



Graham Corporation

Q4 FY2023 Teleconference

June 8, 2023

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www.GrahamCorp.com

Safe Harbor Statement

Safe Harbor Regarding Forward Looking Statements

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,” “may,” “will,” “goals,” “estimated,” “potential,” “plan” 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, its ability to deliver to plan, 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, gross margin, 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, 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, and its acquisition and growth strategy, 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 on Form 10-K filed with the Securities and Exchange Commission (the “SEC”), included under the heading entitled “Risk Factors”, and in other reports filed with the SEC.

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 in this presentation may be material.

Executing Plan and Raising Revenue and Margin Goals for 2027

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

FY23 Sales Grew 28% to Record \$157.1 Million

Revenue	Diluted EPS/ Adjusted Dil. EPS ⁽¹⁾	Record Orders
\$157.1M +28%	\$0.03/\$0.24	\$202.7M +41%

Successfully stabilized vacuum/heat transfer business; sustained growth trajectory of turbomachinery business

Diversification strategy drove growth: strength in all markets

- Sales to space market grew \$15.4 million in FY23
- Strong aftermarket sales of \$24.9 million, up 25.5% over prior year
- Other markets sales up \$6.9 million driven by new energy markets including hydrogen, solar, small modular nuclear & geothermal power

Ended year on strong note: Q4 book-to-bill ratio⁽²⁾ of 1.2x with orders of \$50.8 million; book-to bill of 1.3x for the fiscal year

- Included \$23 million follow-on defense order for MK48 Mod 7 Heavyweight Torpedo

Gross profit and margin improved on improved mix with space and aftermarket, better pricing on defense contracts, and improved execution

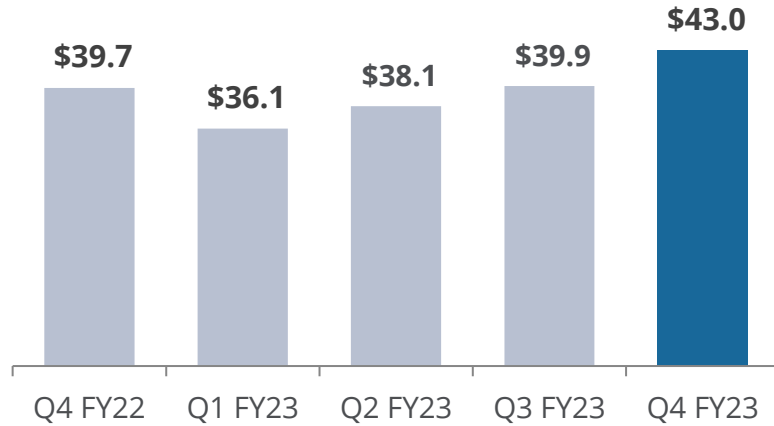
GAAP net loss was \$481 thousand and adjusted EBITDA⁽¹⁾ was \$1.22 million

- Space customer bankruptcy filing had an approximate \$0.19 per share impact on earnings for quarter and the year

Demonstrating Steady Progress

(\$ in millions)

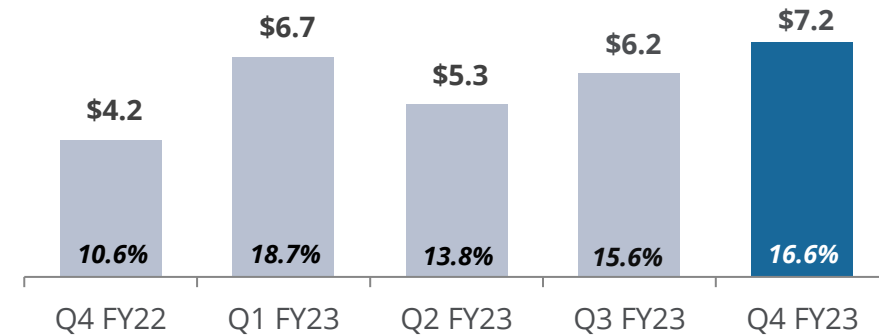
SALES



Sales increased \$3.3 million, or 8%, y/y

- + Space up \$4.6 million driven by several active projects
- + Chemical/Petrochemical increased \$1.5 million, or 32% on higher aftermarket demand
- + Aftermarket sales for refining and Chem/Petrochem markets, up 45% to \$7.1 million

GROSS MARGIN



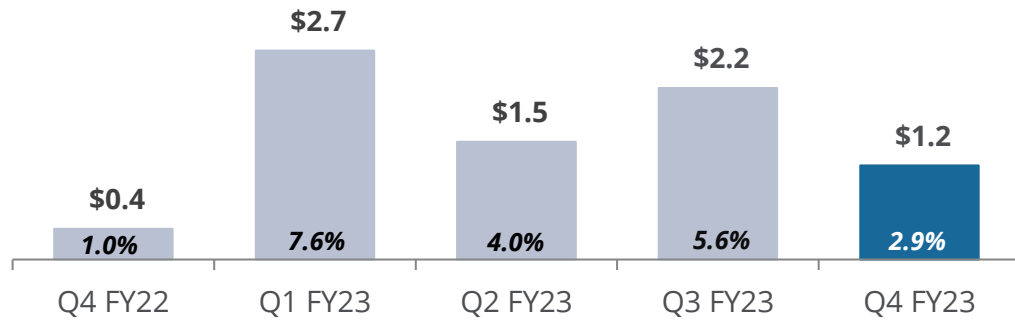
Margin expansion with stronger execution

- + Increased productivity
- + Higher volume and improved mix
- + Better pricing
- Offsetting margin improvement was \$0.8 million in reserves related to space customer

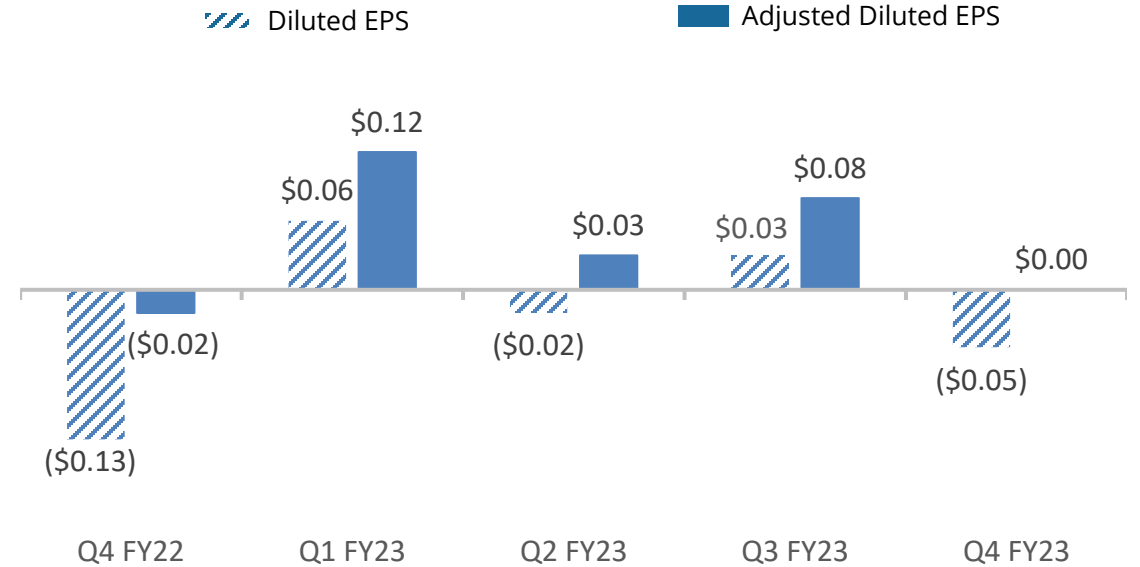
Achieved Expectations for the Year

(\$ in millions, except per share data)

ADJUSTED EBITDA AND MARGIN⁽¹⁾



DILUTED EPS AND ADJUSTED DILUTED EPS⁽¹⁾



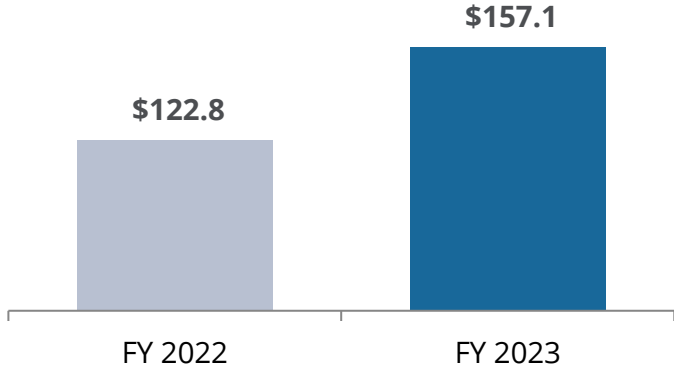
Advancing long-term plan and increasing goals for sales growth and earnings power

- + Achieved guidance for the fiscal year despite impact of \$2.5 million reserve for bad debt and inventory, net of associated performance-based compensation, related to space customer
- + Vacuum/heat transfer business stabilized; execution and productivity improving
- + Implementing ERP system in FY24 to further enhance earnings power

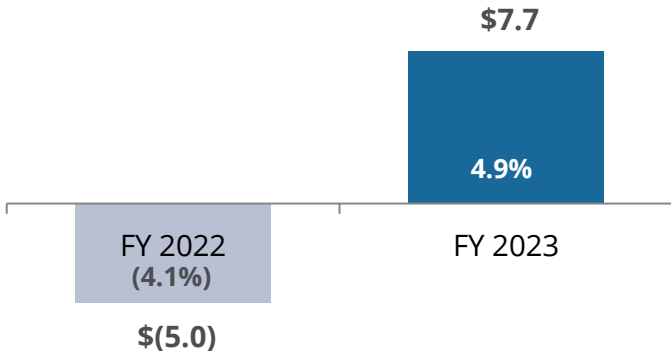
FY23: 28% Revenue Growth and Strong Profitability Improvement

(\$ in millions, except per share data)

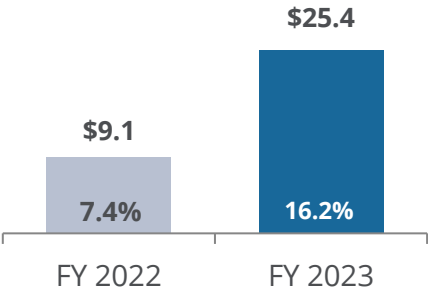
Sales



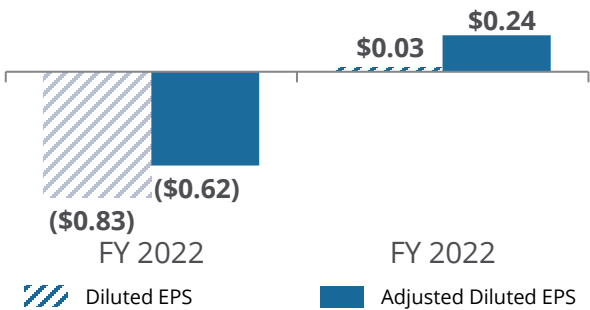
Adjusted EBITDA and Margin ⁽¹⁾



Gross Margin



Diluted EPS & Adjusted Diluted EPS ⁽¹⁾



Sales growth validates market diversity

- + Revenue up in all markets; included \$8.9 million of acquired revenue
- + Defense 42% of total revenue
- + Space sales up \$15.4 million to \$21.2M
- + Other markets, specifically new energy, growing
- + Petrochemical and refining sales up 38% driven by continued increase in aftermarket sales

Margin and profitability impacts:

- Reserves for space customer
- + Space became a meaningful contributor
- + Increase in commercial aftermarket sales



(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			
	March 31, 2023	December 31, 2022	March 31, 2022
Cash and cash equivalents	\$18.3	\$17.2	\$14.7
Total debt	11.7	14.2	18.4
Stockholders' equity	96.9	97.9	96.5
Total capitalization	\$108.6	\$112.1	\$114.9
Debt / total capitalization	10.8%	12.7%	16.0%

THREE MONTHS ENDED			
	March 31, 2023	December 31, 2022	March 31, 2022
Net cash provided by operating activities	\$5.0	\$9.3	\$12.3
CapEx	(1.4)	(1.2)	(0.4)
Free cash flow (FCF) ⁽¹⁾	\$3.6	\$8.1	\$11.9

Totals shown may not equal the sum due to rounding

Cash up \$1.0 million over trailing quarter

Reduced debt by \$6.6 million in FY23

- Bank leverage ratio down to 2.1x debt to adjusted EBITDA⁽²⁾

Measurably improved liquidity

- Amount available under revolving credit facility was ~\$10 million at March 31, 2023

FY23 CapEx was \$3.7 million

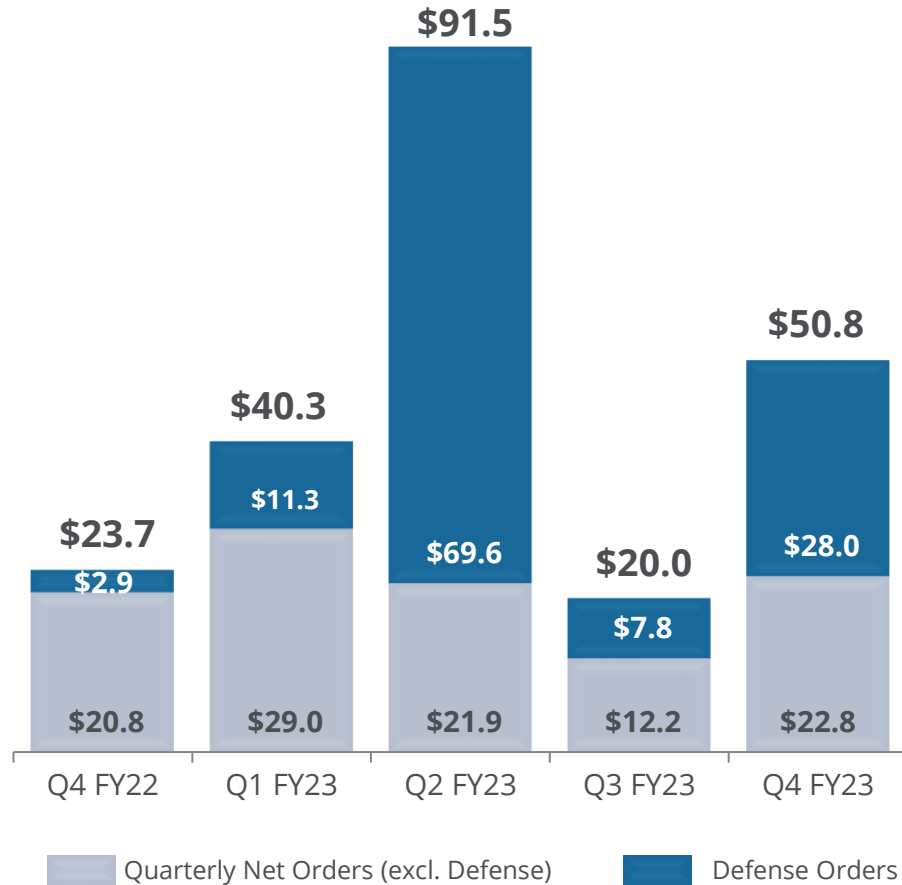
FY24 CapEx estimated to be \$5.5 million to \$7.0 million

- Primarily for expansion capital and ERP system
- Maintenance capital spend is approximately \$2 million annually

Record Orders in FY 2023

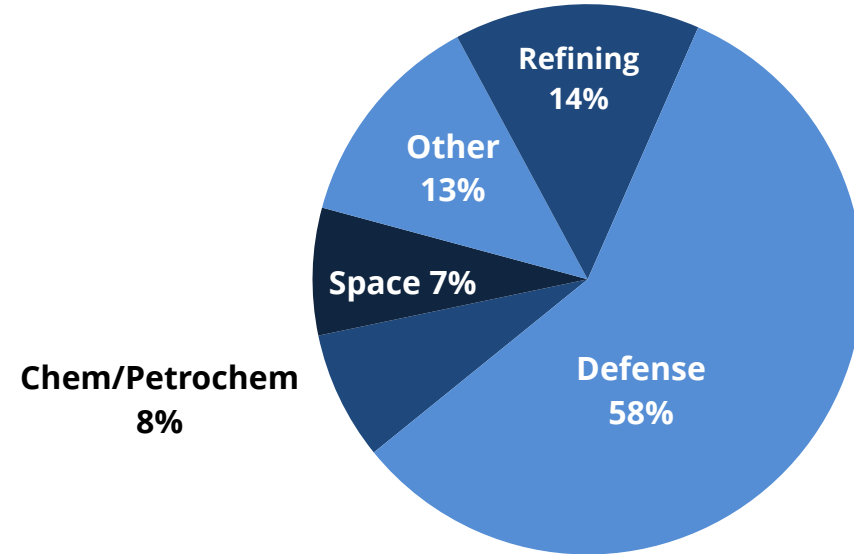
(\$ in millions)

ORDERS⁽¹⁾



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

FY 2023 ORDERS : \$202.7 MILLION



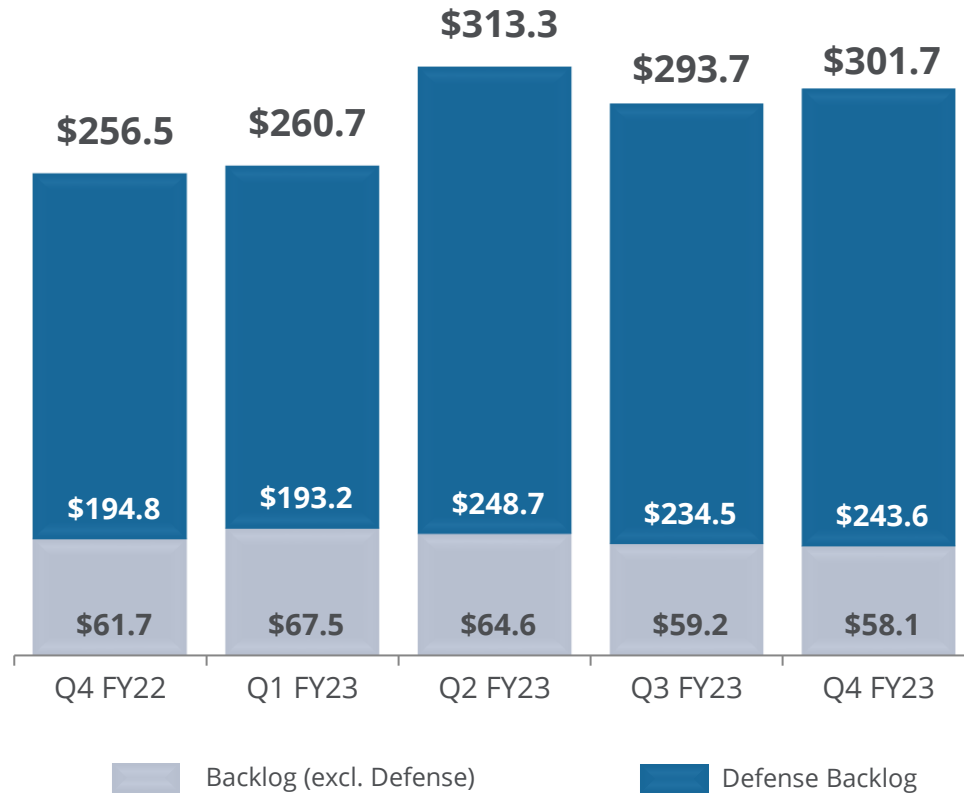
FY23 Book to Bill⁽¹⁾ of 1.3x

- Orders increased 41% in FY23 over prior year to new record
- For the quarter, record orders were up \$27.2 million y/y and \$30.8 million sequentially
- Aftermarket orders remained strong and were up 34% y/y

Good Visibility with Strong Defense Backlog

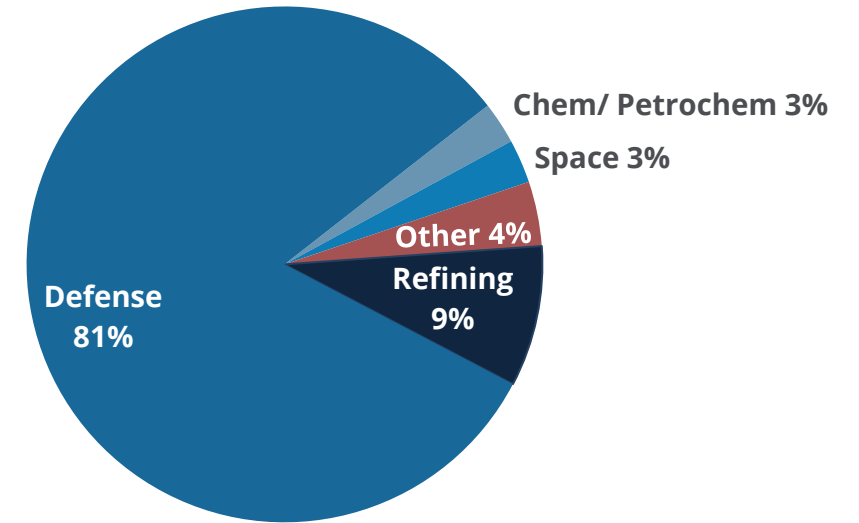
(\$ in millions)

TOTAL BACKLOG⁽¹⁾



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

Q4 FY23 : BY INDUSTRY



- Strong defense backlog provides long-term visibility
- Q4 FY23 backlog up 18% year-over-year
- ~ 50% to 55% of backlog expected to convert to sales in fiscal 2024
 - Supports ~95% of expected FY24 revenue
- Majority of orders expected to convert beyond twelve months are for the defense industry, specifically the U.S. Navy

Fiscal 2024 Outlook⁽¹⁾ and New Goals for FY27

Revenue: \$165 million to \$175 million

Gross margin: ~17% to 18%

SG&A: ~15% to 16% of sales

Adjusted EBITDA⁽²⁾: ~\$10.5 million to \$12.5 million

Effective tax rate: ~22% to 23%

FY27 Strategic Goals:

- **>\$200 million** in revenue
- **Low to mid-teen adj. EBITDA margin**

FY24 Guidance

- Implies ~8% revenue growth at midpoint of range
- Implies ~7% adj. EBITDA margin⁽²⁾ at midpoint of range

The revenue, gross margin, SG&A, and adjusted EBITDA expectations for fiscal 2024 are based on the assumptions that Graham will be able to operate its production facilities at planned capacity, has access to its global supply chain including its subcontractors, does not experience any further impact from the Virgin Orbit bankruptcy and does not experience significant health-related disruptions or any other unforeseen events.

(1) FY2024 guidance as of June 8, 2023

(2) Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA excludes approximately \$2 million to \$3 million of BN performance bonus and approximately \$0.5 million to \$1.0 million of ERP conversion costs. See Use of Forward-Looking Non-GAAP Financial Measures on Slide 2 for more information

Strategy Evolving to Drive Steady Growth and Stronger Profitability

Targeted Markets

- Focused on markets where product and technology differentiation matters: critical equipment for critical applications

Operational Excellence

- Invest in process optimization including digital & automated tools

Elite Team with Passion

- Provide healthy environment for individual and team growth
- Invest in people

Stakeholder Engagement

- Look “outside in” for support, ideas and improvement



SUPPLEMENTAL INFORMATION

Disclaimer Regarding Key Performance Metrics

Key Performance Indicators

In addition to the foregoing non-GAAP measures, management uses the following key performance metrics to analyze and measure the Company's financial performance and results of operations: orders, backlog, and book-to-bill ratio. Management uses orders and backlog as measures of current and future business and financial performance, and these may not be comparable with measures provided by other companies. Orders represent written communications received from customers requesting the Company to provide products and/or services. Backlog is defined as the total dollar value of net orders received for which revenue has not yet been recognized. Management believes tracking orders and backlog are useful as it often times is a leading indicator of future performance. In accordance with industry practice, contracts may include provisions for cancellation, termination, or suspension at the discretion of the customer.

The book-to-bill ratio is an operational measure that management uses to track the growth prospects of the Company. The Company calculates the book-to-bill ratio for a given period as net orders divided by net sales.

Given that each of orders, backlog and book-to-bill ratio is an operational measure and that the Company's methodology for calculating orders, backlog and book-to-bill ratio does not meet the definition of a non-GAAP measure, as that term is defined by the U.S. Securities and Exchange Commission, a quantitative reconciliation for each is not required or provided.

Adjusted EBITDA Reconciliation

(Unaudited, \$ in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2023	2022	2023	2022
Net income (loss)	\$ (481)	\$ (1,425)	\$ 367	\$ (8,773)
Acquisition related inventory step-up expense	-	27	-	95
Acquisition & integration costs	-	189	54	562
Change in fair value of contingent consideration	-	-	-	(1,900)
CEO and CFO transition costs	-	244	-	1,182
Debt amendment costs	-	278	194	278
Net interest expense	242	143	939	400
Income taxes	(51)	(657)	194	(2,443)
Depreciation & amortization	1,519	1,602	5,987	5,599
Adjusted EBITDA	\$ 1,229	\$ 401	\$ 7,735	\$ (5,000)
<i>Adjusted EBITDA margin %</i>	<i>2.9%</i>	<i>1.0%</i>	<i>4.9%</i>	<i>(4.1%)</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 Reconciliation

(Unaudited, \$ in thousands)

	Three Months Ended March 31,		Year Ended March 31,	
	2023	2022	2023	2022
Net income (loss)	\$ (481)	\$ (1,425)	\$ 367	\$ (8,773)
Acquisition related inventory step-up expense	-	27	-	95
Acquisition & integration costs	-	189	54	562
Amortization of intangible assets	619	757	2,476	2,522
Change in fair value of contingent consideration	-	-	-	(1,900)
CEO and CFO transition costs	-	244	-	1,182
Debt amendment costs	-	278	194	278
Normalize tax rate ⁽¹⁾	(130)	(299)	(572)	(548)
Adjusted net income (loss)	\$ 8	\$ (229)	\$ 2,519	\$ (6,582)
GAAP diluted net income (loss) per share	\$ (0.05)	\$ (0.13)	\$ 0.03	\$ (0.83)
<i>Adjusted diluted net income (loss) per share</i>	<i>\$ 0.00</i>	<i>\$ (0.02)</i>	<i>\$ 0.24</i>	<i>\$ (0.62)</i>
<i>Diluted weighted average common shares outstanding</i>	10,617	10,645	10,654	10,541

⁽¹⁾ Applies a normalized tax rate to non-GAAP adjustments, which are pre-tax, based upon the statutory tax rate of 21%.

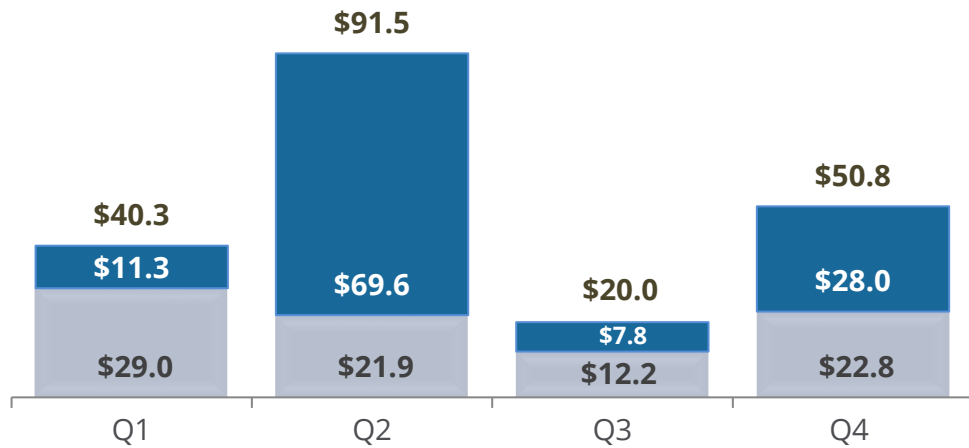
Non-GAAP Financial Measure:

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.

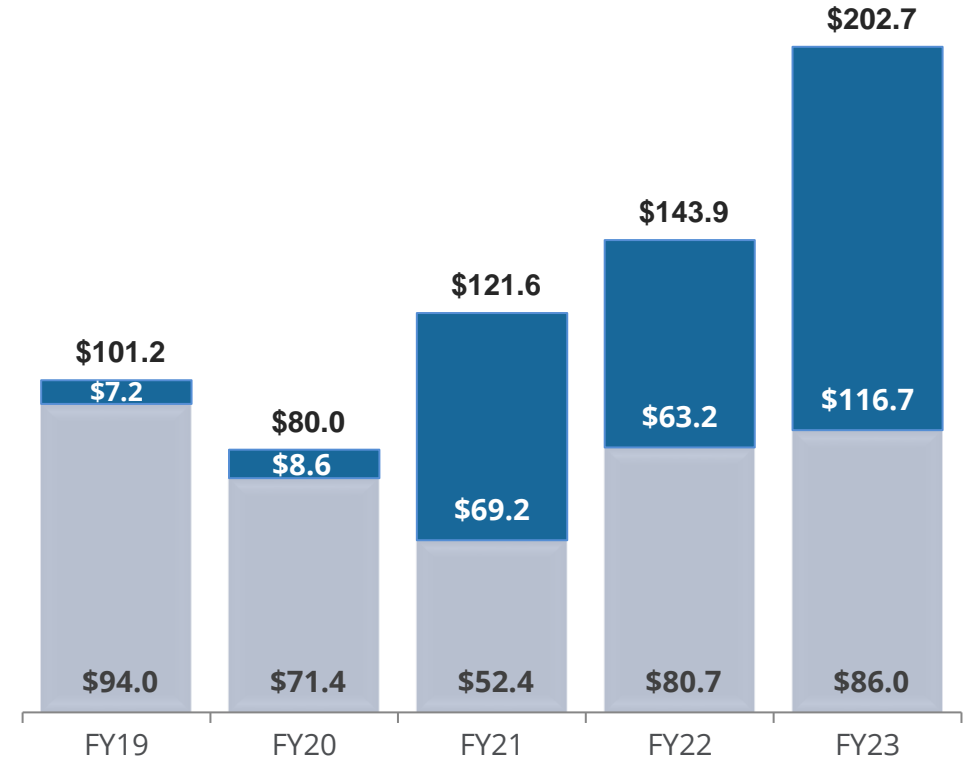
Orders History and Trend

(\$ in millions)

FY23 QUARTERLY ORDER TREND



FIVE-YEAR ORDER TREND



Net Orders (excl. Defense)

Defense Orders

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

Growth Potential of U.S. Navy Projects



CVN Ford Class Carrier

Build Plan¹

2 Completed
2 Under Construction
8 Remaining

Build Timeline¹
(based on current plan)

1 every
four years

Expected completion by FY2055

GHM Future Revenue Potential²

\$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