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Third Quarter Fiscal 2021 Earnings Call

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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.

Financial Overview

Jeff Glajch
Vice President and CFO

Third Quarter Fiscal 2021 Summary

- **Q3 fiscal 2021 sales of $27.2** million
  - Refining sales to previously underserved markets
  - Defense industry sales were $4.5 million in Q3 and & $17.4 million YTD
- **Net income of $1.1 million, improved from breakeven in Q3 fiscal 2020**
- **Cash and short-term investments at December 31, 2020 were $69.3 million**
- **Backlog at December 31, 2020 was $149.7 million**
  - 70% from Defense industry
  - Backlog supports remaining quarter of FY21

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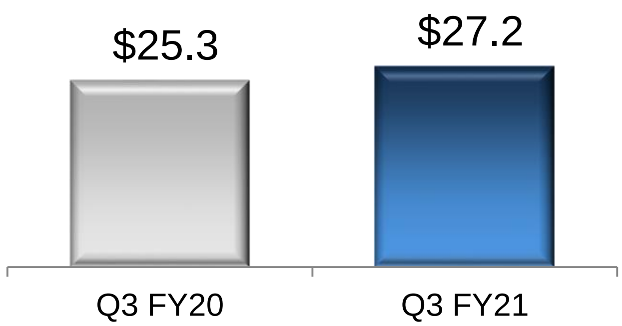
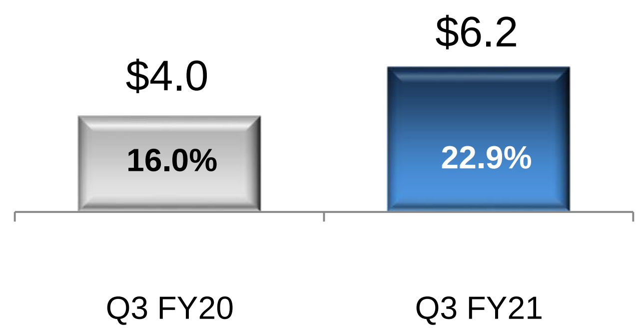
Q3 FY 21: Solid Results Reflect Strength in Asia Refining

($ in millions, except per share data)

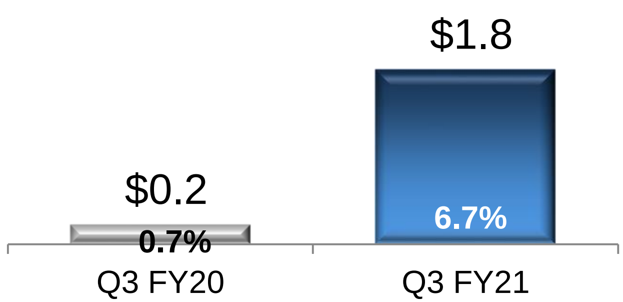
Sales



Gross Profit and Margin



EBITDA and Margin(1)



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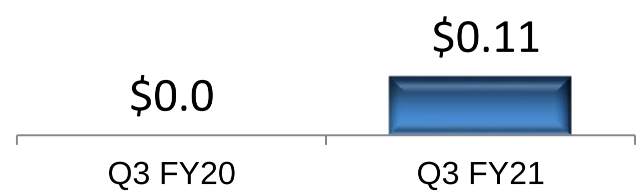

(1) See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

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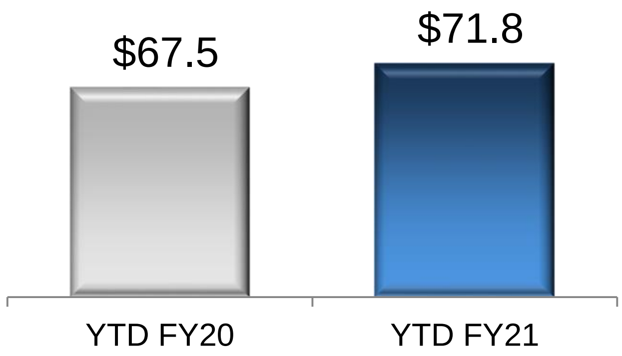
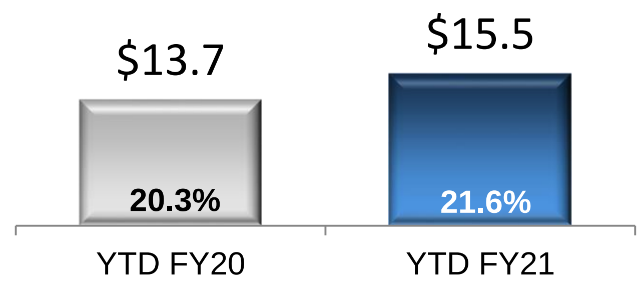
YTD FY2021: International Refining Growth Offset COVID-19 Impact

($ in millions, except per share data)

Sales



Gross Profit and Margin



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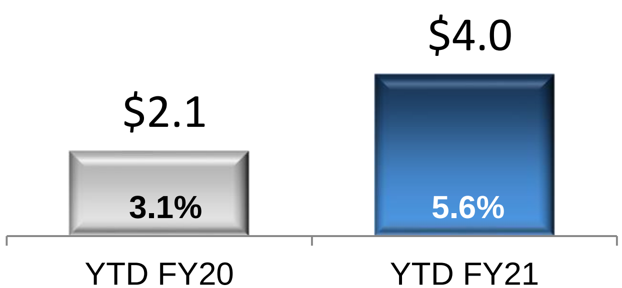

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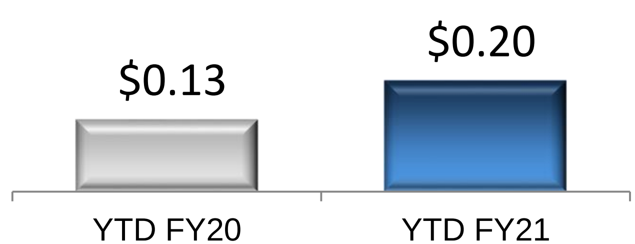

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Significant Financial Flexibility

Cash, Cash Equivalents and Investments

($ in millions)

No bank debt at 12/30/20

Cash available for investments in organic growth and acquisitions

- Cash[1] balance decreased $3.7 million YTD FY21
  - Cash provided by operations was $0.7 million due to timing of working capital
  - Cash[1] on hand at quarter end of $6.94 per share
- Dividends paid YTD FY21 were $3.3 million
- Capital expenditures of $1.5 million in YTD FY21 compared with $1.4 million in YTD FY20
  - FY2021 capital expenditures expected to be between $2.0 million and $2.5 million[2]

(1) Represents cash, cash equivalents, and investments

(2) FY2021 guidance as of January 28, 2021; capital expenditures expected to be between $2.0 million and 2.5 million

Operations Overview

Alan Smith

VP & GM-Batavia

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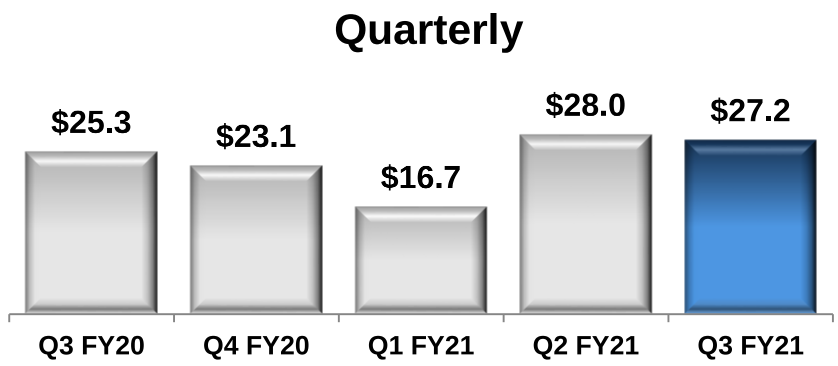
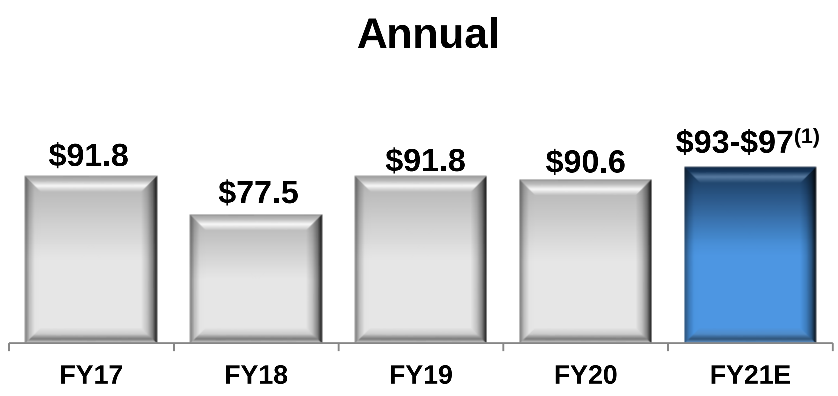
Revenue

Driven by refining market

($ in millions)





- Q3 sales increased vs prior year
  - Refining industry: $16.5 million, up from $12.2 million
  - Chemical/petrochemical industry: $4.8 million, down from $6.2 million
  - Defense industry: $4.5 million, up from $4.3 million
  - Other commercial: $1.4 million, down from $2.6 million
- Q3 sales by geography
  - Sales to the U.S. were $10.7 million, 39% of total; last year was $13.4 million; 53% of total
  - Sales to international markets were $16.5 million; up from $11.9 million last year

(1) FY2021 guidance as of January 28, 2021; excludes commercial nuclear utility business divested June 23, 2019

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Margin Improvement Initiatives Anticipated to Continue

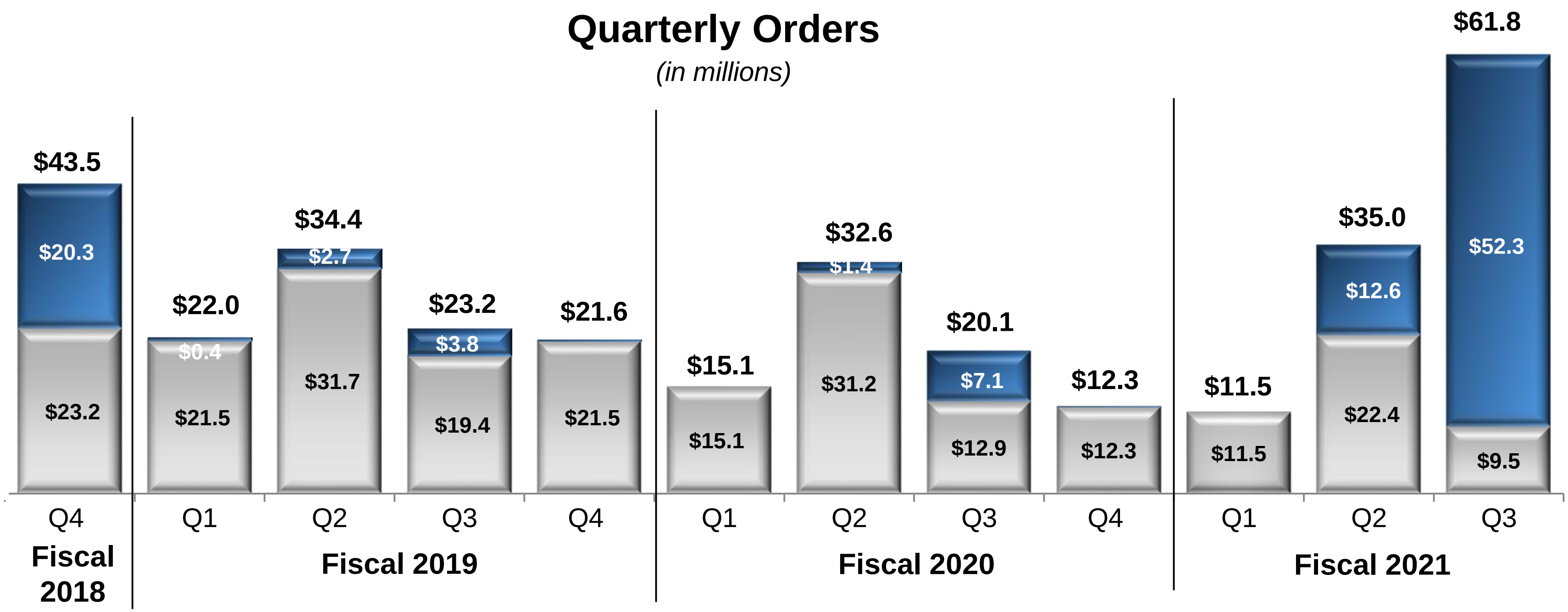
Initiative	Actions
Vendor Management	• Negotiate to lower costs • COVID creates procurement opportunities
Hire and train skilled workers to drive production volume	• Implement on site Graham Weld School • On-site weld lab and test facility • Improve on-boarding of skilled workers- training and OJT
Differentiate 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



Quarterly Net Orders (excl. Defense)

Defense Orders

Q3 FY2021 orders by industry vs Q3 FY2020

- Defense industry up $45.2 million to $52.3 million
- Refining industry down $5.3 million to $3.2 million
- Chemical/petrochemical industry up $2.4 million to $4.6 million

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

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Market Outlook: Cautiously Optimistic

Refining

- Active pipeline in Asia
  - Secured ~$20m YTD. Pipeline needs to rebuild
- North America weak
  - A few active projects and less short cycle work
  - Customers focused on cash preservation
  - Limited activity currently
- Mid East & Latin America
  - Next wave of projects anticipated 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 for additional components on existing program vessels

Chemical/Petrochemical

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

Short cycle

- Spare parts showing signs of improvement
  - Inquiries appear to be on upturn
- OEM work is down - lack of demand
- Involvement in new markets is steady, but slow
  - H2 fuel, compress natural gas, supercritical fluids

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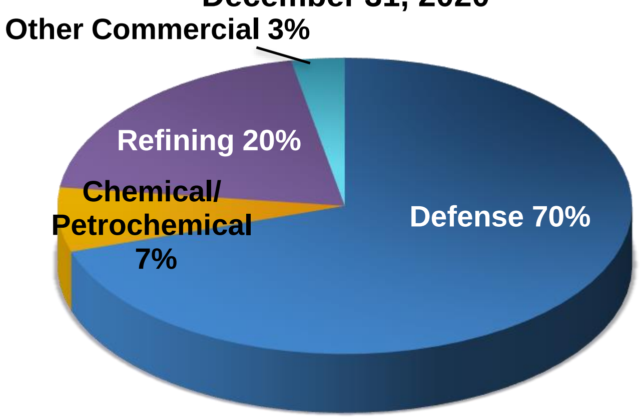
Backlog Supports Revenue Expectations

Defense becoming larger contributor to revenue

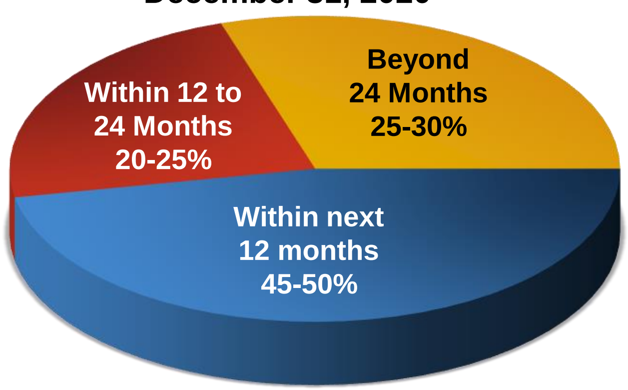
Backlog by Industry

December 31, 2020

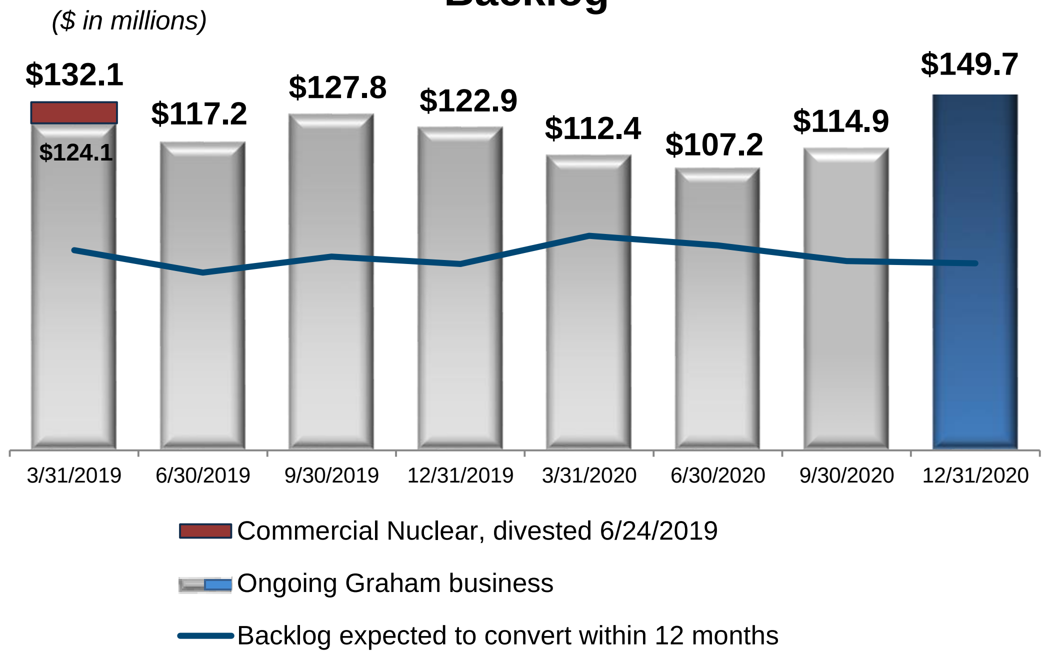


Projected Backlog Conversion

December 31, 2020



Backlog



- Healthy backlog driven by defense and refining market
- Strength of orders in the remaining quarter of FY21 anticipated to set up FY22 and beyond

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FY21 Guidance[1]

Excludes divested Energy Steel business

Revenue: $93 million to $97 million

- Implies $21.2 to $25.2 of revenue in Q4

Gross Margin: 21% to 22%

SG&A: $17.3 million to $17.8 million

Effective tax rate: 22% to 24%

The revenue guidance and expectations for gross margin, SG&A expense and effective tax rate for fiscal 2021 are based on the assumption that Graham will be able to operate its production facility at planned capacity, has access to its global supply chain including its subcontractors, and does not experience significant COVID-19-related disruptions or any other unforeseen events.

(1) FY2021 guidance as of January 28, 2021.

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Focused on Long-term: Strategic Update

Goals	Objectives and Progress	Progress	
Increase predictable revenue streams	1. Execute on Defense backlog; Gain greater share of wallet	↗	Backlog has grown, increase in sole-source status
	2. Focus on core installed base	→	Data analytics complete. IT tools and processes in progress
	3. Acquisitive additions of new products for Core and Defense markets	↗	Funnel is active, targets advancing
Improve competitive position in cost-focused segments of current markets	Expand business model for cost-focused markets	↗	Strong initial market penetration: ~15% of total orders since Q3 FY19
	▪ *Build outsourced sales, engineering and manufacturing capabilities*	→	Global pandemic has forced measured investment in organizational devemlopment
	▪ *Establishing execution capabilities in India, China and other regions*	↗	Booked first large orders from India. Hiring personnel based in India
Strengthen financial results and margins	1. Increase skilled labor to expand throughput capacity in Batavia	→	Paused initiative due to pandemic. Now restarted and filling 20 positions
	2. Earn sole source bidding opportunities	↗	>50% of Defense backlog is for sole source contracts
	3. Beyond 1st article cost structure: Standardized Defense manufacturing processes	↗	Majority of first article production is done. Focus on productivity
	4. Balance near-term vs. long-term requirements for cost structure	↘	Energy and chemicals near-term outlook is challenged. Bid pipeline has contracted
	5. Acquire strong performing business or tuck in that provides volume	↗	Developing good relationships with defense-related targets

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Supplemental Information

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EBITDA Reconciliation

(Unaudited)

($ in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2020	**2019**	**2020**	**2019**
Net income	**$ 1,060**	**$ 9**	**$ 1,986**	**$ 1,296**
Net interest income	(22)	(316)	(134)	(1,071)
Income taxes	308	(3)	709	364
Depreciation & amortization	486	488	1,458	1,479
EBITDA	**$ 1,832**	**$ 178**	**$ 4,019**	**$ 2,068**
EBITDA margin %	*6.7%*	*0.7%*	*5.6%*	*3.1%*

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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