



Graham Corporation

Q1 FY2023 Teleconference

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Safe Harbor Statement

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,” “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 or compliance with the terms of its credit agreements, 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, margins, 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.”

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 presentation.

Use of Forward-Looking Non-GAAP Financial Measures

Forward-looking adjusted EBITDA, adjusted EBITDA margin and adjusted diluted earnings per share 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 largely because forecasting or predicting our future operating results is subject to many factors out of our control or not readily predictable. 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 2023 and future 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 in this presentation may be material.

Q1 FY23 Overview

Demonstrating Successful Execution of Strategy; Back on Schedule with Navy Projects;

- Sales increased 79%, or \$15.9 million from growth in all markets and full quarter of Barber-Nichols (\$8.9 million incremental sales)
- Defense and space contributed 45% of sales
 - Delivery of two, first article Navy projects
- Gross margin rebound reflects better mix and improved execution on completed contracts

\$40.3 Million in Orders and Backlog of \$260.7 Million

- Refining – Expanding geographic reach: \$7 million for vacuum distillation system for a refinery in India
- Defense – Winning more business with OEM primes for Navy: \$5.6 million of combined orders for submarine and carrier programs
- Space – Serving multiple customers with \$7.3 million of combined pump/turbo pump orders
- Aftermarket – Early indication of expected recovery in capital projects for refining and petrochem with \$10 million in orders

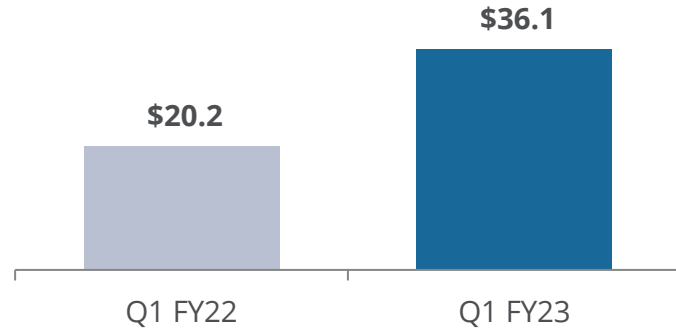
Execution Drives Confidence in Guidance

- Reaffirm FY23 revenue guidance of \$135 million to \$150 million and Adjusted EBITDA of \$6.5 million to \$9.5 million

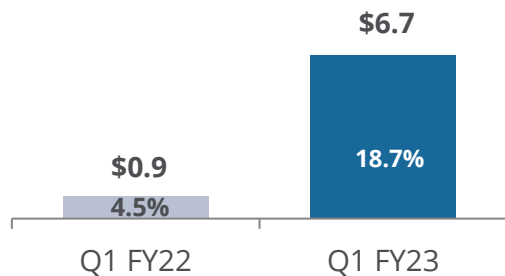
Q1 FY23: Diversified Revenue Sources and Improving Execution

(\$ in millions, except per share data)

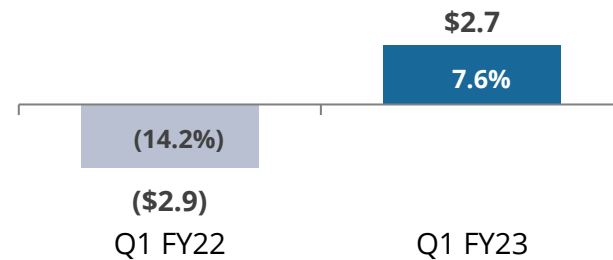
SALES



GROSS MARGIN

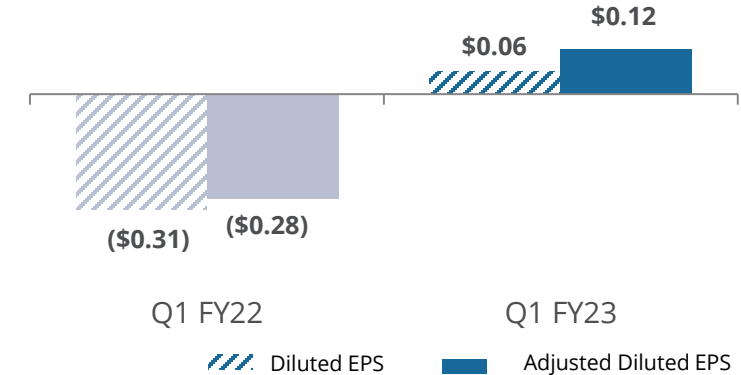


ADJUSTED EBITDA AND MARGIN(1)



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

DILUTED EPS AND ADJUSTED DILUTED EPS(1)



Sales increased \$15.9 million, or 79% over Q1 FY22

- + 27% of sales, or \$9.8 million, to defense industry
- + Space industry contributed \$6.5 million with building opportunities from technology market position
- + Commercial aftermarket sales up 20% sequentially
- + Refining and petrochem grew \$4.5 million, or 49%, on improved execution/capacity and demand

Strong margin improvement as execution strengthens:

- + Improved execution on completed contracts
- + Better mix of higher margin projects, BN for a full quarter

Financial Stability

(\$ in millions)

CAPITALIZATION		
	June 30, 2022	March 31, 2022
Cash and cash equivalents	\$12.9	\$14.7
Total debt	17.1	18.4
Stockholders' equity	97.1	96.5
Total capitalization	\$114.1	\$114.9
Debt / total capitalization	15.0%	16.0%

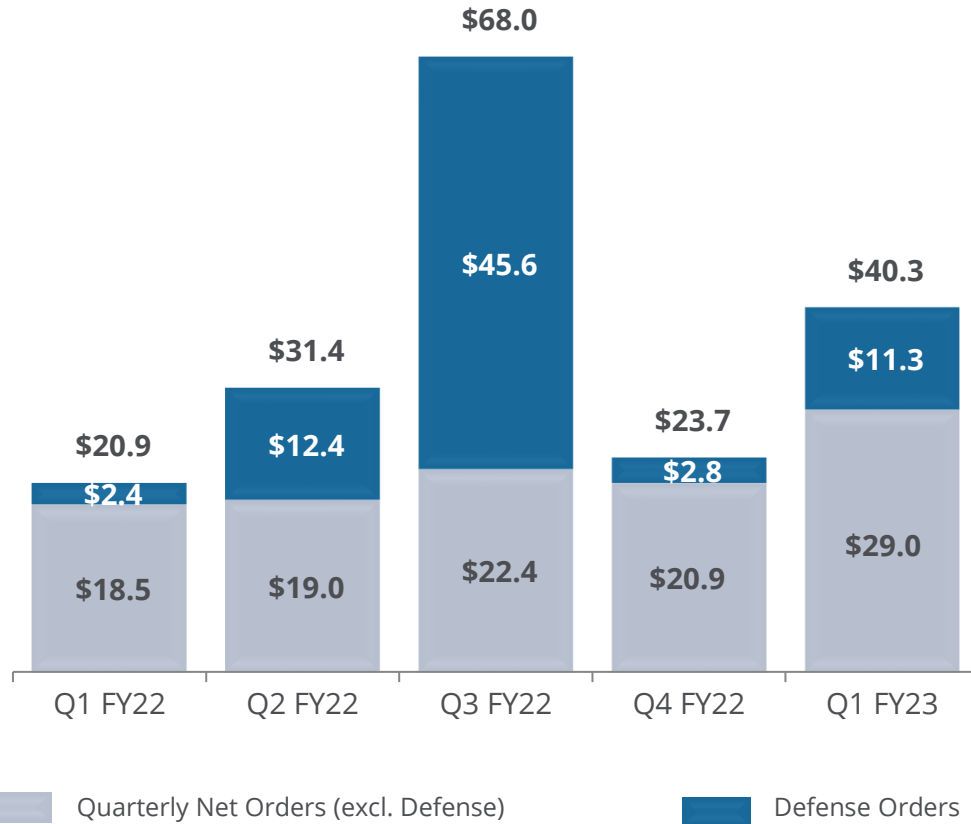
THREE MONTHS ENDED		
	June 30, 2022	March 31, 2022
Net cash used by operating activities	\$(0.7)	\$(7.1)
CapEx	(0.3)	(0.4)
Free cash flow (FCF)	\$(1.0)	\$(7.5)

- \$0.7 million cash used in operations for inventory and project timing
 - Debt down \$1.3 million at quarter end
 - In compliance with debt covenants; expect to be in line with original terms by end of FY23
 - Expect FY23 capital expenditures of \$4.5 million to \$5.5 million to support growth initiatives
- Capex for Q1 FY23 was \$0.3 million

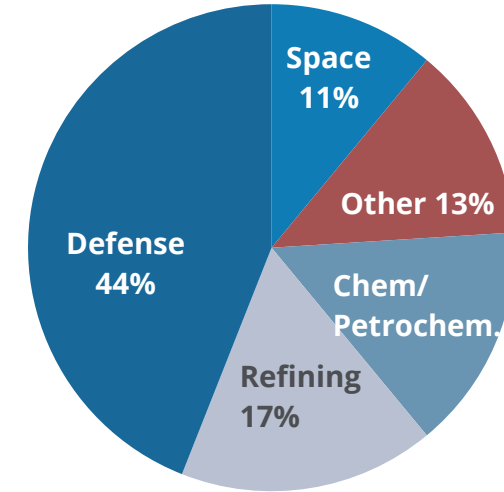
Strength and Breadth of Orders Across Both Segments

(\$ in millions)

ORDERS



TTM ORDERS : \$163.4 MILLION



Orders – Represented By a Strong and Diversified Base

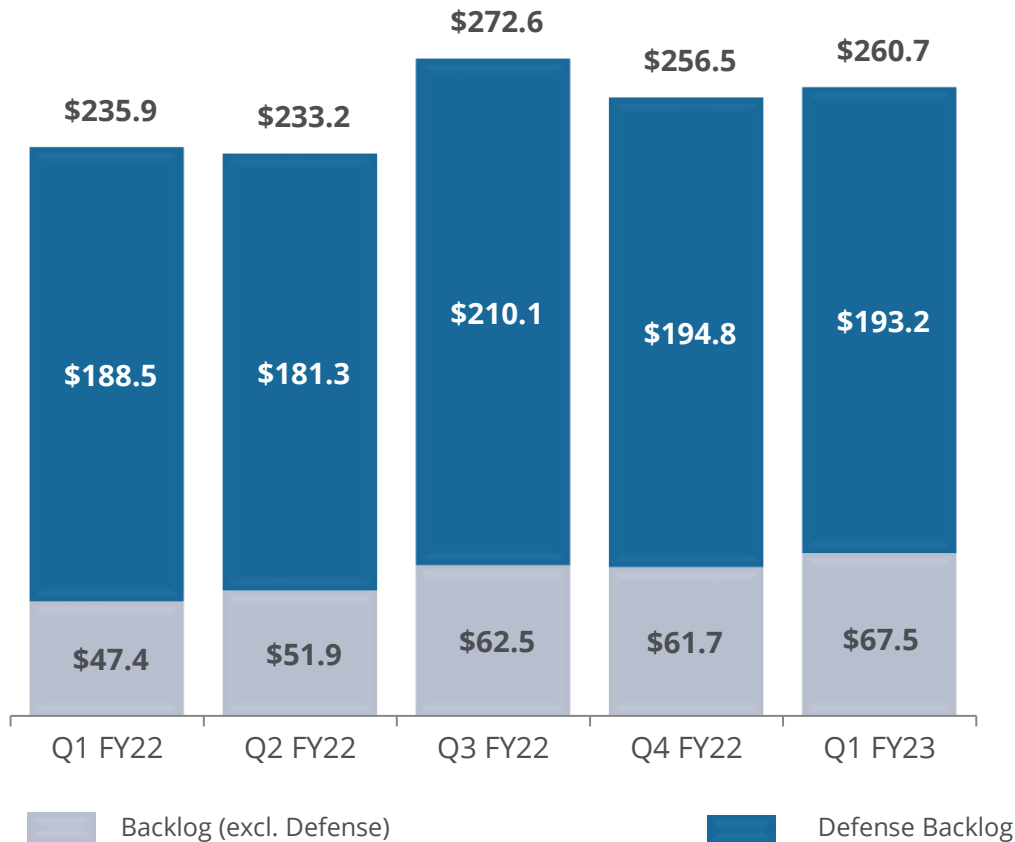
- 1Q23 defense orders include additional orders for two Navy programs
- Orders strong from key space industry customers
- Refining/petrochem market building with aftermarket orders strong sequentially and YoY, and \$7 million vacuum distillation order in India

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

Strong Defense Backlog

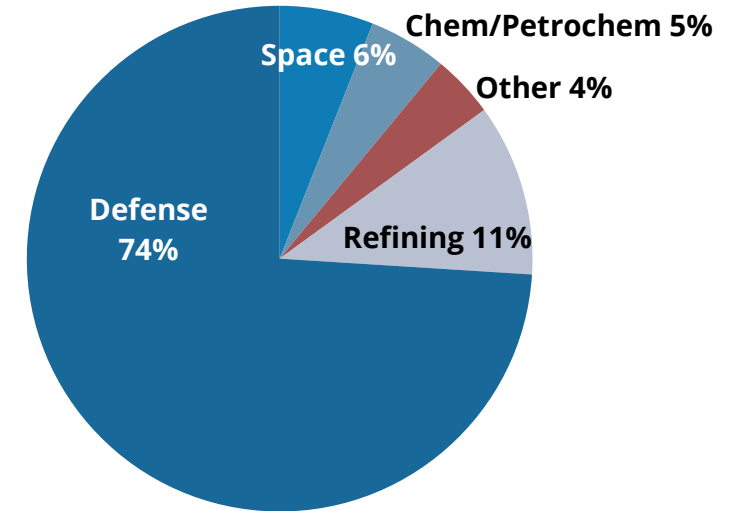
(\$ in millions)

TOTAL BACKLOG (1)



(1) Backlog is defined as the total dollar value of orders received for which revenue has not yet been recognized
Totals shown in graph may not equal the sum of the segments due to rounding

Q1 FY23 : BY INDUSTRY



Breadth Provides Longer-Term Visibility

- 40% - 50% expected to convert within 12 months. Most orders converting beyond twelve months are defense-related
- 2% increase sequentially
- 80% related to defense and space

Graham Fiscal 2023 Guidance⁽¹⁾

Revenue: \$135 million to \$150 million

Gross margin: 16% to 17%

SG&A: 15% to 16% of sales

Adjusted EBITDA⁽²⁾: \$6.5 million to \$9.5 million, adjusted EBITDA margin⁽²⁾ of approximately 5% to 6%

(2) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. See Use of Forward-Looking Non-GAAP Financial Measures on Slide 2 for more information

(1) FY2023 guidance as of July 29, 2022

The revenue, gross margin, SG&A, adjusted EBITDA and capital expenditure expectations for fiscal 2023 are based on the assumption that Graham will be able to operate its production facilities 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.



SUPPLEMENTAL INFORMATION

Adjusted EBITDA and Adjusted Diluted EPS Reconciliations

(Unaudited, \$ in thousands)

	Three Months Ended	
	June 30,	
	2022	2021
Net (loss) income	\$ 676	\$ (3,126)
Acquisition & integration costs	54	169
Debt amendment costs	153	-
Net interest expense (income)	157	22
Income taxes	215	(745)
Depreciation & amortization	1,475	820
Adjusted EBITDA	\$ 2,730	\$ (2,860)
<i>Adjusted EBITDA margin %</i>	<i>7.6%</i>	<i>-14.2%</i>

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 and Adjusted Diluted EPS Reconciliations

(Unaudited, \$ in thousands)

	Three Months Ended	
	June 30,	
	2022	2021
Net income (loss)	\$ 676	\$ (3,126)
Acquisition & integration costs	54	169
Amortization of intangible assets	619	225
Debt amendment costs	153	-
Normalize tax rate ⁽¹⁾	(173)	(75)
Adjusted net income (loss)	\$ 1,329	\$ (2,807)
<i>Adjusted diluted earnings (loss) per share</i>	<i>\$ 0.12</i>	<i>\$ (0.28)</i>

¹⁾Applies our expected full year tax rate to GAAP pre-tax income and non-GAAP adjustments above, which are each pre-tax.

Non-GAAP Financial Measure:

Adjusted net income (loss) and adjusted diluted EPS are defined as net income (loss) and diluted EPS as reported, adjusted for certain items and at a normalized tax rate. Adjusted net income (loss) 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 (loss) 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 (loss) and diluted EPS to the historical periods' net income (loss) 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.