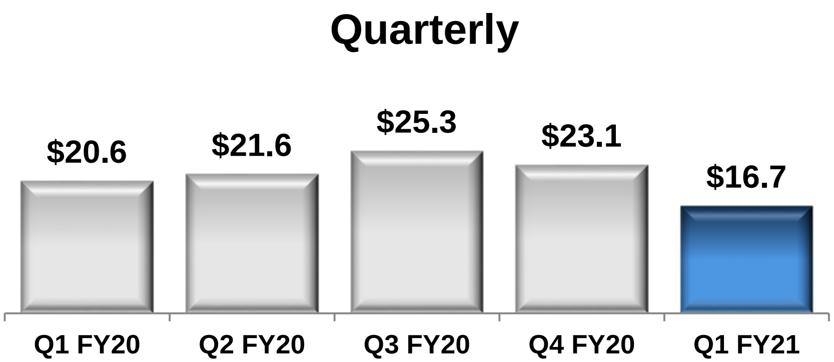
Alan Smith

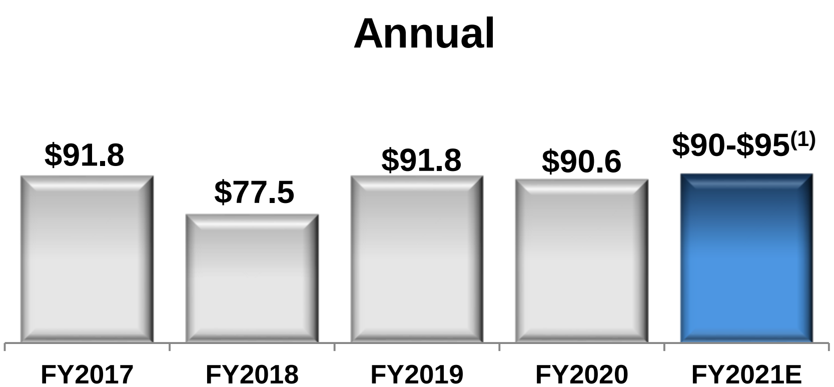
VP & GM-Batavia

Revenue

Capacity constrained by COVID-19

($ in millions)





Q1 COVID-19 impact as expected

- Volume in Batavia constrained due to COVID-19
+ 30% of revenue related to project in China
+ Defense revenue was $3.5 million up from $2.1 million

Q1 Sales by geography

+ International was up $1.1 M to $7.3M
- U.S. down 35% to $9.4M

[1] FY2021 guidance updated as of July 30, 2020; excludes commercial nuclear utility business divested June 23, 2019

Margin Improvement Initiatives

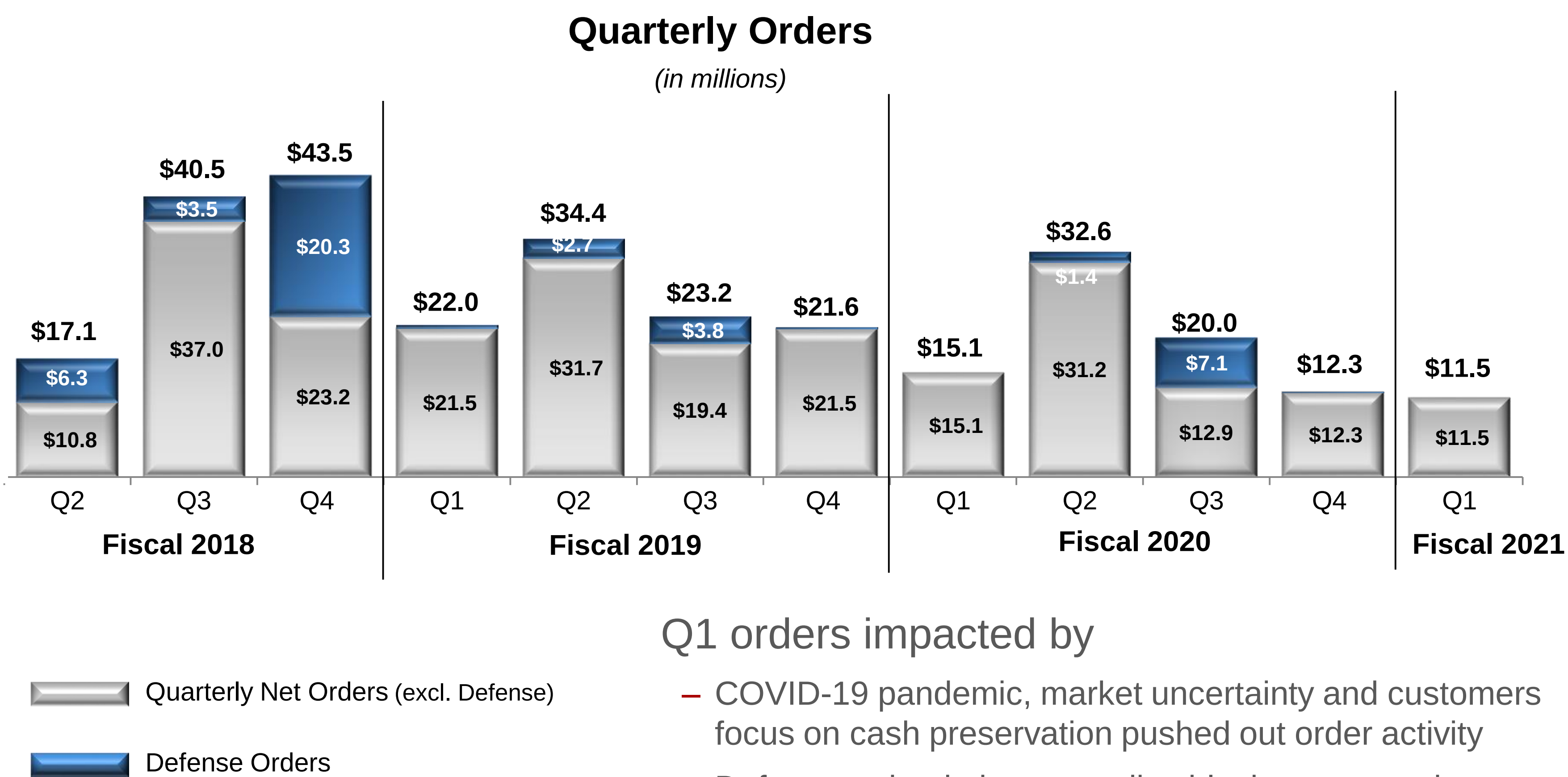
Initiative	Actions
Vendor Management	• Negotiate to lower costs • COVID creates procurement opportunities
Hire and train skilled workers to drive production volume	• Implement on site Graham Weld School • On-site weld lab and test facility • Improve on-boarding of skilled workers- training and OJT
Differentiate defense program execution to earn sole source status	• Risk identification and mitigation • Ensure software and hardware on time delivery • Strengthen quality culture high first pass yield
Optimize defense program production	• Complete first-article orders and production • Standardize operations and procedures for repeat fabrication
Leverage IT	• Create management dashboards • Streamline workflows
Leverage increased outsourcing	• Build-out organizational structure • Further strengthen vendor oversight

Strategic Overview & Outlook

Jim Lines

President & CEO

Variable Quarterly Order Activity



Q1 orders impacted by

- COVID-19 pandemic, market uncertainty and customers focus on cash preservation pushed out order activity
- Defense order timing unpredictable, but expected
- Domestic refining and petrochemical industry orders

Totals shown in graph may not equal the sum of the segments due to rounding

Market Outlook: Cautiously Optimistic

Refining

- Active pipeline in Asia
  - India and China
- North America weak
  - A few active projects and less short cycle work
  - Customers focused on cash preservation
- Mid East & Latin America
  - Next wave of projects after FY21

US Navy

- Healthy pipeline of bids
- Active in all three programs
  - CVN Carrier
  - SSN Virginia Class Subs
  - SSBN Columbia Class Subs
- Certain bids are new components

Chemical/Petrochemical

- Customer priority is conserving cash
  - Reluctance to commit to orders
  - Delaying spending
- Next wave of ethylene capacity is setting up
  - World-scale integrated refineries in MidEast/Asia
  - North America may be less relevant

Short cycle

- Spare parts showing signs of improvement
- OEM work is down - lack of demand
- Involvement in new markets
  - H2 fuel
  - Compress natural gas
  - Supercritical fluids

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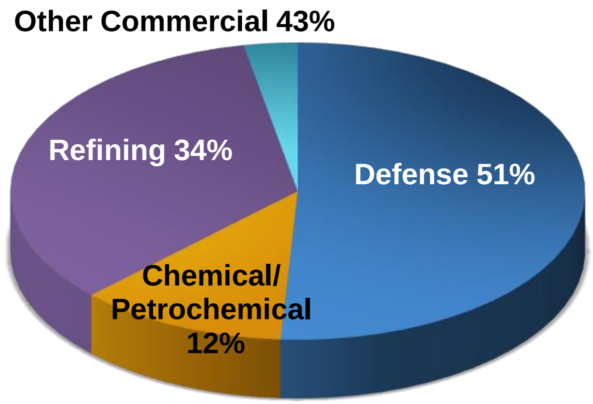
Backlog Supports Revenue Expectations

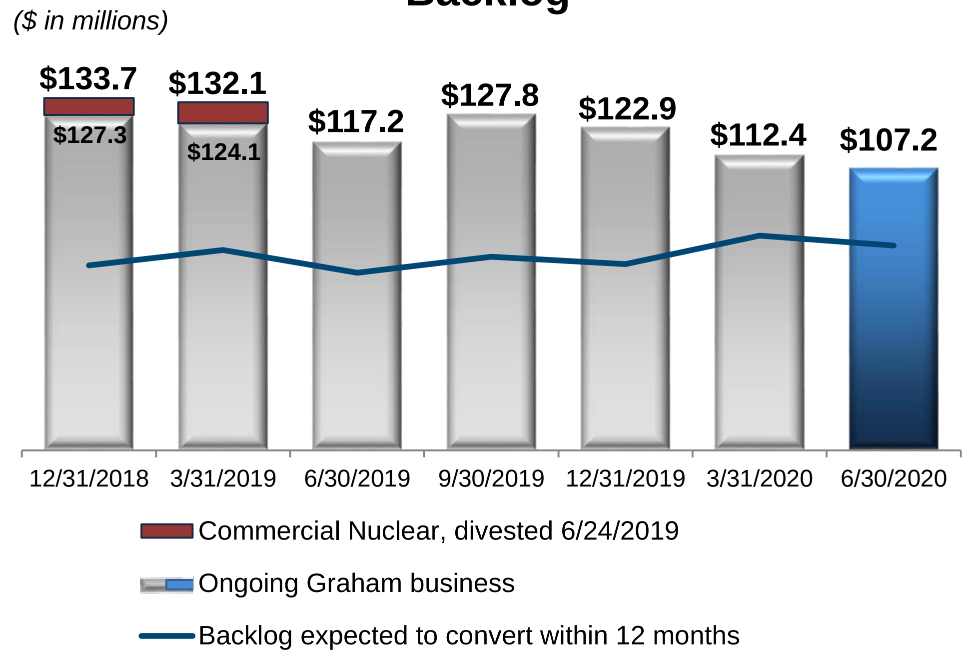
Defense becoming larger contributor to revenue

Backlog by Industry

June 30, 2020

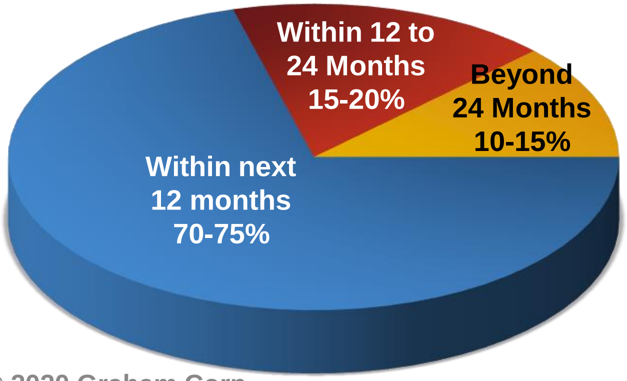


Backlog



Projected Backlog Conversion

June 30, 2020



- Healthy backlog driven by defense and refining market
- Expect defense to grow meaningfully in FY2021
  - $50 million of active bids expected to close
- Remaining three quarters to improve from Q1 FY21

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FY2021 Guidance[1]

Excludes divested Energy Steel business

Revenue: $90 million to $95 million

- Implies $73.3 to $78.3 of revenue in remaining three quarters

Gross Margin: 20% to 22%

- Measurably improved over 9.4% in Q1 FY21

SG&A: $17 million to $18 million

Effective tax rate: ~22%

(1) FY2021 guidance updated as of July 30, 2020

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Focused on Long-term: Strategic Update

Goals	Objectives and Progress
Increase predictable revenue streams	1. Execute on Defense backlog; Gain greater share of wallet ▪ *FY21 revenue expected to grow >50%* 2. Focus on core installed base ▪ *COVID-driven pause* 3. Acquisitive additions of new products for Core and Defense markets ▪ *High quality, active discussion ongoing* ▪ *Focused on stable revenue streams*
Improve competitive position in cost-focused segments of current markets	Expand business model for cost-focused markets ▪ *Build outsourced sales, engineering and manufacturing capabilities* ▪ *Establishing execution capabilities in India, China and other regions*
Strengthen financial results and margins	1. Increase skilled labor to expand throughput capacity in Batavia ▪ *~20 open positions* 2. Earn sole source bidding opportunities ▪ *Backlog and pipeline quality improving* 3. Beyond 1st article cost structure: Standardized Defense manufacturing processes ▪ *Production R&D nearing completion* 4. Balance near-term vs. long-term requirements for cost structure ▪ *Monitor markets, customers, pipeline and project wins for fiscal 2022 opportunities and COVID-19 impacts* 5. Acquire strong performing business or tuck in that provides volume ▪ *High quality, active discussions*

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Supplemental Information

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EBITDA Reconciliation

(Unaudited)

($ in thousands)

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
Net (loss) income	**$**	**(1,818)**	**$**	**82**
Net interest income		(89)		(396)
Income taxes		(372)		25
Depreciation & amortization		486		501
EBITDA	**$**	**(1,793)**	**$**	**212**
EBITDA margin %		*-10.7%*		*1.0%*

Non-GAAP Financial Measure:

EBITDA is defined as consolidated net income before net interest income, income taxes, depreciation, and amortization and EBITDA margin is defined as EBITDA as a percentage of sales. EBITDA and 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 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 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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