Graham Corporation

Q3 FY2023 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.

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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 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.

Executing to Plan and On Track for 2027 Goals

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

Q3 FY23 Results Demonstrate Solid Execution of Strategy

Revenue	Diluted EPS/ Adjusted Dil. EPS(1)	Backlog
$39.9M *+39%*	**$0.03 / $0.08**	**$293.7M** *+8%*

Sales growth reflects solid demand in defense, refining aftermarket, and space markets

Shipped fourth first article unit to U.S. Navy; remain on schedule to deliver remaining first article units by the end of the second quarter of fiscal 2024

Book-to-bill ratio for the trailing twelve months (TTM) was 114% with $175.5 million in TTM orders

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

Gross profit and margin improved on improved mix of sales related to higher margin projects, as well as better execution and pricing on defense contracts

GAAP net income was $368 thousand and adjusted EBITDA(1) was $2.2 million

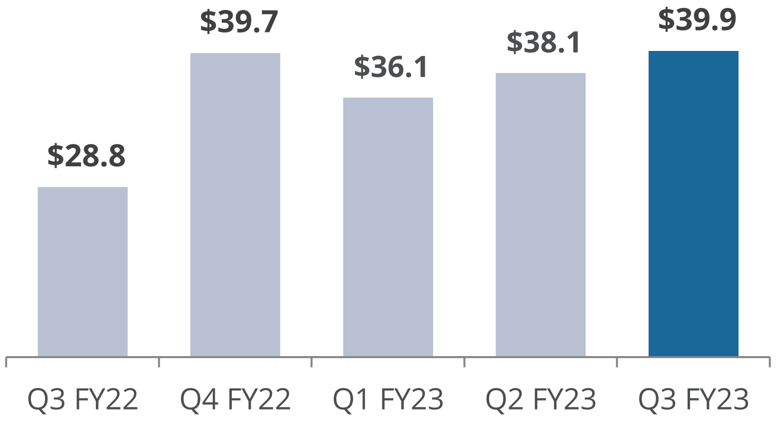
- Net income growth reflects increased sales, improved execution, and strong cost discipline

(1) *See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of Adjusted EBITDA as well as the reconciliation of net income/loss to Adjusted EBITDA.*

Demonstrating Steady Progress

($ in millions)

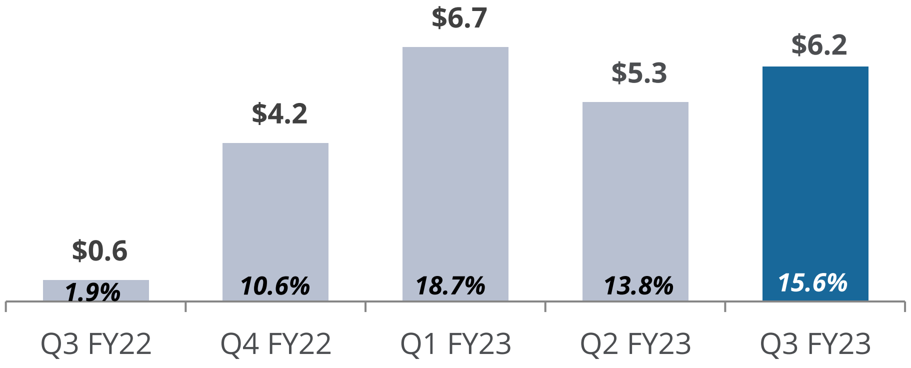
SALES



Sales increased $11.1 million, or 39%, y/y

+ Defense up $5.1 million on higher dollar contracts and improved execution
+ Space revenue increased $2.1 million, or 142%
+ Refining grew $2.5 million, or 64%, driven by aftermarket demand

GROSS MARGIN



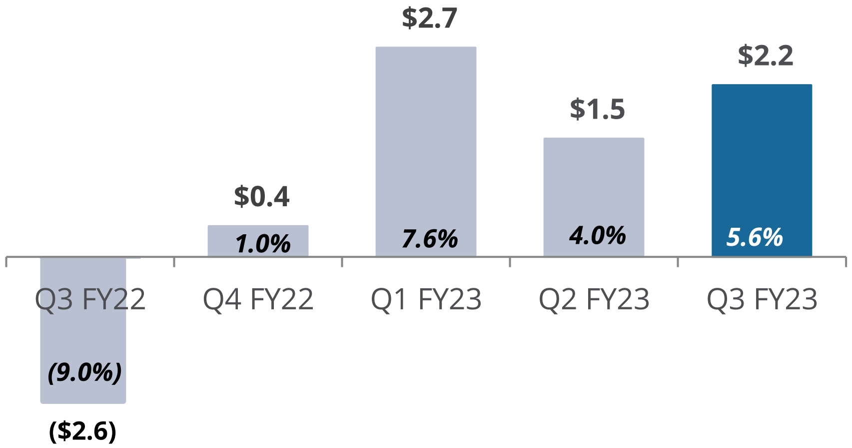
Margin expansion with stronger execution

+ Improved execution and pricing with defense contracts
+ Easier comparable: prior-year period challenged
+ Better mix of higher margin projects

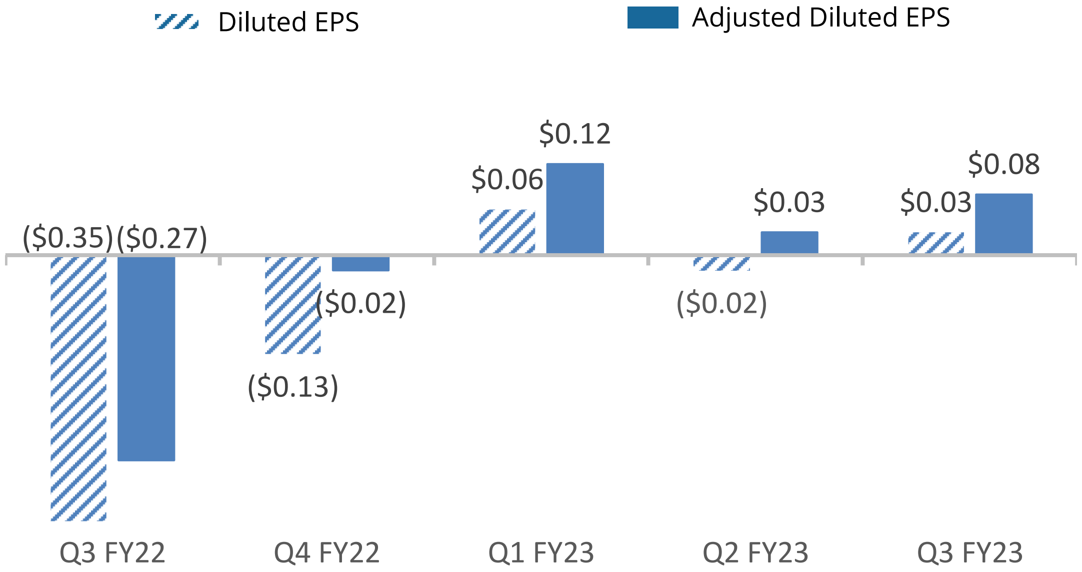
Solid Execution Drives Earnings Power

($ in millions, except per share data)

ADJUSTED EBITDA AND MARGIN[(1)]



DILUTED EPS AND ADJUSTED DILUTED EPS[(1)]



Tracking to long-term plan to grow sales and improve earnings power

+ Converting sales to earnings with strong operating leverage
+ Driving productivity through improved project management and accountability
+ Creating better businesses

GHM

(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.*

Cash Management & Balance Sheet

($ in millions)

Capitalization		
	December 31, 2022	**September 30, 2022**
Cash and cash equivalents	$17.2	$14.1
Total debt	**14.2**	**19.1**
Stockholders' equity	97.9	97.0
Total capitalization	**$112.1**	**$116.1**
Debt / total capitalization	12.7%	16.5%

	Three Months Ended	
	December 31, 2022	**September 30, 2022**
Net cash provided by operating activities	$9.3	$0.3
CapEx	(1.2)	(0.9)
Free cash flow (FCF)[1]	$8.1	$(0.6)

Cash up $3.1 million over trailing quarter

- Includes $8 million customer deposit for materials for defense contracts
- Offset by debt payments and capital expenditures

Reduced debt by $5 million; bank leverage ratio down to 2.5x debt to adjusted EBITDA[2]

Continued compliance with debt covenants

- In line with original terms one quarter ahead of schedule

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

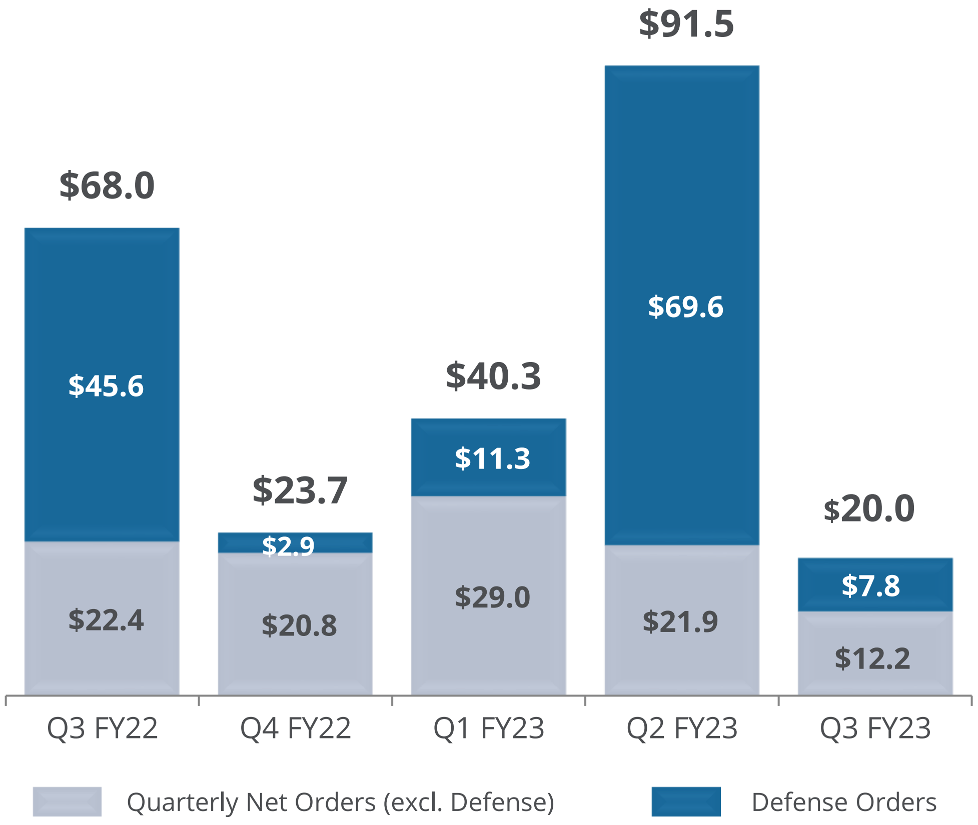
- Reflects project timing and cash management efforts
- YTD Q3 FY23 CapEx was $2.4 million

(1) Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures
(2) 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.

Q3 Orders Impacted by Timing

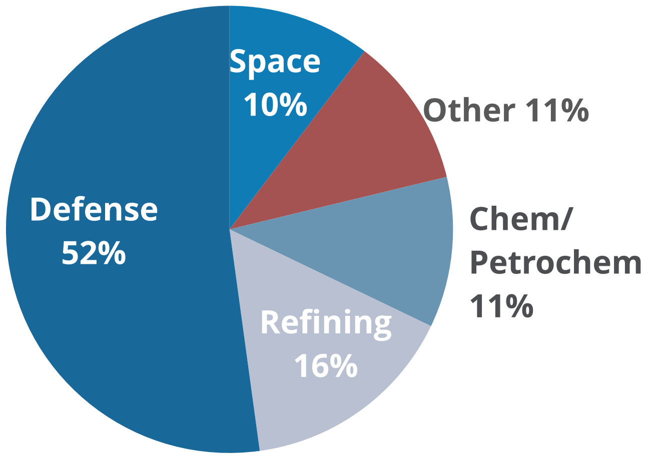
($ in millions)

ORDERS



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

TTM ORDERS : $175.5 MILLION



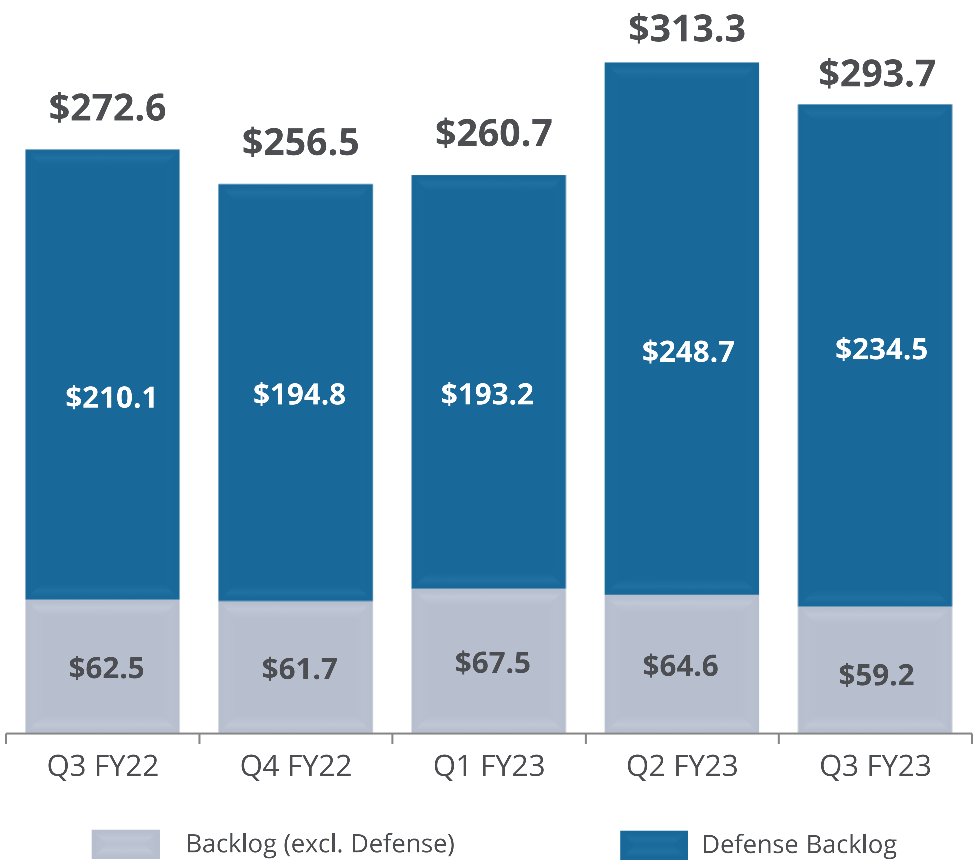
YTD Book to Bill of 133%

- For the nine-month period, orders were $151.9 million, up 26%
- For the quarter, orders in all markets were down primarily as a result of the timing of projects - pipeline remains robust
- Aftermarket orders remained strong and were up 6% y/y

Very Strong Defense Backlog

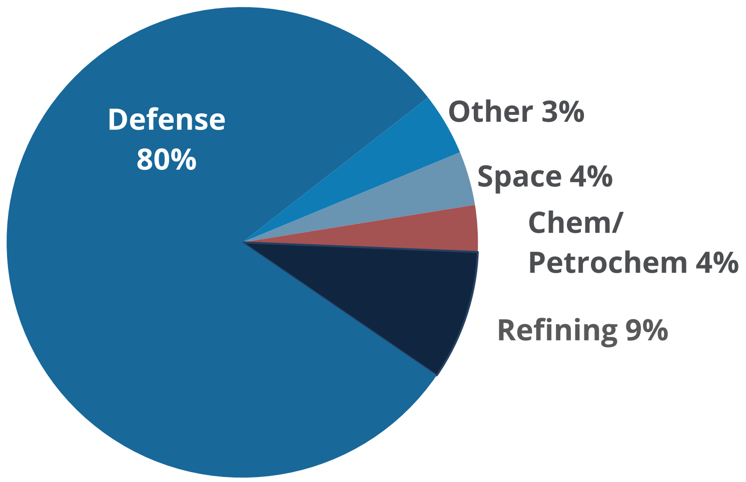
($ in millions)

TOTAL BACKLOG (1)



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

Q3 FY23 : BY INDUSTRY



Longer-Term Visibility

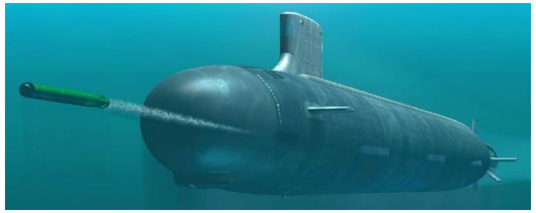
- Q3 FY23 backlog up 8% year-over-year
- ~ 40% to 50% expected to convert to sales over the next twelve months; 20% to 30% expected to convert in following twelve months
- Remaining backlog expected to convert beyond the next two years specifically for U.S. Navy

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

U.S. Navy Program Provides Long-term Stability and Visibility

Secured Contracts	• Long-term U.S. Navy contracts drive visibility and recurring revenue
Advantage over Competition	• Sole supplier with high barriers to entry
Margin Expansion	• Improved efficiencies, execution, and supply chain management • Better pricing on recent and future orders
Opportunities	• Potential revenue for repair and maintenance • SSN(X) next gen attack submarine design has begun

Growth Potential of U.S. Navy Projects

	Build Plan[1]	Build Timeline[1] *(based on current plan)*	GHM Future Revenue Potential[2]
 **CVN Ford Class Carrier**	**2 Completed** **2 Under Construction** **8 Remaining**	**1 every four years** Expected completion by FY2055	**\$40M - \$50M/Ship** **~\$400M**
 **SSN Virginia Class Subs**	**22 Completed** **8 Under Construction** **36 Remaining**	**2 per year** Expected completion ~FY2050	**~\$300M** • GHM typically building ahead on blocks with advanced funding • ~30 ships remaining
 **SSBN Columbia Class Subs**	**1 Under Construction** **11 Remaining**	**1 per year** Expected completion by FY2035	**~\$40M/Sub** **~\$400M** • GHM typically building ahead with advanced funding

~\$1.0 - \$1.3 Billion

Total revenue potential based on planned projects[2,3]

GHM Engineered & Manufactured Content

Condensers, ejectors, heat exchangers, pumps and torpedo power & propulsion hardware

GHM

(1) Build timeline and number of builds planned based on "Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023"
(2) GHM revenue potential equals number of planned builds multiplied by approximate value of GHM products incorporated into each build
(3) Includes torpedoes that are not build rate dependent, based on arsenal requirements

Fiscal 2023 Outlook Updated[1] – On Track to Reach 2027 Goals

- **Revenue: $145 million to $155 million**
- **Gross margin: ~16%**
- **SG&A: ~15% of sales**
- **Adjusted EBITDA[2]: $7.5 million to $8.5 million**
- **Effective tax rate: ~23%**

2027 Strategic Goals:

- **$200 million** in revenue, and
- **10% to 15%** in **Adjusted EBITDA Margin**

The revenue, gross margin, SG&A, and adjusted EBITDA 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.

GHM

(1) FY2023 guidance as of February 6, 2023

(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 December 31, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Net income (loss)	**$ 368**	**$ (3,730)**	**$ 848**	**$ (7,348)**
Acquisition related inventory step-up expense	-	27	-	68
Acquisition & integration costs	-	111	54	373
Change in fair value of contingent consideration	-	-	-	(1,900)
CEO and CFO transition costs	-	140	-	938
Debt amendment costs	-	-	194	-
Net interest expense	294	120	697	257
Income taxes	70	(861)	245	(1,786)
Depreciation & amortization	1,506	1,589	4,468	3,997
Adjusted EBITDA	**$ 2,238**	**$ (2,604)**	**$ 6,506**	**$ (5,401)**
Adjusted EBITDA margin %	*5.6%*	*(9.0%)*	*5.7%*	*(6.5%)*

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 December 31,				Nine Months Ended December 31,			
	2022		2021		2022		2021	
Net income (loss)	**$**	**368**	**$**	**(3,730)**	**$**	**848**	**$**	**(7,348)**
Acquisition related inventory step-up expense		-		27		-		68
Acquisition & integration costs		-		111		54		373
Amortization of intangible assets		619		756		1,857		1,765
Change in fair value of contingent consideration		-		-		-		(1,900)
CEO and CFO transition costs		-		140		-		938
Debt amendment costs		-		-		194		-
Normalize tax rate[1]		(130)		(207)		(442)		(249)
Adjusted net income (loss)	**$**	**857**	**$**	**(2,903)**	**$**	**2,511**	**$**	**(6,353)**
GAAP diluted earnings (loss) per share	*$*	*0.03*	*$*	*(0.35)*	*$*	*0.08*	*$*	*(0.70)*
Adjusted diluted earnings (loss) per share	*$*	*0.08*	*$*	*(0.27)*	*$*	*0.24*	*$*	*(0.60)*
Diluted weighted average common shares outstanding		10,660		10,638		10,632		10,507

[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.