Graham Corporation

Q2 FY2023 Teleconference

November 7, 2022

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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,” “outlook,” “anticipates,” “believes,” “could,” “guidance,” “should”, “suggests,” ”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, profitability of future projects and the business, the development and impact of improved processes and cost controls, its ability to meet customers’ shipment and delivery expectations, the future impact of low margin defense projects and related cost overruns, expected expansion and growth opportunities within its domestic and international markets, anticipated sales, revenues, adjusted EBITDA, adjusted EBITDA margins, capital expenditures 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, 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 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 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 financial results. These non-GAAP financial measures are preliminary estimates and are subject to risks and uncertainties, including, among others, quarter-end, and year-end adjustments. Any variation between the Company’s actual results and preliminary financial estimates set forth above may be material.

Q2 FY23 Overview

(All comparisons are with the same prior-year period)

Continued Execution of Strategy

Revenue	Record Orders	Record Backlog
$38.1M *+12%*	**$91.5M** *+192%*	**$313.3M** *+34%*

Sales growth reflects solid demand in Space and Refining/Petrochemical Commercial Aftermarket

Shipped an additional U.S. Navy unit and remain on schedule to ship the remaining first article units by end of Q1 FY24

Book-to-bill ratio of 2.4x driven by defense orders of $69.6 million

- Includes repeat orders for U.S. Navy
- Extends backlog out through 2026

Gross profit and margin improved on a better mix of higher margin projects and better execution and pricing

GAAP net loss was $196 thousand and adjusted EBITDA(1) was $1.5 million

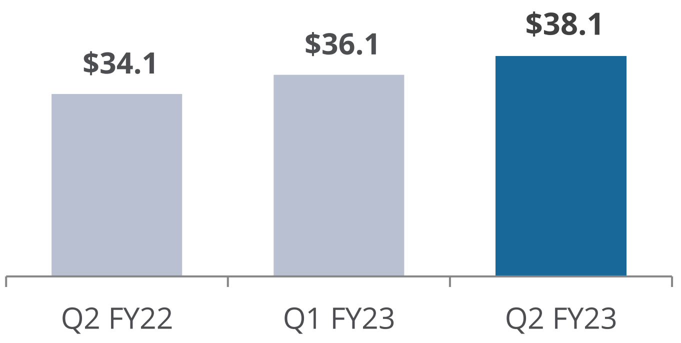
- Near breakeven bottom-line due to increased sales, improved execution and strong cost discipline

(1) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of Adjusted EBITDA.

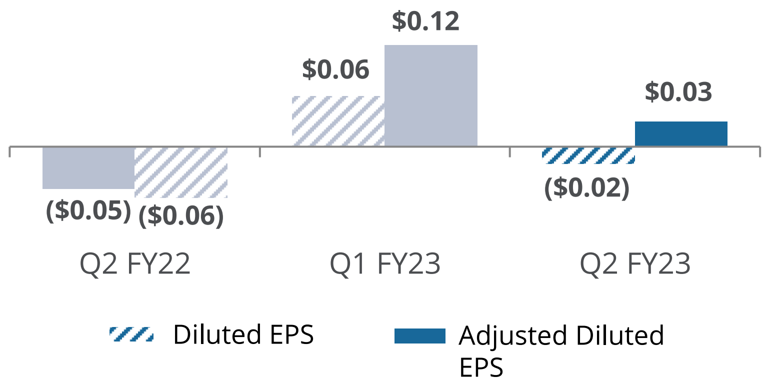
Diversified Revenue Sources and Improved Execution

($ in millions, except per share data)

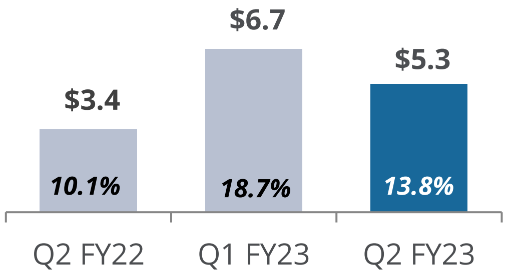
SALES



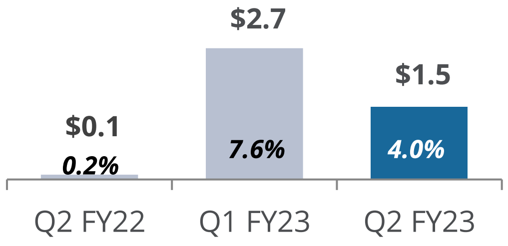
DILUTED EPS AND ADJUSTED DILUTED EPS(1)



GROSS MARGIN



ADJUSTED EBITDA AND MARGIN(1)



Sales increased $4.0 million, or 12%, over Q2 FY22

+ Space revenue increased $3 million or 233%
+ Chemical/petrochemical and refining grew $3.6 million, or 36%, and was driven by aftermarket orders
- Defense down due to project timing

Margin improvement as execution strengthens

+ Improved execution on completed contracts
+ Pricing
+ Better mix of higher margin projects (Space/Aftermarkets/New Energy)

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(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.

Financial Stability

($ in millions)

Capitalization	September 30, 2022	March 31, 2022
Cash and cash equivalents	$14.1	$14.7
Total debt	**19.1**	**18.4**
Stockholders' equity	97.0	96.5
Total capitalization	**$116.1**	**$114.9**
Debt / total capitalization	16.5%	16.0%

	Three Months Ended	
	September 30, 2022	March 31, 2022
Net cash provided/(used) by operating activities	$0.3	$(7.1)
CapEx	(0.9)	(0.4)
Free cash flow (FCF)[1]	$(0.6)	$(7.5)

Net debt (debt minus cash and cash equivalents) at quarter end was $5.0 million

Continued compliance with debt covenants

- Expect to be in line with original terms by end of FY23

Reduced FY23 CapEx range to be $3 million to $4 million

- Reflects project timing and cash management efforts[2]
- YTD FY23 CapEx was $1.2 million

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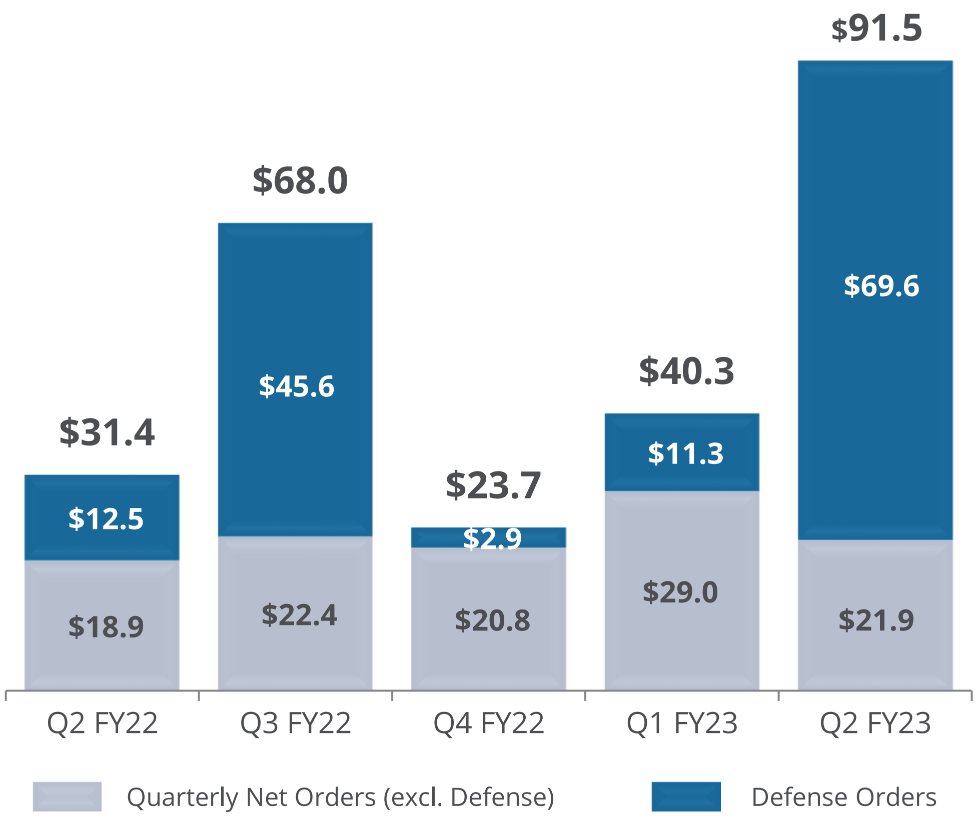
(1) Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures
(2) FY23 CapEx expectations provided on November 7, 2022

Orders

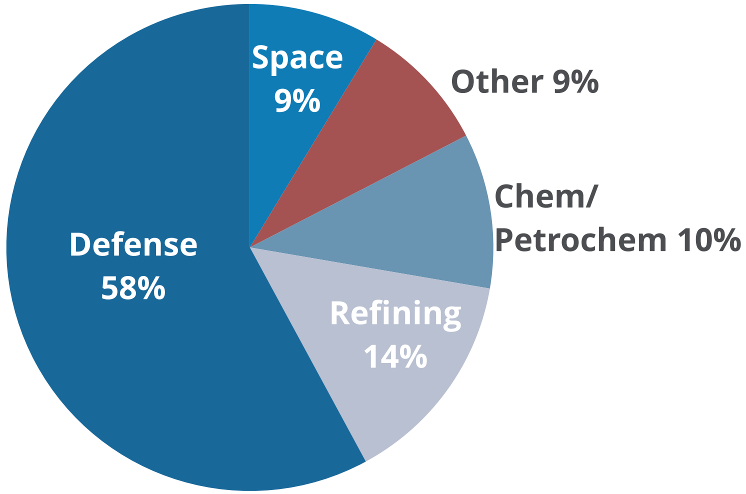
($ in millions)

ORDERS



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

TTM ORDERS : $223.8 MILLION



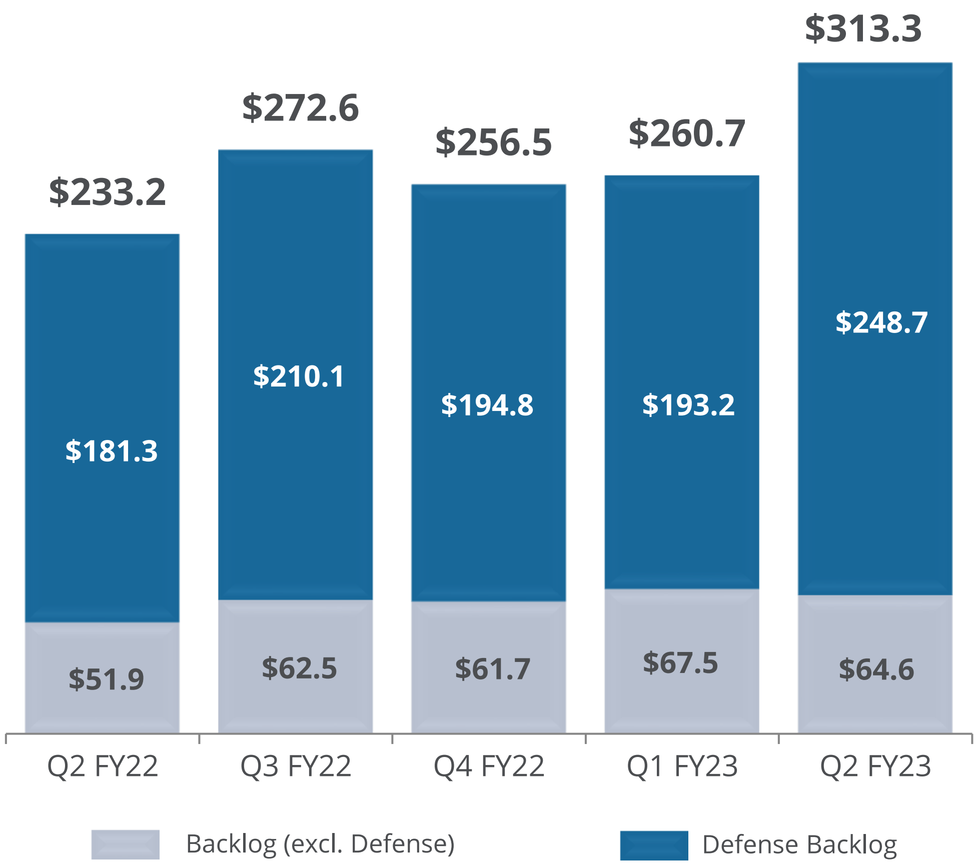
Strong and Diversified Base

- Q2 FY23 defense industry driven by repeat orders for critical U.S. Navy programs
- $3.7 million of orders for highly engineered pumps and turbo pumps for commercial space industry
- $8.7 million refining orders primarily related to the commercial aftermarket demand

Backlog

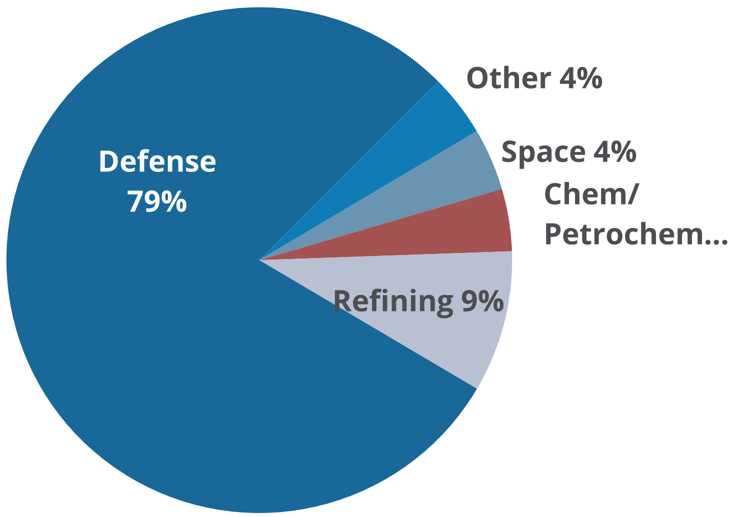
($ in millions)

Total Backlog (1)



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

Q2 FY23 : By Industry



Longer-Term Visibility

- Q2 FY23 backlog up 20% sequentially
- 40% to 45% of backlog expected to convert to sales over the next 12 months; Most orders converting beyond twelve months are defense-related

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(1) Backlog is defined as the total dollar value of orders received for which revenue has not yet been recognized

Graham Reaffirms 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%

Effective tax rate: 21% to 22%

(1) FY2023 guidance as of November 7, 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.

(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

Supplemental Information

Adjusted EBITDA Reconciliation

(Unaudited, $ in thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	**$ (196)**	**$ (492)**	**$ 480**	**$ (3,618)**
Acquisition related inventory step-up expense	-	41	-	41
Acquisition & integration costs	-	93	54	262
Change in fair value of contingent consideration	-	(1,900)	-	(1,900)
CEO and CFO transition costs	-	798	-	798
Debt amendment costs	41	-	194	-
Net interest expense	246	115	403	137
Income taxes	(40)	(180)	175	(925)
Depreciation & amortization	1,487	1,588	2,962	2,408
Adjusted EBITDA	**$ 1,538**	**$ 63**	**$ 4,268**	**$ (2,797)**
Adjusted EBITDA margin %	*4.0%*	*0.2%*	*5.8%*	*-5.2%*

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 Reconciliation

(Unaudited, $ in thousands)

	Three Months Ended September 30,				Six Months Ended September 30,			
	2022		2021		2022		2021	
Net income (loss)	$	(196)	$	(492)	$	480	$	(3,618)
Acquisition related inventory step-up expense		-		41		-		41
Acquisition & integration costs		-		93		54		262
Amortization of intangible assets		619		784		1,238		1,009
Change in fair value of contingent consideration		-		(1,900)		-		(1,900)
CEO and CFO transition costs		-		798		-		798
Debt amendment costs		41		-		194		-
Normalize tax rate[1]		(139)		37		(312)		(42)
Adjusted net income (loss)	$	325	$	(639)	$	1,654	$	(3,450)
Adjusted diluted earnings (loss) per share	*$*	*0.03*	*$*	*(0.06)*	*$*	*0.16*	*$*	*(0.33)*

[1] Applies a normalized tax rate to non-GAAP adjustments, which are pre-tax, based upon the full year expected effective tax rate.

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.