Graham Corporation

Q3 FY2022 Teleconference

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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," "outlook," "anticipates," "believes," "implies", "could," "opportunities," "plans," "goal," "may," "will," 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, its dividend, any future waivers of financial covenants, any amendments to its credit facility, its ability and the timing needed to address challenges in its defense business, including at the Batavia, NY operations, profitability of future projects, the development and impact of better documentation of build processes and pricing models, its ability to meet customers' delivery expectations, the future impact of low margin defense projects and related cost overruns, anticipated capital contributions, the future expected contributions of BN, expected expansion and growth opportunities within its domestic and international markets, anticipated revenue, adjusted EBITDA, adjusted EBITDA margins, and SG&A expenses, 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, labor constraints, the effect on its business of volatility in commodities prices, including, but not limited to, 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."

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Use of Forward-Looking Non-GAAP Financial Measures

Forward looking adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures. The Company is unable to present a quantitative reconciliation of these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort or expense. In addition, the Company believes that such reconciliations would imply a degree of precision that would be confusing or misleading to investors. The unavailable information could have a significant impact on the Company's fiscal 2022 financial results. These non-GAAP financial measures are preliminary estimates and are subject to risks and uncertainties, including, among others, changes in connection with purchase accounting, quarter-end and year-end adjustments. Any variation between the Company's actual results and preliminary financial data set forth above may be material.

Q3 FY22 Overview

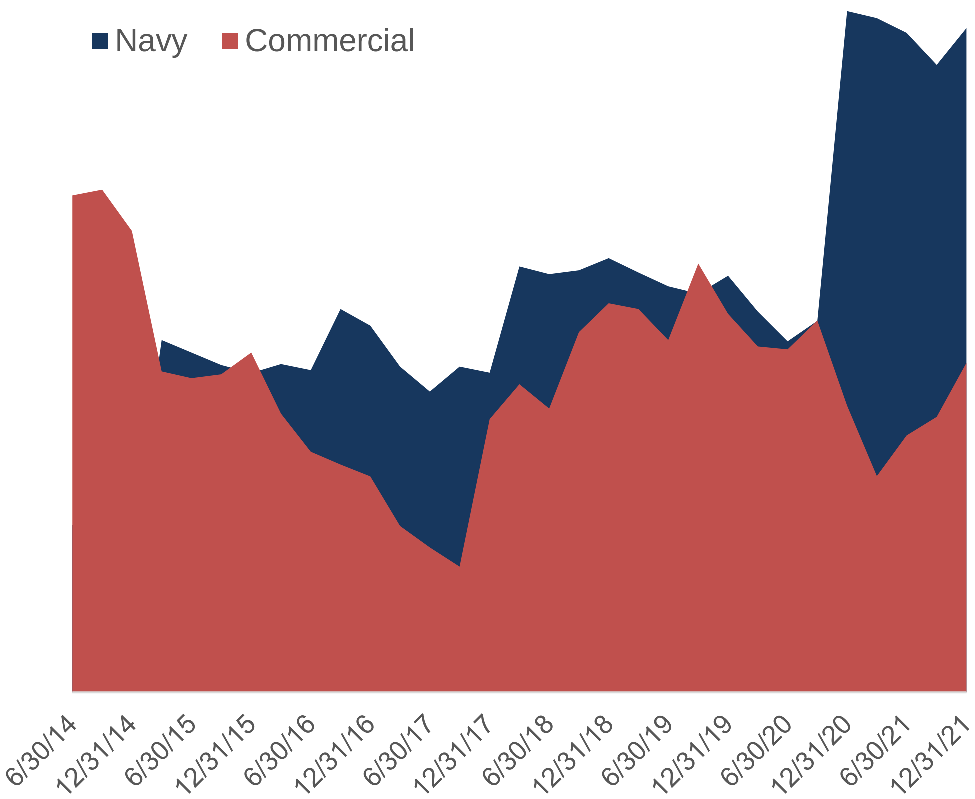
- Revenue of $28.8 million, up 6% over prior-year period
- Diluted loss per share of $0.35 primarily due to Navy project labor and material cost overruns at Batavia facility
- Suspended dividend; obtained waiver of financial covenants and working with lender to amend credit facility in fourth quarter
- Defense industry revenue and order backlog validate success of strategy to diversify beyond refining and petrochemical industry
- Barber-Nichols ("BN") performance to date exceeding expectations

Quarter results reflected decisions to deliver U.S. Navy projects on schedule

What Led Up to Q3 FY2022?

The Perfect Storm: Batavia Operations in Transition

Batavia Operations Navy Backlog Build



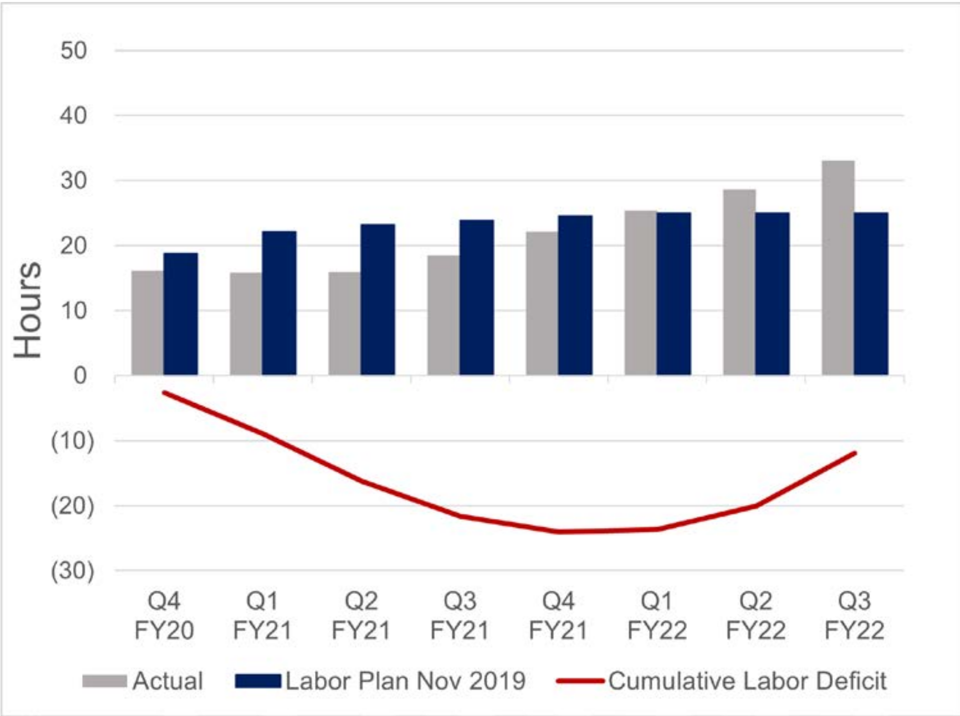
- Transition to defense business
  - Earned confidence of U.S. Navy and prime contractors and built record backlog
  - Overlapping critical projects
- Navy-wide quality reset
- Labor Capacity Constraints
  - COVID-19 shutdown delays
  - Limited skilled work force
- Columbia First Article learning
  - CVN80 – second "First Article"
- Reached peak of labor hour deficit in May 2021
- Graham equipment pacing item for customer build schedules
  - Extreme pressure to expedite

3Q Actions and Long-Term Solutions

Strong Growth and Margin Opportunities with Improvements in Defense for Batavia Ops

Batavia Navy Operations Labor Plan vs. Actual

(in thousands)



3Q Actions

- Increased labor hours to stay on schedule and meet higher specs
  - Redirected internal resources & outsourced Commercial impacting margin and execution quality
  - Brought on more contract welders at lower efficiencies and higher costs
  - Welder training program graduates added
- Re-estimated project labor and mat'l costs

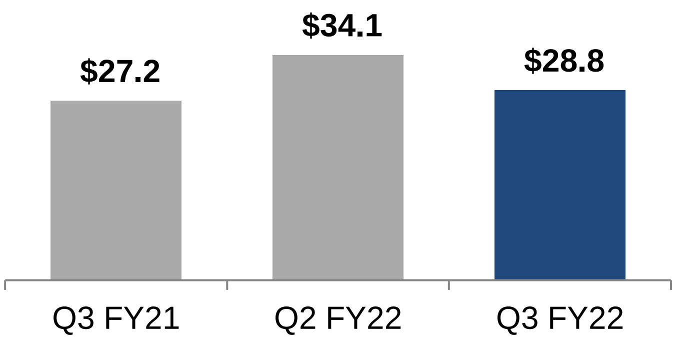
Going Forward:
Expected Growth and strong margins

- Customers appreciative of efforts and investments
  - Signaling future rewards
- Improve operational efficiencies to catch up & reclaim margins
  - Project management & estimating; new Navy business leader; process documentation & optimization
  - Automated welding
  - Contract pricing models

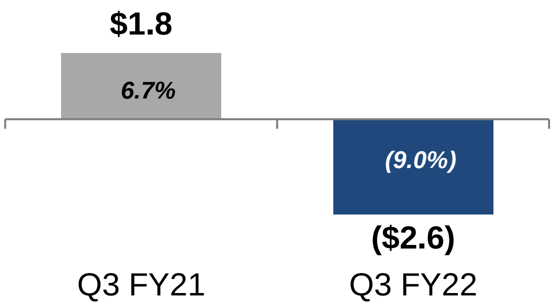
Q3 FY22: Allocated Resources to Meet Requirements

($ in millions, except per share data)

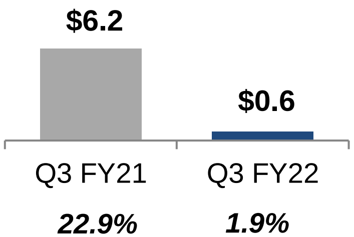
Sales



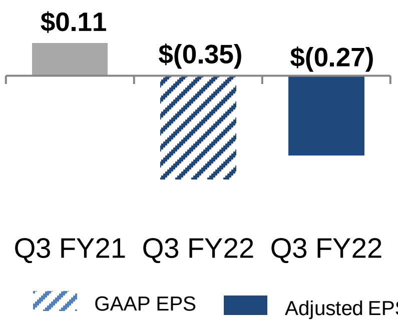
Adjusted EBITDA and Margin(1)



Gross Margin



GAAP and Adjusted Diluted EPS(1)



(1) *See supplemental slides for additional important disclosures regarding Graham's use of Adjusted EBITDA, Adjusted EBITDA margin and Adjusted diluted EPS as well as the reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted diluted EPS.*

Sales increased $1.6 million, or 6% over Q3 FY21

- \+ $12.0 million from BN
- \+ 58% of sales, or $16.6 million, to the defense industry, up 3.7x prior-year period
- \+ New space industry contributed $1.5 million
- \- Lower petrochemical and refining sales

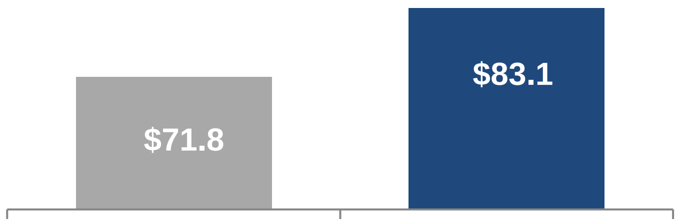
Margin and profitability impacts:

- \- Higher-than-expected costs related to Batavia defense operations
- \+ Resources deployed to address delivery expectations

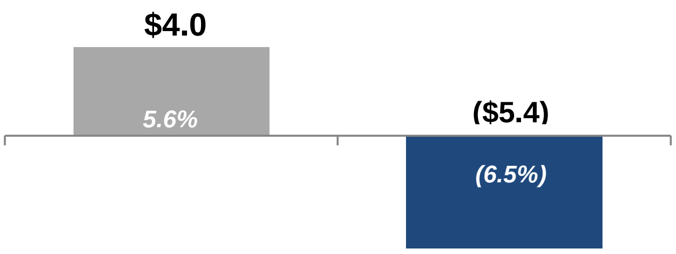
YTD FY22: Strategic Diversification into Defense

($ in millions, except per share data)

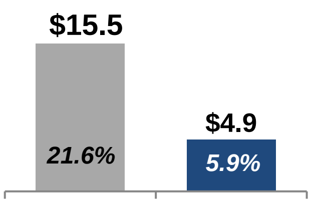
Sales



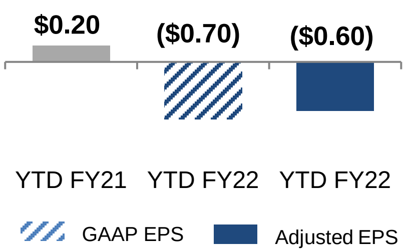
Adjusted EBITDA and Margin[1]



Gross Margin



GAAP and Adjusted Diluted EPS[1]



(1) *See supplemental slides for additional important disclosures regarding Graham's use of Adjusted EBITDA, Adjusted EBITDA margin and Adjusted diluted EPS as well as the reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted diluted EPS.*

Sales increased 16% driven by defense industry

+ $31.9 million from BN
+ 52% of revenue related to defense industry, up 2.5x
- Lower petrochemical and refining sales – primarily in Asia

Margin and profitability impacts:

- Timing of lower margin defense projects
+ Expectation is largely completed by Q2 FY23

Expect Amended Lending Agreement in Q4 FY2022

CAPITALIZATION

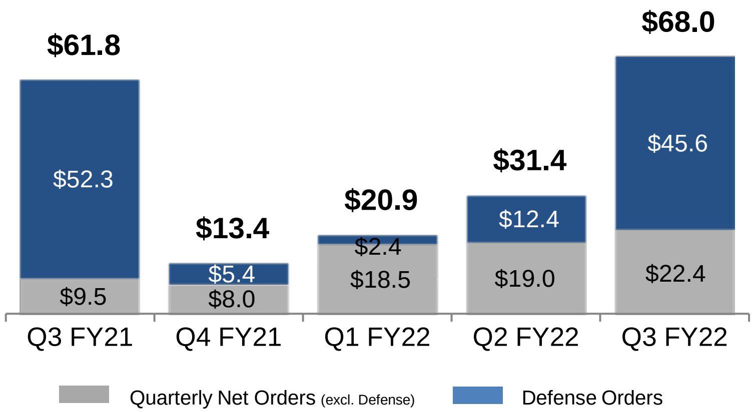
($ in millions)	Dec. 31, 2021	Sept. 30, 2021
Cash and cash equivalents and investments	$ 14.0	$ 16.5
Total debt	**28.8**	**23.5**
Shareholders' equity	97.5	101.9
Total capitalization	**$ 126.3**	**$ 125.4**
Debt / total capitalization	22.8%	18.7%

- Noncompliant on two of three covenants with term loan and revolver
- Suspended dividend subject to analysis of capital priorities and lending agreement terms
- Sufficient liquidity generated by operations
  - Paid down $4 million on revolver in January 2022
- Capital expenditures of $1.9 million for 9-month period
  - Expect $2.5 million to $3.0 million for FY22
- Actively engaged in discussions to amend lending agreement
  - Expect to complete by end of fiscal year

Order Growth Driven by Market Diversity

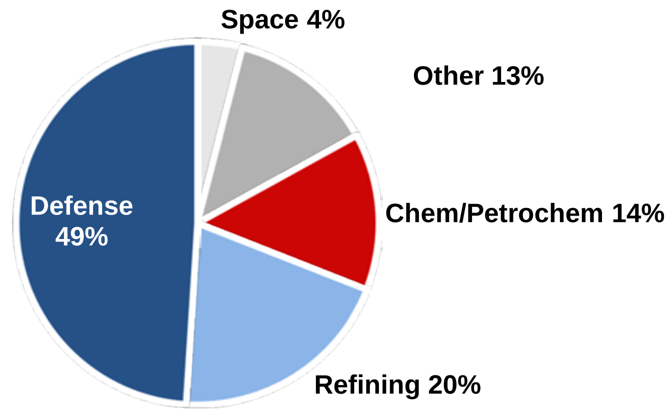
($ in millions)

Orders

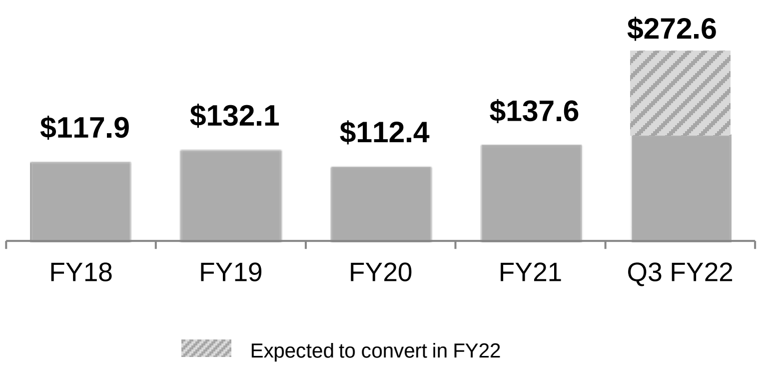


Q3 FY22 TTM Orders

$133.7 million

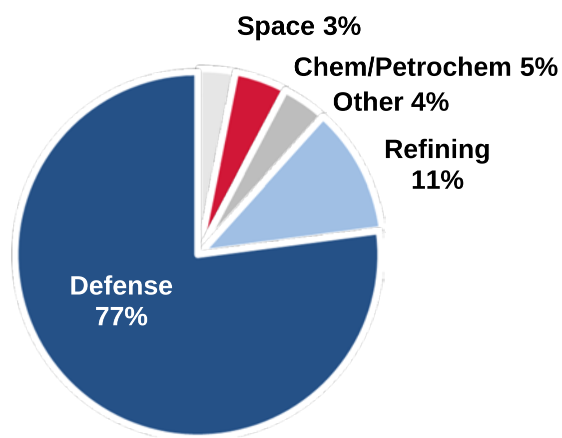


Backlog



Q3 FY22 Backlog

By Industry



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

Graham Fiscal 2022 Guidance[1]

Revenue: $120 million to $125 million

Gross margin: 8% to 10%

SG&A: 16% to 17% of sales

Adjusted EBITDA: Break even in Q4 FY22; ~$(5.0) million for FY22

Capital expenditures: $2.5 million to $3.0 million

(1) FY2022 guidance as of February 7, 2022

The revenue, gross margin, SG&A, adjusted EBITDA and capital expenditure expectations for fiscal 2022 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.

Execution of Strategy: Evolving into Defense Business

Longer-term visibility into future naval programs – ships and submarines

BN acquisition strengthens presence in defense industry and brings long history of defense experience

- Contributed $26.6 million of $43.5 million to defense industry

Addressing challenges at Batavia operations

- Staffing shortages
- Learning curve
- Process and execution

Strong defense business helps offset challenges in other segments

- Sales increased $11.3 million YTD
- Sequential orders up more than $36 million
- Strong defense backlog of $210.1 million; representing 77% of total backlog

FY2023 and Beyond

Graham Corporation

Create related group of mission critical engineered product businesses that win on quality, performance and customer trust

Graham Manufacturing

Diverse markets
- Navy
- Refinery & Petrochem:
  - Traditional
  - New

Mission Critical Products
- Heat transfer and vacuum systems
- Full life cycle

Strengths
- Synergies in operations and products
- Restructuring to pivot & improve business
- Transition to full life cycle from ETO

Barber-Nichols

Diverse markets
- Defense
- Space
- Advanced Energy
- Thermal Management

Mission Critical Products
- Intelligent turbomachinery systems
- Full life cycle

Strengths
- Highly engaged, self-directed teams
- Predictable, optimized processes
- Focused product groups

Future Opportunities

Get beyond current challenges

Demonstrate earnings power and cash generation

Replicate BN model for acquisitions

Transforming to Drive Value

Leverage transformational acquisition to **accelerate growth** in defense industry and **enhance knowledge**

Upgrade **talent** and add **required experience** from Board of Directors to skilled labor

Preparing for refining and petrochem **upcycle expansion**

Contained challenges; focused on cash generation and margin expansion

At **inflection point for improvement** with challenges addressed

Advancing to realize operating leverage and **deliver on profitability**

Supplemental Information

Adjusted EBITDA Reconciliation

(Unaudited, $ in thousands)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Net (loss) income	**$ (3,730)**	**$ 1,060**	**$ (7,348)**	**$ 1,986**
Acquisition related inventory step-up expense	27	-	68	-
Acquisition related costs	111	-	373	-
Change in fair value of contingent consideration	-	-	(1,900)	-
CEO and CFO severance	140	-	938	-
Net interest expense (income)	120	(22)	257	(134)
Income taxes	(861)	308	(1,786)	709
Depreciation & amortization	1,589	486	3,997	1,458
Adjusted EBITDA	**$ (2,604)**	**$ 1,832**	**$ (5,401)**	**$ 4,019**
Adjusted EBITDA margin %	*-9.0%*	*6.7%*	*-6.5%*	*5.6%*

Non-GAAP Financial Measure:

Adjusted EBITDA is defined as consolidated net income (loss) before net interest expense, income taxes, depreciation, amortization, other acquisition related (income) expenses and other nonrecurring expenses. 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 and Adjusted EBITDA margin, are 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 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.

Adjusted Net Income Reconciliation

(Unaudited, $ in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2021	2020	2021	2020
Net income (loss)	**$ (3,730)**	**$ 1,060**	**$ (7,348)**	**$ 1,986**
Acquisition related inventory step-up expense	27	-	68	-
Acquisition related costs	111	-	373	-
Amortization of intangible assets	756	-	1,765	-
Change in fair value of contingent consideration	-	-	(1,900)	-
CEO and CFO severance	140	-	938	-
Normalize tax rate to 20%(1)	(207)	-	(249)	-
Adjusted net income (loss)	**$ (2,903)**	**$ 1,060**	**$ (6,353)**	**$ 1,986**
Adjusted diluted earnings per share	*$ (0.27)*	*$ 0.11*	*$ (0.60)*	*$ 0.20*

1) *Applies a normalized tax rate of 20% to GAAP pre-tax income and non-GAAP adjustments above, which are each pre-tax.*

Non-GAAP Financial Measure:

Adjusted net income and adjusted diluted EPS are defined as net income and diluted EPS as reported, adjusted for certain items and at a normalized tax rate. Adjusted net income and adjusted diluted EPS are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP, and may not be comparable to the measures as used by other companies. Nevertheless, Graham believes that providing non-GAAP information, such as adjusted net income and adjusted diluted EPS, is important for investors and other readers of the Company's financial statements and assists in understanding the comparison of the current quarter's and current year's net income and diluted EPS to the historical periods' net income and diluted EPS. Graham also believes that adjusted EPS, which adds back intangible amortization expense related to acquisitions, provides a better representation of the cash earnings of the Company.