Graham Corporation

Q1 FY2024 Teleconference

August 7, 2023

(slide 8 corrected and revised)

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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," "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 selling, general and administrative ("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 generally accepted accounting principles ("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.

Record Quarterly Revenue, Record Backlog

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

Q1 Sales Grew 32% to Record $47.6 Million

Revenue	Diluted EPS/ Adjusted Dil. EPS(1)	Orders(2)
$47.6M *+32%*	**$0.25/$0.33**	**$67.9M** *+69%*

Growth driven by defense market more than doubling

- Sales to defense market grew $13.0 million in Q1
- Strong aftermarket sales to refining and petrochemical markets of $9.2 million, up 49% over prior year
- Offset softness in the refining industry and declines in the space market

Gross profit and margin increased 440 bps on mix of higher margin projects, better pricing, timing of material receipts, and improved execution

GAAP net income nearly tripled to $2.6 million; $0.25 per diluted share

Adjusted EBITDA(1) was $5.6 million, up 105% y/y with margin increase of 420 bps to 11.8%

Q1 book-to-bill ratio(2) of 1.4x with orders of $67.9 million

Received $13.5 million strategic investment from defense customer to expand capabilities

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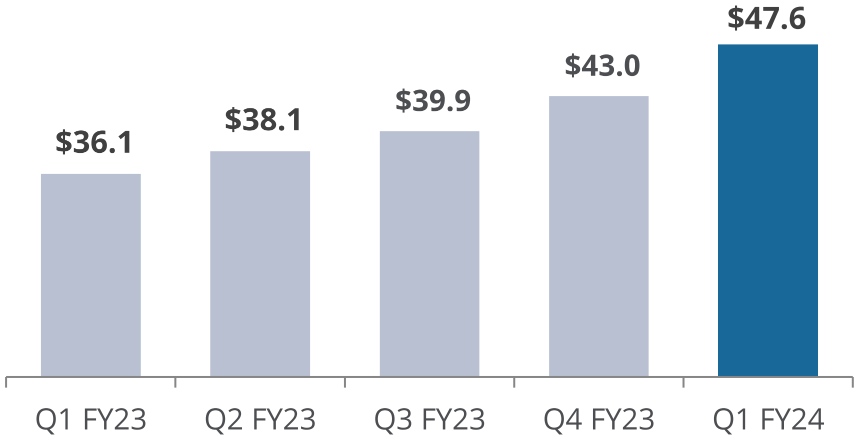
(1) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of Adjusted EBITDA and Adjusted diluted EPS as well as the reconciliation of net income/loss to Adjusted EBITDA and diluted EPS to Adjusted diluted EPS
(2) Please see disclaimer regarding the use of key performance metrics in the supplemental slides

Demonstrating Steady Progress

($ in millions)

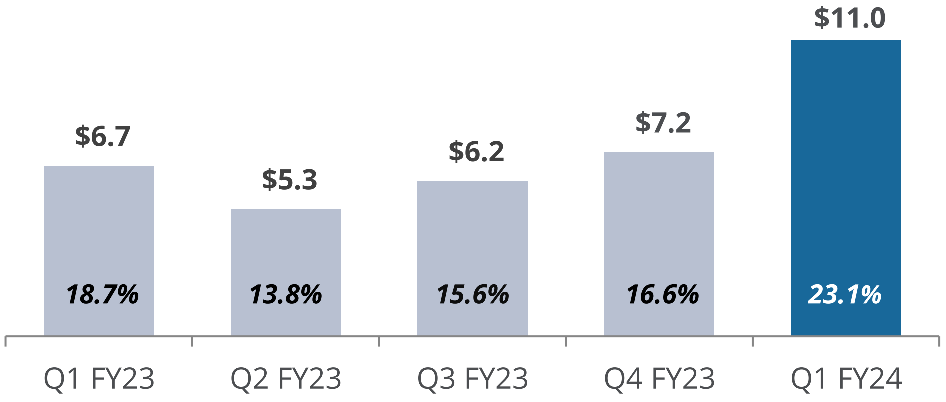
SALES



Sales increased $11.5 million, or 32%, y/y

+ Defense up 133% y/y and 20% sequentially
+ Commercial aftermarket up 49% y/y and 29% sequentially
+ Refining improved sequentially 29%, although down 13% y/y based on project timing
- Space down 25% y/y and 30% sequentially reflecting project timing and a major space customer declared bankruptcy

GROSS MARGIN



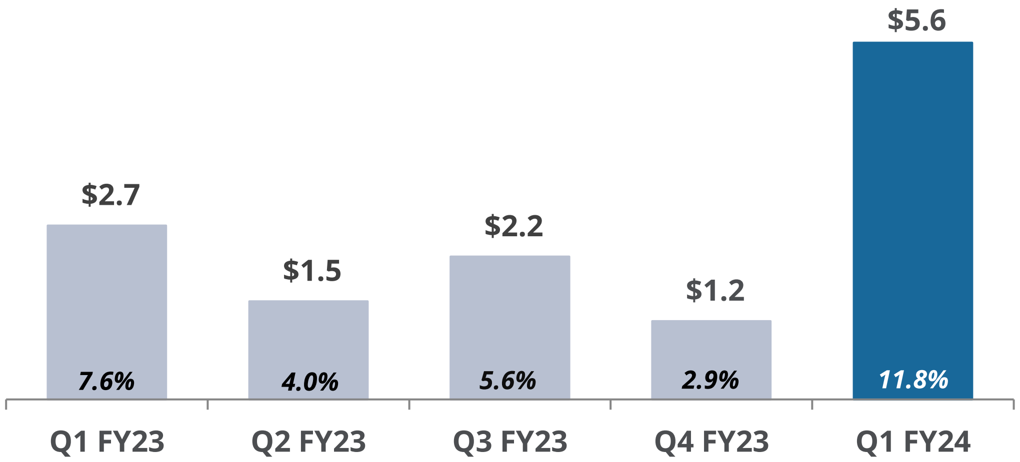
Margin expansion with stronger execution

+ Better mix of higher margin projects
+ Improved pricing
+ Improved execution

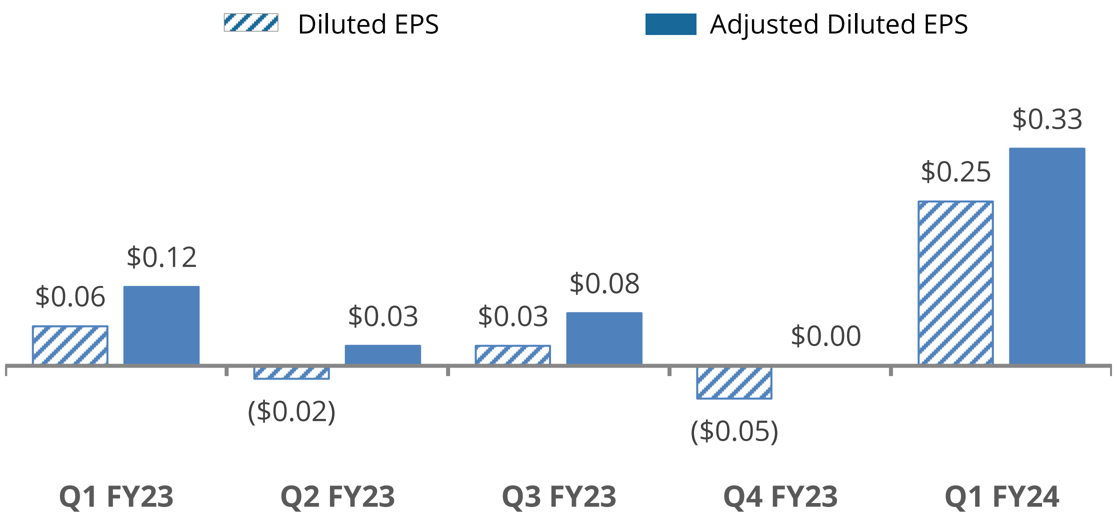
Solid Execution Drives Earnings Power

($ 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

+ Improved operating leverage
  - Gross profit as a percent of revenue up 650 bps sequentially
  - SG&A improved sequentially as a percent of revenue by 220 bps
+ Implementing ERP system in FY24 to further enhance earnings power

(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	June 30, 2023	March 31, 2023
Cash and cash equivalents	$24.7	$18.3
Total debt	**11.3**	**11.7**
Stockholders' equity	99.7	96.9
Total capitalization	**$111.0**	**$108.6**
Debt / total capitalization	10.2%	10.8%

	Three Months Ended	
	June 30, 2023	March 31, 2023
Net cash provided by operating activities	$8.6	$5.0
CapEx	(1.5)	(1.4)
Free cash flow (FCF)[(1)]	$7.1	$3.6

Totals shown may not equal the sum due to rounding

Cash up $6.4 million over trailing quarter

Reduced debt by $400 thousand

- Bank leverage ratio down to 1.6x debt to adjusted EBITDA[(2)]

Measurably improved liquidity

- Amount available under revolving credit facility was ~$26 million at June 30, 2023

Q1 CapEx was $1.5 million

FY24 CapEx estimated to be $12.0 million to $13.5 million

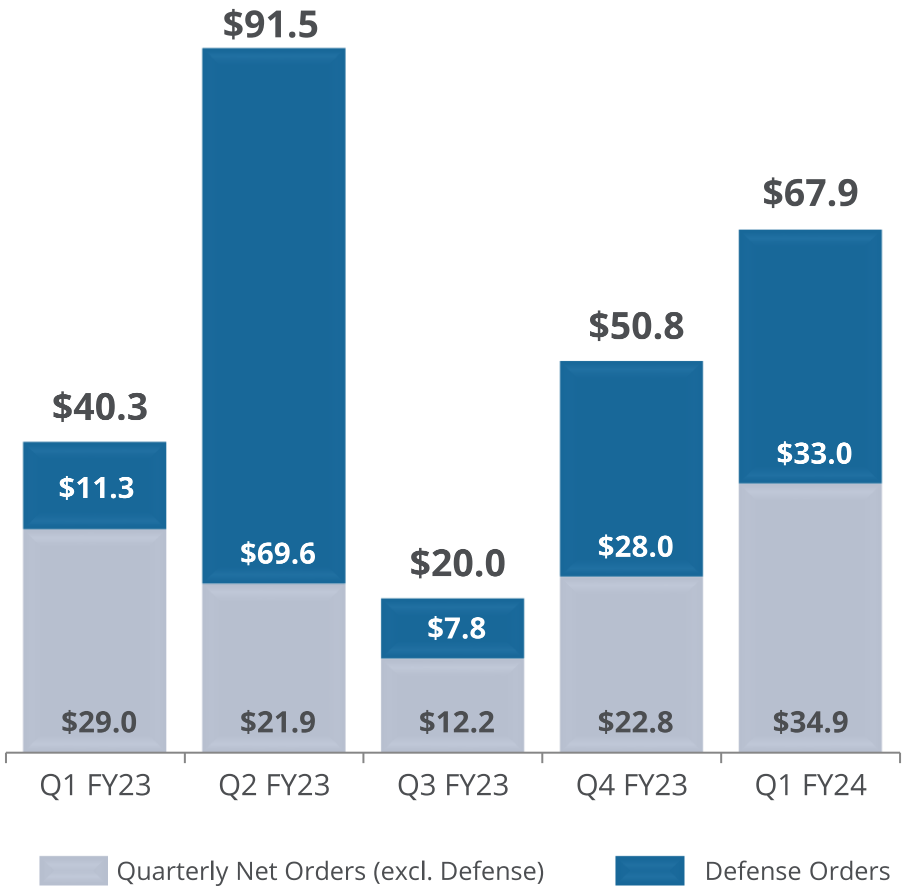
- Reflects strategic investment by customer to expand production capabilities in Batavia operations
- Primarily for expansion capital, ERP system and productivity improvement
- Maintenance capital spend is approximately $2 million annually

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

Orders up 69% year-over-year

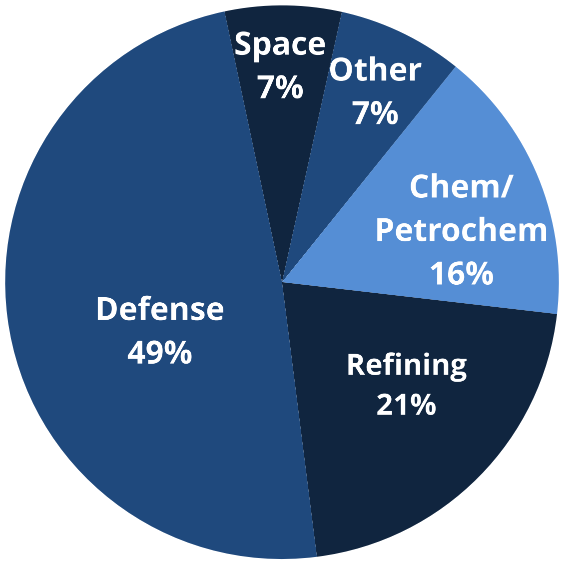
($ in millions)

ORDERS[1]



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

Q1 ORDERS : $67.9 MILLION



Q1 Book to Bill[1] of 1.4x

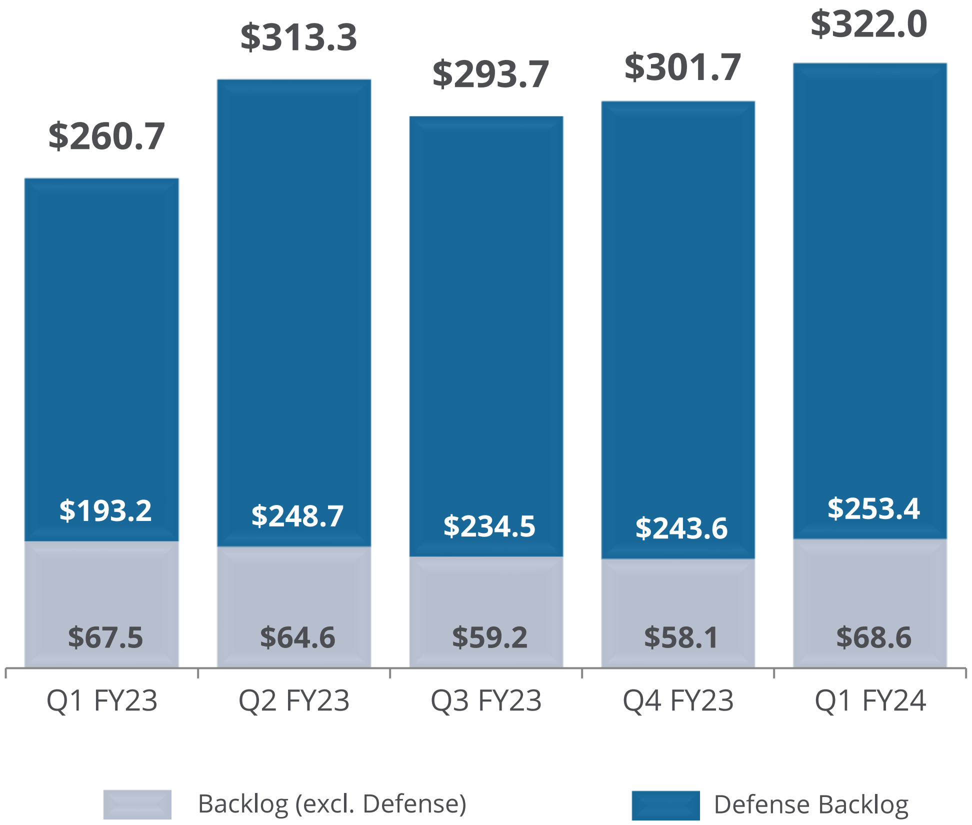
- Orders increased 69% in Q1 over prior year period and 34% sequentially
  - Included $22 million of strategic investment and follow-on orders from major defense customer
- Defense orders up 190% y/y to $33.0 million, validates position as strategic supplier

(1) Please see disclaimer regarding the use of key performance metrics in the supplemental slides

Good Visibility with Strong Defense Backlog

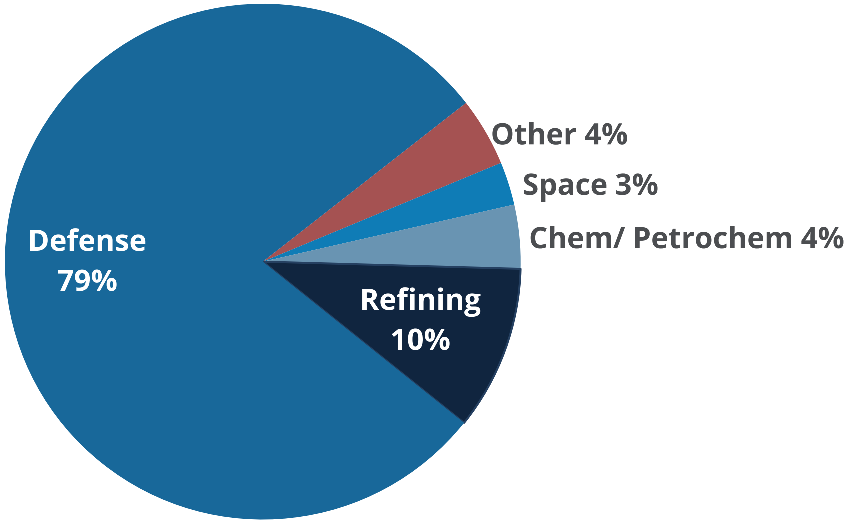
($ in millions)

TOTAL BACKLOG[1]



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

Q1 FY24 : BY INDUSTRY



- Strong defense backlog includes strategic investment from major defense customer
- Q1 backlog up 24% year-over-year, 7% sequentially
- ~50% of backlog expected to convert to sales in next 12 months
  - Another ~25% to 30% expected to convert over next two years
- Majority of orders expected to convert beyond twelve months are for the defense industry, specifically the U.S. Navy

Increased Fiscal 2024 Outlook[1] ; On Track to Achieve FY27 Goals

Revenue: $170 million to $180 million

Gross margin: ~18% to 19%

SG&A *(includes amortization)*: **~15% to 16% of sales**

Adjusted EBITDA[2]: ~$11.5 million to $13.5 million

Effective tax rate: ~22% to 23%

FY27 Strategic Goals:

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

FY24 Guidance

- Implies ~11% 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 subcontractors as required, does not experience any further impact from the Virgin Orbit bankruptcy and does not experience significant health-related disruptions or any other unforeseen events.

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(1) FY2024 guidance as of August 7, 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

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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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Net income	**$ 2,640**	**$ 676**
Acquisition & integration costs	-	54
Barber-Nichols performance bonus	767	-
Debt amendment costs	-	153
Net interest expense (income)	185	157
Income taxes	766	215
Depreciation & amortization	1,239	1,475
Adjusted EBITDA	**$ 5,597**	**$ 2,730**
Adjusted EBITDA margin %	*11.8%*	*7.6%*

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Net income	**$ 2,640**	**$ 676**
Acquisition & integration costs	-	54
Amortization of intangible assets	446	619
Barber-Nichols performance bonus	767	-
Debt amendment costs	-	153
Normalized tax rate[1]	(279)	(173)
Adjusted net income	**$ 3,574**	**$ 1,329**
GAAP diluted net income per share	*$ 0.25*	*$ 0.06*
Adjusted diluted earnings per share	*$ 0.33*	*$ 0.12*
Diluted weighted average common shares outstanding	10,719	10,630

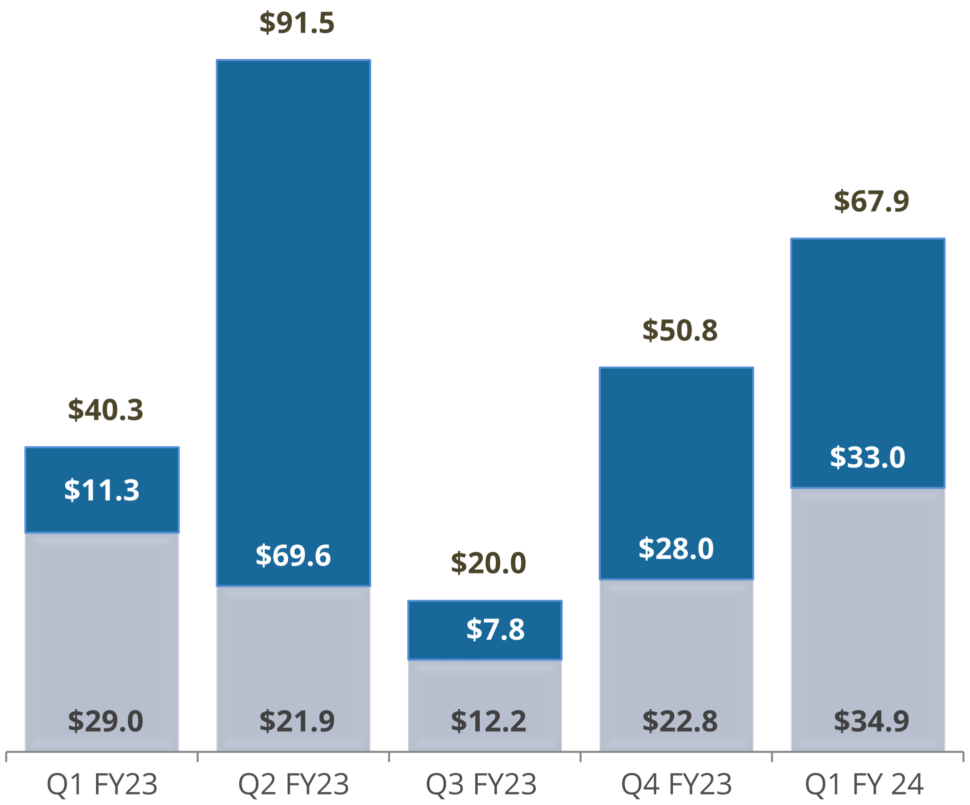
[1] Applies a normalized tax rate to non-GAAP adjustments, which are pre-tax, based upon the full year expected effective tax rate.

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.

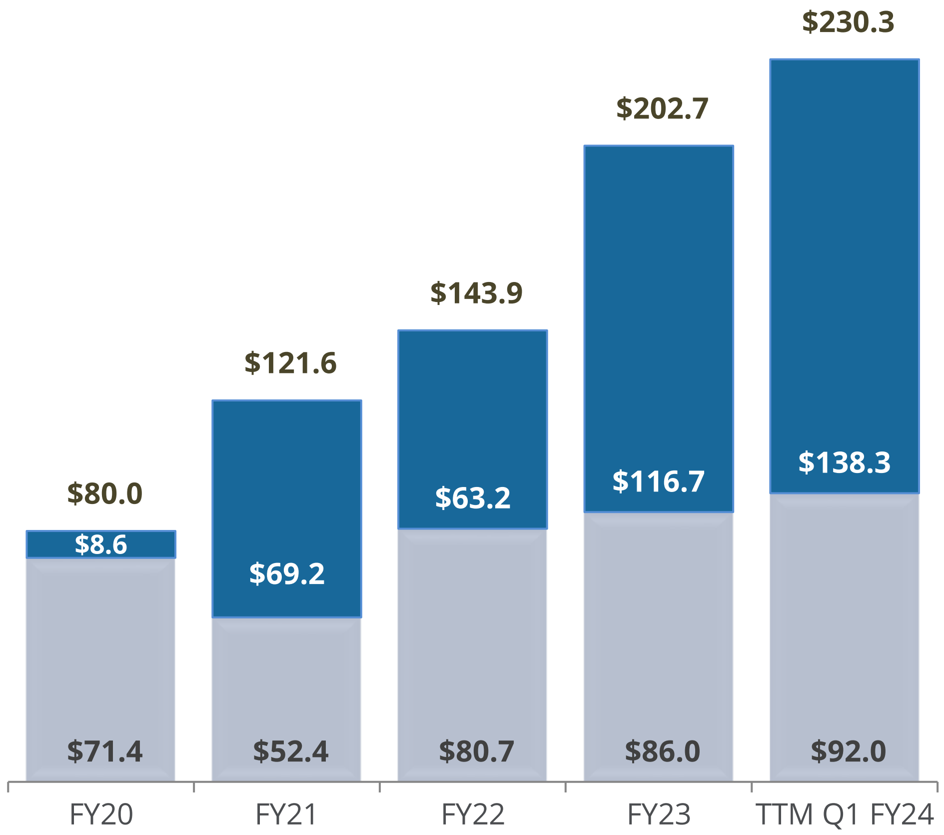
Orders History and Trend

($ in millions)

Quarterly Order Trend



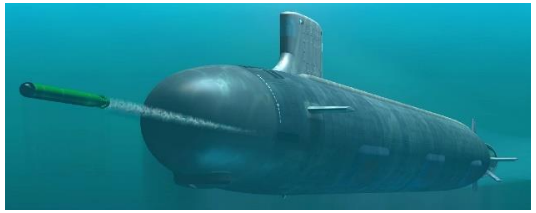
Yearly Order Trend



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

	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

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(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

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