

Operator: Greetings, welcome to Graham Corporation Third Quarter Fiscal Year 2023 Financial Results Conference Call. [Operator Instructions]

I will now turn the conference over to Deborah Pawlowski, Investor Relations. Thank you. You may begin.

Deborah Pawlowski: Thank you, Sherry, and good morning, everyone. We certainly appreciate your time today and your interest in Graham Corporation.

Here with me on the call are Dan Thoren, our President and CEO, and Chris Thome, our Chief Financial Officer. You should have a copy of the third quarter fiscal '23 financial results, which we released earlier this morning, and, if not, you can access the release, as well as the slides that will accompany our conversation today, on our website at ir.grahamcorp.com.

Dan and Chris will provide their formal remarks, after which we will open the line for questions.

If you would turn to **Slide 2** in the deck, I'll review the Safe Harbor Statement. You should be aware that we may make some forward-looking statements during the formal discussions, as well as during the Q&A session. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in the earnings release, as well as with other documents filed by the Company with the Securities and Exchange Commission. You can find those documents on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe these will be useful in evaluating our performance; however, you should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliation of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and slides.

So, with that, please advance to **Slide 3** and I'll turn the call over to Dan to begin.

Dan Thoren: Thank you, Deb, and good morning, everyone.

Before I get started, I'd like to congratulate the Barber-Nichols team for making GlassDoor's Best Small and Medium Places to work list for 2023. They notably ranked 10th out of the top 50 companies named. Our team and the culture at Barber-Nichols have created a cohesive and innovative environment that people enjoy, which is validated by rankings such as this.

Throughout Graham Corporation, as we advance our strategy, I believe it's important for our businesses that we keep our workforce highly engaged, that we provide a work environment in which all feel welcome, and we strive to create opportunities for each to achieve to the best of their abilities. I believe we accomplish this by providing our teams with the resources, inclusive culture, and professional development they need to be their best at addressing our customer's requirements.

Now, onto our results for the quarter...

Our third quarter results reflect improved execution and demonstrate continued steady progress as we increase our sales and improve our profitability. Chris will walk you through much of the details but let me touch on some important highlights. We delivered \$40 million in revenue, achieved three cents per diluted share in earnings and eight cents in adjusted earnings per share, and we ended the quarter with \$294 million in backlog. Driving this was strong gross profit, improved gross margins and continued cost discipline. In fact, we generated \$2.2 million in Adjusted EBITDA this quarter.

Our solid results enabled us to raise our fiscal 2023 revenue guidance to be in the range of \$145 million to \$155 million, and tighten our adjusted EBITDA range to be between \$7.5 million and \$8.5 million for the year. We believe the quarter is a proof point along our path to reach our strategic long-term goals of \$200 million in revenue and 10% to 15% adjusted EBITDA margin by fiscal 2027.

Our successes with the U.S. Navy have resulted in a very robust backlog of defense business and we are continuing to strengthen our position in commercial aftermarket while increasing our presence in the growing space industry. In fact, I will dive a little deeper into the backlog and long-term visibility and growth potential of Navy Projects later this call.

While orders in the quarter of \$20 million were soft, we believe it was primarily due to timing and a reflection of the general ebb and flow of large projects being released.

Our trailing twelve-month orders of approximately \$176 million, and 114% book-to-bill ratio, are a better representation of our growth and future potential. This is especially true given the large value of repeat orders we have received for critical U.S. Navy projects, which we believe validates our position as a key supplier for the defense industry.

I should note that January order rates have started out strong, which is very encouraging.

I'll now turn the call over to Chris who will provide more details on the quarter and expectations for the remainder of the year.

Chris Thome: Thank you, Dan, and good morning, everyone. I will begin my presentation on **Slide 4**.

As Dan mentioned, our third quarter performance was in line with our expectations. We had record quarterly sales of \$39.9 million, up 39% - or \$11.1 million - over last year's third quarter and was driven by our defense, refining aftermarket and space markets. I would like to point out that this growth was all organic as both periods included a full quarter from Barber-Nichols.

Sales to the defense market were up \$5 million and represented 54% of total revenue. The increase over the prior-year period reflects the achievement of project milestones, as well as improved execution. You may recall that last year's third quarter included the impact of U.S. Navy first article project labor and cost overruns which impacted revenue as well as margin.

As noted in our release today, we delivered an additional first article unit for a critical U.S. Navy program during the quarter, bringing the total of first article units shipped to four this year. We are on schedule to ship the remaining first article units by the end of the second quarter in fiscal 2024.

Space revenue increased \$2 million, versus the prior year, and is being driven by newly awarded programs, which continue to ramp up, and the relationships we have with many of the key commercial players in this growing industry.

Additionally, during the quarter, we continued to see strong growth in the refining aftermarket, which was up \$2.5 million or 64%. We are encouraged by this aftermarket demand as it often times is a leading indicator of future capital investments by our customers. Additionally, we are proactively working to drive aftermarket demand, which is a key strategic initiative for us.

For the quarter, sales in the U.S. increased 34% and represented 83% of our sales, while international sales accounted for 17% of total sales and is 66% higher than one year ago. The mix of U.S. to international sales has shifted over the last couple of years, given the growth in our Navy business as well as the addition of Barber Nichols, which sells primarily into the U.S.

Gross profit and margin improved significantly over the prior year period, which was impacted by labor and material cost overruns with first article U.S. Navy projects in our heat transfer business. Sequentially, gross profit improved 18% on a 5% increase in revenue due to continued improvement in execution, better pricing, as well as a better mix and increased volume.

SG&A expense for the third quarter, excluding intangible amortization, was \$5.3 million, up 12% or approximately \$555 thousand; however, SG&A expense as a percentage of sales improved to 13.3% compared with 16.4% in the comparable period in fiscal 2022, as we continue to maintain strong cost discipline while growing our top line.

The net result of our growth in revenue and gross profit combined with strong cost discipline is shown on **Slide 5**. For the third quarter of fiscal 2023, net income was \$368 thousand or three cents per diluted share. On an adjusted basis, earnings per share was eight cents per diluted share and adjusted EBITDA was \$2.2 million.

This was the third consecutive quarter of solid results as we have stabilized our business and improved execution. We continue to drive increased productivity through improved project management and accountability.

Turning to **Slide 6**, you can see our capitalization. Total debt at quarter end was \$14.2 million compared with \$19.1 million at the end of the second quarter. We paid down \$5 million of debt during the quarter, which was funded by \$9.3 million of cash flow from operations. I should point out that current quarter cash flow reflects \$8 million of customer deposits received for materials related to larger defense contracts. Going forward we expect our cash flow to be lumpy due to the nature of these large contracts. Also noteworthy is that these debt payments and stronger EBITDA levels brought our bank leverage ratio down to 2.5x at December 31st, and we are now back in compliance with the original terms of our credit agreement. This is one quarter ahead of schedule and is a direct result of the hard work of the Graham associates who continue to execute our strategic plan.

Capital expenditures for the quarter were \$1.2 million, which brings the nine-month total to \$2.4 million. We continue to expect capital expenditures to be approximately \$3 million to \$4 million for fiscal 2023, which implies about \$1 million in capex for the fourth quarter at the midpoint of that range.

Going forward, we expect capital expenditures to be at an elevated level as we invest in our growth initiatives. We are focused on generating cash to reduce debt and making investments in organic growth opportunities. We have instituted

strong cash management discipline throughout the organization, which includes actively managing working capital and operating expenses while increasing oversight of capital expenditures to ensure proper return on capital.

Turning to **Slide 7**, for the quarter, orders were soft primarily due to project timing. Despite that, our pipeline of opportunities remains robust. For the nine-month period, orders were \$151.9 million, up 26% over the prior year, and our book-to-bill ratio was 133%. This includes a 47% increase in defense orders, 141% increase in space orders and 33% increase in energy and chemical aftermarket orders.

We believe that the repeat orders for critical U.S. Navy programs validates the investments we made over the last year and our customer's confidence in our execution. We also expect these repeat orders will be at higher margins through increased pricing and better execution.

If you turn to **Slide 8**, you can see that orders drove an 8% increase in backlog from the third quarter last year and now sits at a \$294 million. We believe 40% to 50% of this backlog will convert within the next 12-months and 20%-30% is expected to convert the following twelve months.

Most of the backlog expected to convert beyond twelve months is for the defense industry, primarily to the U.S. Navy. Defense now comprises 80% of our backlog and is significant in that it provides greater visibility and stability to our business.

I'll now turn it back over to Dan to speak to our longer-term strategy, in particular the opportunity with Defense, as well as our outlook for the remainder of the year.

Dan Thoren: Thank you, Chris. Turning to **Slide 9**, As you saw on the last slide, we have measurably increased our presence in the Defense industry. The recent wins have grown our defense backlog to \$234 million, which is 80% of total backlog, and I'll remind you that more than half of our revenue in the quarter was from the Defense industry.

These long-term U.S. Navy contracts provide us longer term visibility with revenue over several years and the repeat build process drives a solid recurring increasingly profitable revenue stream. Navy ship procurement spans over decades and our contracts are often 3-5 years in duration.

It's worth reminding you that we are often the sole qualified supplier on orders, with high barriers to entry for the competition to overcome. Executing well, delivering to plan, and high quality helps ensure future orders. Once we win these opportunities, we work to expand our margin through improved efficiencies and supply chain management and improved pricing as we win future orders.

Beyond the equipment we are currently supplying to the Navy, we see other potential revenue streams. There are, for example, opportunities for repair and maintenance revenue, and as we look further into the future, the next generation attack submarine design has begun and Graham has a role in that development program.

Now turning to **Slide 10**, this is a bit of an eye chart, but it will help you understand the growth potential we have as it relates to planned projects. Let me walk you through it...

- With the CVN Ford Class Carrier, there are 2 completed carriers and 2 currently under construction. There are 8 remaining builds planned with a build timeline of 1 every four years. Our revenue per ship is approximately \$40 to \$50 million. We estimate that over the remaining life of the program, including what we have in process, we have about \$400 million in revenue potential.
- With the SSN Virginia Class Subs, there are 22 subs completed and 8 are under construction. Over the next 25 plus years, there are 36 remaining builds planned at about two subs per year. We estimate our future revenue potential for this ship class is about \$300 million. I should point out that we are typically building ahead of actual submarine funding with advanced funding as new design blocks are initiated.
- Finally, for the SSBN Columbia Class Subs, there is one under construction and 11 remaining planned builds. The Navy is currently planning to build one Columbia Class per year through 2035. Our per sub revenue is approximately \$40 million with a total future revenue potential of \$400 million.

Based on these projects, and rounding up for torpedo power and propulsion hardware that we provide, we estimate approximately \$1.0 billion - \$1.3 billion in total potential revenue over the next 30 years from these planned projects with the Navy. The torpedo's content and value is confidential as you might imagine and, of course, the number of torpedoes is subject to arsenal inventory plans.

There's a lot of excitement here at GHM regarding our many Navy projects and it does give us confidence regarding our strategic plan and goals.

If you will turn to **Slide 11**, you can see our updated full year guidance

Overall, we did take our fiscal 2023 guidance up, including bumping the revenue range up to \$145 million - \$155 million, sticking with a gross margin of about 16%, SG&A about 15% of sales and adjusted EBITDA ranging between \$7.5 million - \$8.5 million. This implies an adjusted EBITDA margin of approximately 5% at the mid-point of the range, well short of our aspirational goals but significantly above last year.

We are making steady progress against our plan and expect that we will continue to do so over the next several years. Importantly, as Chris noted, we are strengthening our balance sheet, improving financial flexibility and generating cash. This will help enable us to execute on our growth plans, both organically as well as with acquisitions.

With that operator, please open the phone lines and Chris and I will be happy to answer any investor questions.

Operator: [Operator Instructions] Our first question is from Theodore O'Neill with Litchfield Research.

Theodore O'Neill: Congratulations on the good quarter. It's clear that orders are lumpy here and I want to talk about that for a minute. If I look back over the last couple of years, fiscal 2020 was a desert and the orders have been sort of ramping up in 2021 and 2022 and, if I do a trailing 12 months or last 4 quarter average, the curve keeps sloping upward. How much further upward is this going to slope up in your opinion?

Daniel Thoren: Well, certainly, one big thing that happened in that time frame was the acquisition of Barber-Nichols; and so, that certainly helped make the thing trend up. Again, the long-term guidance that we had put out there is, we want to be at the \$200 million range by fiscal 2027. So, will it be a smooth path there or will it be a lumpy path? It's hard to tell at this point, but growth is something that we're working pretty hard on getting into strategic programs like we've been getting into, being much more aggressive on the commercial side of the business and the energy and petrochem side as well as going after a lot of that aftermarket business. It all fits into this longer-term growth. So, I would say that it is expected to continue to grow towards that \$200 million in 2027.

Theodore O'Neill: Okay. In the refinery market, what are the dynamics there that are giving us confidence about the future business for you?

Daniel Thoren: That market is kind of crazy. Certainly, we've seen an uptick in aftermarket orders and those have remained strong here over the last year. In the past, those have been a precursor to more of the larger capital type equipment orders, but we haven't seen those pick up quite yet. It's interesting to watch the market and a lot of the press regarding that and all of the big profits that the oil companies are making. Refineries are running full out. They're just unbelievably hard-pressed right now, and the U.S. really hasn't expanded our refining capacity for a while. At some point, we do expect that we'll see some of the capital equipment orders start to turn on, but we just haven't quite seen that yet.

Operator: Our next question is from Graham Mattison with Water Tower Research.

Graham Mattison: I just have a follow-up on Ted's question around the aftermarket and the refining area. You mentioned that you're really putting a proactive effort to drive aftermarket sales. Can you talk a little bit about what gives you that confidence around those and what type of efforts you'd be employing there?

Daniel Thoren: Graham Corporation had a very significant database of installations, and we talk about like \$1 billion of installed base that we've had over the many, many years that we've been working in these markets. As we look at that installed base, though, we realize that we're not as proactive in going back and following up with those prior customers to understand how the equipment is continuing to operate. Some of that equipment has met its lifetime and it's time to replace it, and we just have not been as aggressive with that as we could have been. So, building up our aftermarket team using the database of the installed base to really understand how old that equipment is, what would we recommend to the operators as far as maintenance and replacement. We have a lot of industry experience knowing how long those things last. So, helping our customers get ready for that, so it's not an emergency in the end, is really the tack that we're taking.

Graham Mattison: All right. That makes sense. Obviously, the existing fleet of refineries in the U.S. is just going to be around harder and harder, because permitting to get anything new is going to become more challenging, it looks like. So, one other question. On the last call, you talked a little bit about that you are seeing some good activity around the nuclear power space around the small modular reactors. Given some of the positive announcements that have been coming out there in terms of players coming into that space, are you still seeing strength there - and if so, how soon do you think you could see orders from that area?

Daniel Thoren: That is very much an industry in the middle of research, development and technology demonstration, and the activity that we've seen there really has been to support those technology demonstrations. Some of them are

subscale, well, a lot of them are subscale actually. Some of them are working on just particular areas that they're trying to show technology works well. We don't expect really any production orders to come for, gosh, probably another 5 years, but this is the perfect place for engineered product companies to get involved in new technology, and that is just getting involved with the big players to help them demonstrate that technology, start to develop the new product, and then, be in the position to really help them roll this out as it starts to roll out. So, we continue to stay involved, are we involved with all the right players, hard to say, but we think that we're well positioned for any small modular nuclear types of applications going forward.

Operator: Our next question is from Gary Schwab with Valley Forge Capital Management.

Gary Schwab: For 50 years, Graham has been known as a low multiple middle tank and piping fabricator for their industrial products, but since June of '21, when you acquired Barber-Nichols, you've almost overnight transformed the company into a highly technical, critical component manufacturer for defense industry and the fast-growing space industry. I don't believe that the markets have become aware of Graham's transformation. Certainly, I think your company should pick up a higher multiple that reflects that change. On the bottom of Slide 10, under the Graham engineered and manufactured content, you show a number of products that you manufacture, but investors really don't understand how critical these components are, especially for nuclear propulsion and subs and carriers.

Also, here's one example that confused me. You list ejectors on Slide 10 as one of the components. I've been following Graham a lot of years, and I understood that Graham made ejectors and the ejectors were sophisticated, engineered Venturi pipes. They had no moving parts, but they manage the air pressure in the distillation process for refineries. The description on your website under submarine ejection system says Barber-Nichols makes ejection assemblies that form part of the pressure boundary of naval submarines, but it really doesn't explain what these things are. Now, I understand what these are. For the benefit of new investors, maybe, and existing investors who know the old Graham, could you explain what these submarine ATP ejectors are, how complicated they are to develop and what their function is on Virginia class submarines.

Daniel Thoren: Sure. Let me just explain both of them. Graham manufacturing in Batavia has been involved in refinery and petrochem plants, mixed vacuum equipment that is based on a convergent diverging nozzle. It's essentially an ejector that produces vacuum. That is not to be confused with Torpedo ejection systems that are on submarines, because torpedo ejection systems on submarines are used to, basically, just eject the torpedo out of the submarine and you do that by pumping water into the torpedo tube and pushing the Torpedo out of the submarine. So, while they have the same descriptor, they're greatly different applications and equipment. The Torpedo ejection system on a submarine is really a very sophisticated pump that's pumping water; and then, the ejector used in Power Systems and refinery applications and petrochem applications is more of a static piece of equipment that's based on a convergent diverging nozzle to generate vacuum.

Gary Schwab: When I dug into it, it says it's a 10-stage system and it has to be super silent for the subs.

Daniel Thoren: Yes, it's kind of interesting how, in the old movies, you would see the captain saying, "launch the torpedo" and you would hear this big Whoosh, because they used to launch them with air pressure, and the air really gave the submarine position away because it was so noisy. Now, they launch them with water, so they're much quieter.

Gary Schwab: And you're sole source on these for Virginia?

Daniel Thoren: Yes.

Gary Schwab: Also, on Slide 10, you didn't mention what you had in the past about regulators and alternators. Didn't you just win your third 5-year contract to manufacture alternatives and regulators for the MK-48 Torpedo?

Daniel Thoren: Correct. That is lumped into that torpedo power and propulsion hardware. Barber-Nichols is involved in several different programs, some that are brand new, some that are more in the technology demonstration realm, some that are in production. We tended to more genericize that and just describe that as Torpedo power and propulsion hardware.

Gary Schwab: But you're still sourcing those also, right?

Daniel Thoren: Correct.

Gary Schwab: And it's not just for the Virginia class, but for 4 subclasses: Los Angeles, Ohio, Virginia and Columbia subs. That covers a lot of torpedoes.

Daniel Thoren: Yes, the heavyweight torpedo is used on all of the different submarines.

Gary Schwab: And you're the only vendor on that for the Navy that's qualified.

Daniel Thoren: Yes, for the components that we're supplying, obviously. We're supplying those to a larger defense integrator prime that is providing the complete torpedo to the Navy.

Gary Schwab: And the Navy needs a lot more of those and that's why you're getting the CNC milling and turning machine, so you can accelerate your production?

Daniel Thoren: Yes. We've been asked to accelerate production.

Operator: [Operator Instructions] Our next question is from Bill Baldwin with Baldwin Anthony Securities.

William Baldwin: Does Graham Corporation now pretty much have all the key personnel positions filled, Dan and Chris, that need to be filled to execute your game plan going forward here?

Daniel Thoren: I would say the key ones, yes, Bill. There are certainly still some very important holes to fill as we go forward, but the key ones are pretty much filled at this point and we're able to execute much better than we had in the past. So yes, I would say so.

Chris Thome: The only thing I would add to that is, just like every other company, labor does continue to be a challenge. We are making substantial progress in that area and have seen quite a bit of increase in direct labor over the last year. So, just like everyone else, the market for engineers and welders and skilled labor continues to be challenging, but we're navigating our way through that fairly well.

William Baldwin: As far as, I guess, important positions, how are you staffed up regarding your technical engineers to focus on your petrochemical and refinery aftermarket business as you go after greater penetration of the installed base on the repair and maintenance side of the business? Are you staffed up there the way you want to be to pursue that business as aggressively as you'd like?

Daniel Thoren: No. We still have open positions in Batavia for engineering and we believe that we need more to be able to handle additional volume that may be coming in the future. As Chris had mentioned, people are still tough to come by. Unemployment is still relatively low. And so, just individual positions with companies within our companies are a little bit tough to fill still, even after we've come out of COVID.

William Baldwin: How about the personnel in your regional offices down in the Gulf? They're calling maybe more directly on the customer. How are you staffed down there right now?

Daniel Thoren: We're staffed pretty well, we still have one more opening that we're trying to fill within the Houston office, but doing fairly well there.

William Baldwin: I know it's probably a little early to talk about your strategic focus on fiscal '24, but, at this stage, are you in a position to outline from a high level what your, let's say, key focus or key performance focus will be with the company in 2024? I'm not talking so much financially as I am, I guess, just strategically, as far as key initiatives.

Daniel Thoren: Certainly, from a strategic plan perspective, you don't want to completely change direction from year to year, so I would suspect that it will be a very, very well aligned actually with the strategic plan we laid out last year. We're tweaking it at this point. We're modelling the budgets, looking at our markets, understanding where the revenue is coming from, et cetera, but we haven't completed that process and haven't gotten approval from our Board yet for that. We're still in the process, but I would suspect that it will be very much along the lines of our current plan. We have stabilized Graham Batavia pretty well. You'll continue to see improvement initiatives there to get better and better. And then, on the Barber-Nichols side, we talked about the 4 major areas of work that Barber-Nichols is pursuing, and that hasn't changed. So, at a high level, it will be tweaks on last year's strategic plan to take what we learned this year and improve ourselves even more.

William Baldwin: Just two more quick items, if I could, Dan and Chris. On the Batavia manufacturing, are you still using some outside contract labor to get your work done or have you pretty much converted that now to your internal production staff.

Daniel Thoren: You want to take that one, Chris?

Chris Thome: The contract welders that we held to get back on schedule, all those contractors have left and have been dismissed. From time to time to fill in for the gaps in production, we do subcontract out some of our commercial work, so we do still have that going on, but the contract welders that we had on site have gone home.

William Baldwin: Okay, and secondly, I just wonder if you could do a little bit more of a deep dive into the nature of your space business, maybe not so much about the customers, who I assume are probably confidential, but the types of products that are being included in the space business, what's the nature of the key products there?

Daniel Thoren: Kind of think about it mostly as fluid movement. So, we get involved in launch vehicles where we're basically pumping fluid out of the tanks and into the combustion chamber; and so, those are rocket engine turbo pumps is what we talk about. And then, we also have thermal management systems on communication satellites, so it's pumping fluid around within the satellite to cool the electronics and communication equipment - so thermal management systems. We also have a contract through NASA that is public where we're developing both blowers and pumps for NASA's future backpack, so when the astronauts go on Space walks, Barber-Nichols will have some of the environmental control types of equipment in those backpacks.

William Baldwin: Do you look for the trajectory of the space business to be fairly, I guess, non-lumpy or is it going to be kind of up and down, but the long-term trend will be up? Is it going to have a lot of volatility to it or is it going to be fairly predictable?

Daniel Thoren: I don't think it will be predictable, Bill, but it's so small right now that we do expect it will continue to grow. It might be a little bit lumpy, depending upon what applications we get on. We are searching for those applications that have repeat potential associated with them. Launch vehicles is one of those, satellites is another, and then, the backpacks. We're not sure how many they're going to be making, but there's multiples of those also. We tend to focus on the ones that have some repeat potential associated with them, because that forms more of a steady base of business than the one-offs. While the one offs are a lot of fun from an engineering perspective, they aren't as good from a business stability.

Operator: Our next question is from John Bair with Ascend Wealth.

John Bair: To echo the previous callers about the great job that's going on and the turnaround well underway, it looks like, congrats on that. You touched on space quite a bit, which is what was one of my questions, so, I can skip on. I was just wondering, is your welding schools operating? Are you still involved with that?

Chris Thome: Yes. No, we still operate the welding school for the students that attend and then, in exchange for that, they come to work for us for 2 years. We just had a class that graduated at the end of the year and we're recruiting for our class, which is going to start here in February. We have some good response there, it has been a nice program for us. As I mentioned, we're at the highest level in Batavia of direct labor than we've been for the last 1.5 years, so we're pleased in the way that's going. We continually need to bring in talent, as we talked about earlier on the call, with welders and engineers and looking for ways to keep doing that. As you heard Dan mention, Barber-Nichols being ranked in the top 10 on GlassDoor for small- and medium-sized business companies to work for just shows some of the work that they're doing to recruit talent. So, just like everyone else, talent is a resource that we continue to go after.

John H. Bair: Sure. So, the welding school is probably something that's more of a fixture longer term, not something that you would conceivably stop pursuing.

Chris Thome: Correct. For the foreseeable future, we expect to continue that program.

John H. Bair: Great. You mentioned, too, in the call, about needing some engineers in the Batavia office and I was just wondering, do you have many in your Gulf Coast, Houston area? With the thought being, there's such a vast amount of petrochemical and refining activities there that perhaps the pool of recruits would be better, I'm sure you've thought about this, but I was just wondering how you look at that or are the Batavia positions more specific to the needs up there?

Daniel Thoren: I would say that the approach that we've taken thus far for the Gulf Coast area was really on the sales and service engineering side and we haven't put design engineers down there yet, but, boy, everything is open at this point. We think that we have better control over our designs and have the subject matter experts in Batavia, but we are looking at alternative ways to be able to outsource more of the mundane engineering tasks that are being done in Batavia now that, potentially, we could be having them done elsewhere and then have our subject matter experts really be able to work on the high-value engineering contributions. So John, I would probably answer your question more along the lines of, yes, all things are open and we're considering several at this point.

John H. Bair: I just think that perhaps a pool might be a little bit bigger down there and folks that might be more inclined to join Graham or Barber-Nichols without having to move. So, just relative thought there. Lastly, I know, in the past, you talked a little bit about some exposure to biodiesel and the green revolution, if you will, but really have not provided much color on that. Can you talk a little bit about that? Are you seeing much continued activity or interest in that area that you can be involved in?

Daniel Thoren: Yes, absolutely. Graham has provided quite a few different types of heat exchangers to biodiesel applications and continues to have more inquiries in those areas. So, absolutely, yes, we're pursuing that fairly heavily. On the hydrogen side, we're also seeing quite a bit of activity for both companies, actually. So, this is, again, one of

those early types of industries where people are trying to figure out what the best solution is, demonstrating the technology and then starting to build the initial plants to produce this and distribute the hydrogen, et cetera. We are talking to many in that space and we're pretty excited about that. I think that you'll see more and more press releases coming out in the future about that, because there is a ton of money being spent in those areas and we would expect that we'll win some of those going forward.

John H. Bair: And one last one. Do you have any potential exposure to carbon capture sequestration facilities?

Daniel Thoren: Not really at this point, John. We just have not seen a lot there yet. That's one area that I would say we haven't seen a lot of exposure to.

Operator: We have reached the end of our question-and-answer session. I would like to turn the conference back over to Dan for closing comments.

Daniel Thoren: Thank you, Sherry, and thank you, everyone, for joining us here today. We are excited about Graham Corporation's future and I hope that you share in that excitement. We are building better companies, creating opportunities and steadily delivering on our plan. I look forward to talking with you again in the near future. Have a nice day.

Operator: Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Graham Corporation (GHM) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website (grahamcorp.com), as well as to information available on the SEC's website (www.sec.gov) before making an investment decision. Please also refer to the opening remarks of this call for GHM's announcement concerning forward-looking statements that were made during this call.