Graham Corporation

Second Quarter FY2024 Teleconference

November 6, 2023

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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,” “could,” “guidance,” “should,” ”may”, “will,” “goals,” “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, its ability to continue to strengthen relationships with customers in the defense industry, its ability to secure future projects and applications, expected expansion and growth opportunities, its ability to improve earnings power, anticipated sales, revenues, adjusted EBITDA, adjusted EBITDA margins, capital expenditures and SG&A expenses, the timing of conversion of backlog to sales, orders, market presence, profit margins, tax rates, foreign sales operations, customer preferences, changes in market conditions in the industries in which it operates, 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 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 news release.

Use of Key Performance Indicators

This presentation includes key performance indicators, such as orders, backlog, and book-to-bill ratio. See the slide entitled "Disclaimer Regarding Key Performance Metrics" in this presentation for information regarding these key performance indicators.

Use of Non-GAAP Measures

This presentation includes non-GAAP measures, such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income (loss) and Adjusted Net income (loss) per diluted share. See the "Supplemental Information" section for information regarding these non-GAAP measures, including reconciliations to the most directly comparable U.S. GAAP financial measures.

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 2024 financial results. These non-GAAP financial measures are preliminary estimates and are subject to risks and uncertainties, including, among others, changes in connection with purchase accounting, quarter-end, and year-end adjustments. Any variation between the Company’s actual results and preliminary financial estimates set forth above may be material.

Second Quarter FY24 Highlights

Healthier, more robust business

- Making great progress
- Executing better

Shipped last first article units

Market Strength Supports Outlook

- Strong defense shipments and backlog
- Strong aftermarket for commercial business (refining and petrochem)

New credit agreement to provide funding for growth

Record level orders of ~$110 million in October

- Follow-on defense orders further validation of strategic supplier position
- Backlog >$400 million at October 31, 2023

Identifying new opportunities for growth and margin expansion

On track for 2027 goals

Demonstrating Solid Progress with Strategy for Growth

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

Effectiveness of Strategy Reflected in Strong Results

Revenue	Net income per diluted share/ Adjusted Net income per diluted share[1]	Orders[2]
$45.1M *+18%*	**$0.04/$0.13**	**$36.5M**

- Growth driven by defense market
  - Sales to defense market grew $10.3 million, up 69% over prior year
  - Strong aftermarket sales to refining and petrochemical markets of $10.8 million, up 74% over prior year
  - Offset softness in the refining industry and declines in the space market
- Gross profit increased to $7.2 million; gross margin expanded by 220 basis points
- GAAP Net income of $0.4 million; $0.04 per diluted share
- Adjusted EBITDA[1] was $2.7 million, up 76% y/y with margin increase of 200 bps to 6.0%
- Q2 book-to-bill ratio[2] of 0.81x with orders[2] of $36.5 million

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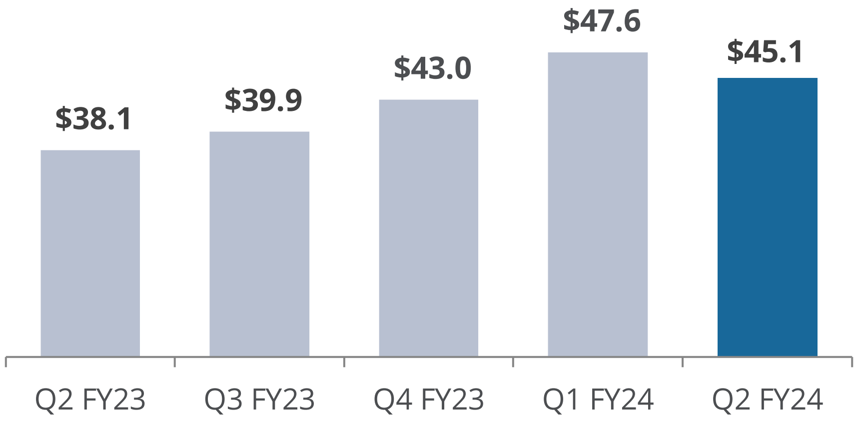
(1) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of Adjusted EBITDA and Adjusted Net income as well as the reconciliation of net income (loss) to Adjusted EBITDA and Net income (loss) per diluted share to Adjusted Net income (loss) per diluted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

(2) Please see the disclosure regarding the use of key performance metrics in the supplemental slides.

Delivering to Plan

($ in millions)

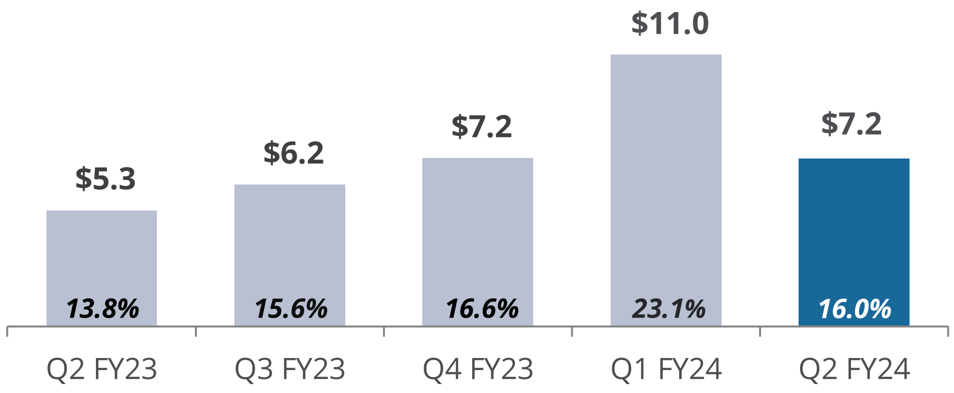
Sales



Sales increased $6.9 million, or 18% y/y

+ Defense revenue up 69% y/y and 10% sequentially
+ Commercial aftermarket sales were up 74% y/y and 17% sequentially
- Refining revenue down 4% y/y, although up 6% sequentially, due to slow to recover capital projects
- Space down 36% y/y and 43% sequentially reflecting project timing and the loss of a customer due to their Chapter 11 bankruptcy in April 2023.

Gross Profit



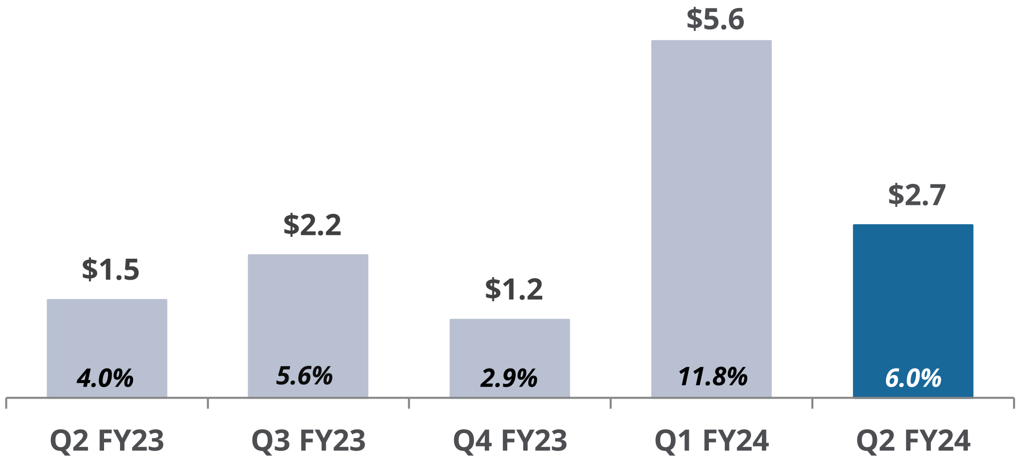
Gross profit increased $1.9 million, or 36% y/y; gross margin up 220 bps

+ Reflects higher volume and increased direct labor
+ Better execution and pricing on defense contracts
+ Healthy mix of higher margin commercial aftermarket sales
- Higher incentive compensation in comparison with the prior year

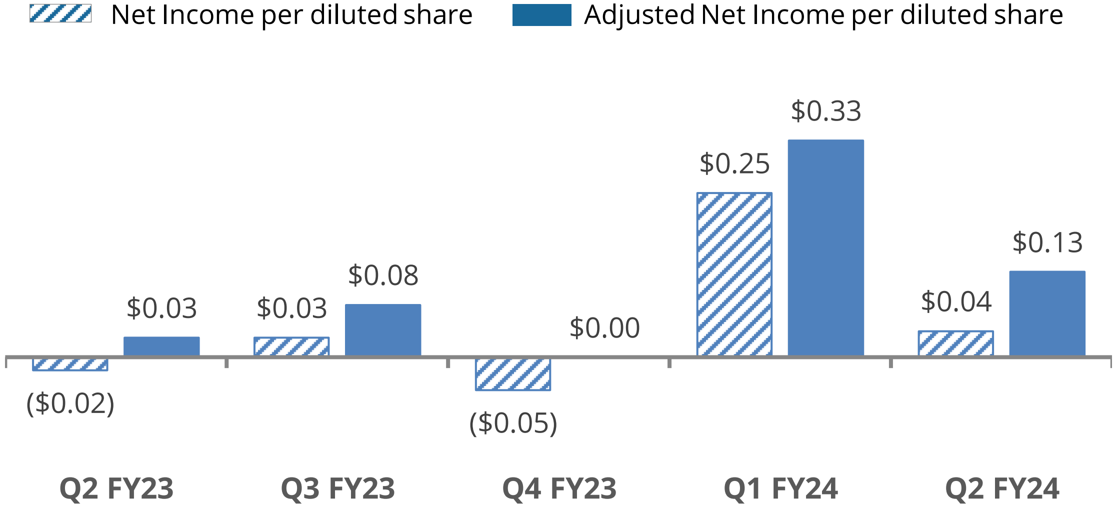
Driving Earnings Power

($ in millions, except per share data)

Adjusted EBITDA and Margin(1)



Net Income per diluted share and Adjusted Net income per diluted share(1)



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

+ Improved operating leverage in the second quarter of FY24
+ Steady progress; on track to reach 2027 goals

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(1) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measures of Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Net income/ (loss) per diluted share as well as the reconciliation of net income (loss) to Adjusted EBITDA, and Net income per diluted share to Adjusted Net income per diluted share.

Cash Management & Balance Sheet

($ in millions)

Capitalization	September 30, 2023	March 31, 2023
Cash and cash equivalents	$25.8	$18.3
Total debt	**10.9**	**11.7**
Stockholders' equity	100.8	96.9
Total capitalization	**$111.7**	**$108.6**
Debt / total capitalization	9.8%	10.8%

	Three Months Ended	
	September 30, 2023	**March 31, 2023**
Net cash provided by operating activities	$3.3	$5.0
CapEx	(1.8)	(1.4)
Free cash flow (FCF)(1)	$1.5	$3.6

Totals shown may not equal the sum due to rounding

Cash up $7.5 million over end of FY 2023

Reduced debt by $0.9 million compared with FY23 year-end

- Q2 bank debt leverage ratio down to 1.3x(2)
- As of November 6, 2023 no debt remaining on balance sheet

Improved financial flexibility and lowered cost of debt

- Secured a new, five-year $50 million senior secured revolving credit facility after end of quarter
- $35 million available as of November 6, 2023

Q2 CapEx was $1.8 million; CapEx of $3.3 million for six months ended September 30, 2023

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, enterprise resource planning ("ERP") system, and productivity improvement
- Maintenance capital spend is expected to be approximately $2 million annually

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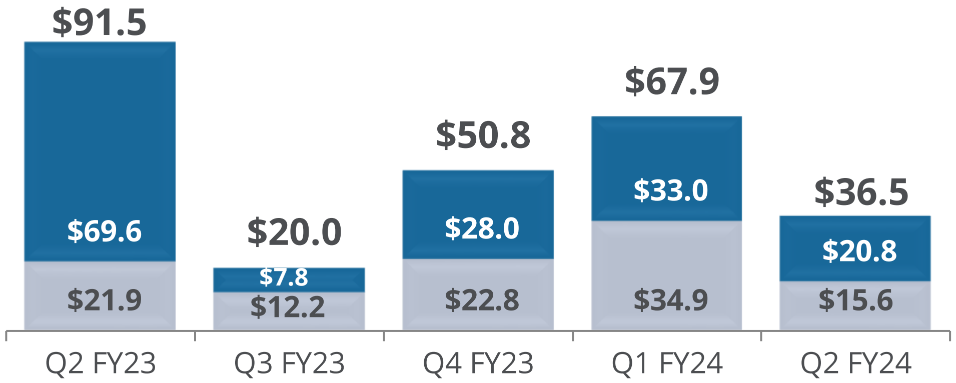
(1) Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures (CapEx).
(2) As defined by the Credit Agreement of October 13, 2023

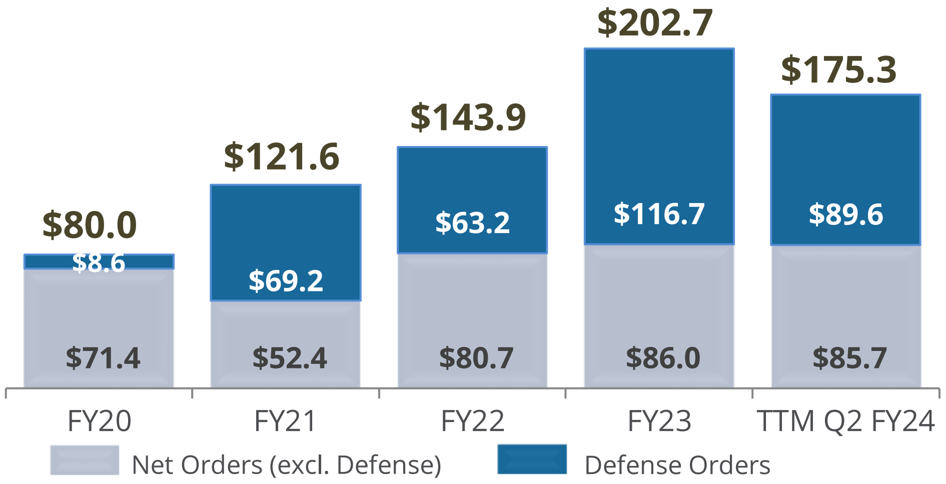
Proven Strategic Supplier for U.S. Navy

($ in millions)

QUARTERLY ORDER (1) TREND

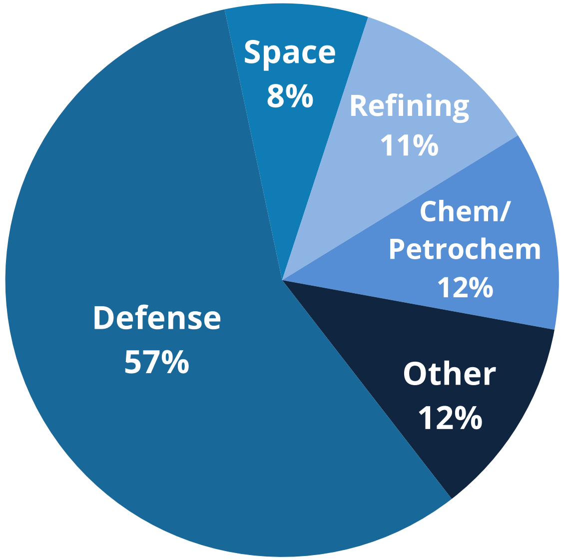


YEARLY ORDER (1) TREND



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

Q2 ORDERS (1) : $36.5 MILLION



Q2 Book-to-Bill[1] of 0.8x

- Orders decreased 60% in Q2 over prior year period which had benefitted from repeat orders for critical U.S. Navy programs
- Order trend reflects timing of large defense orders
- October orders for Q3 FY24 were ~$110 million

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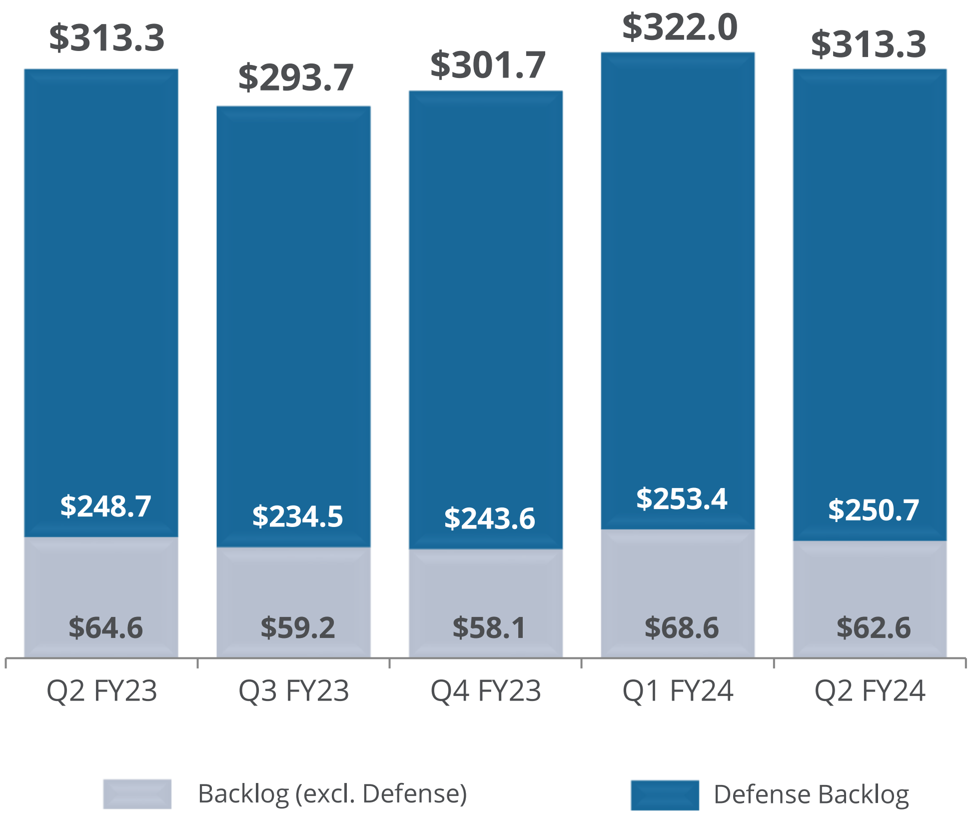
(1) Please see the disclosure regarding the use of key performance metrics in the supplemental slides.

Long Term Backlog Provides Visibility and Stability

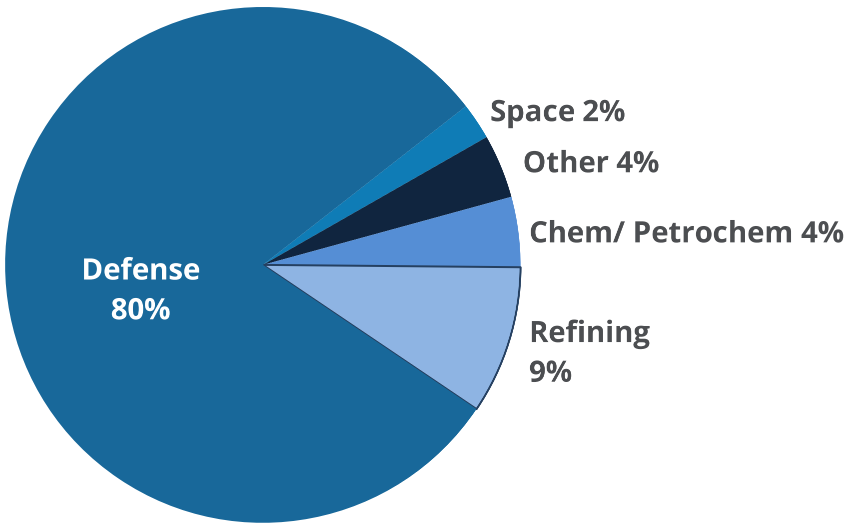
($ in millions)

TOTAL BACKLOG(1)



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

Q2 FY24 : BY INDUSTRY



- Q2 backlog flat year-over-year
- ~50% of backlog expected to convert to sales in next 12 months
  - Another ~25% to 30% expected to convert over next one to two years
- Majority of orders expected to convert beyond twenty-four months are for the defense industry, specifically the U.S. Navy

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

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

Revenue: $170 million to $180 million

Gross margin: ~18% to 19%

SG&A[2] *(includes amortization)*: **~15% to 16% of sales**

Adjusted EBITDA[3]: ~$11.5 million to $13.5 million

Effective tax rate: ~22% to 23%

FY27 Strategic Goals:

- **>$200 million** in revenue
  - Represents ~8% to 10% annualized growth per year
- **Low to mid-teen** adjusted EBITDA margin[3]

FY24 Guidance[1]

- Implies ~11% revenue growth at midpoint of range
- Implies ~7% adjusted 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 November 6, 2023.
(2) Includes approximately $2.5 million to $4 million of Barber-Nichols ("BN") performance bonus and ERP conversion costs included in SG&A expense..
(3) Excludes approximately $2.5 million to $4 million of BN performance bonus and ERP conversion costs included in SG&A expense and approximately $0.7 million of debt extinguishment charges.

Building a Better Business: Plan Delivers Compounding Growth

- Growing backlog with stronger margins
- Winning new business with better pricing
- Improving execution reduces costs and drives productivity
- Established strategic supplier to U.S. Navy with a variety of solutions
- Focused on growth both organic and acquisitive
- Making progress and committed to continual 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 and backlog are operational measures and that the Company's methodology for calculating orders and backlog 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 September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	**$ 411**	**$ (196)**	**$ 3,051**	**$ 480**
Acquisition & integration costs	-	-	-	54
Barber-Nichols performance bonus	802	-	1,569	-
Debt amendment costs	-	41	-	194
Net interest expense	55	246	240	403
Income taxes	243	(40)	1,009	175
Depreciation & amortization	1,201	1,487	2,440	2,962
Adjusted EBITDA [1]	**$ 2,712**	**$ 1,538**	**$ 8,309**	**$ 4,268**
Adjusted EBITDA margin % [1]	*6.0%*	*4.0%*	*9.0%*	*5.8%*

Non-GAAP Financial Measure:

(1) 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 September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	**$ 411**	**$ (196)**	**$ 3,051**	**$ 480**
Acquisition & integration costs	-	-	-	54
Amortization of intangible assets	445	619	891	1,238
Barber-Nichols performance bonus	802	-	1,569	-
Debt amendment costs	-	41	-	194
Normalize tax rate[1]	(287)	(139)	(566)	(312)
Adjusted net income [2]	**$ 1,371**	**$ 325**	**$ 4,945**	**$ 1,654**
GAAP net income (loss) per diluted share	*$ 0.04*	*$ (0.02)*	*$ 0.28*	*$ 0.05*
Adjusted net income per diluted share [2]	*$ 0.13*	*$ 0.03*	*$ 0.46*	*$ 0.16*
Diluted weighted average common shares outstanding	10,810	10,617	10,761	10,618

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

Non-GAAP Financial Measure:

(2) Net income (loss) per diluted share and adjusted net income (loss) per diluted share are defined as net income (loss) and diluted EPS as reported, adjusted for certain items and at a normalized tax rate. Net income (loss) per diluted share and adjusted net income (loss) per diluted share 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 Net income (loss) per diluted share and adjusted net income (loss) per diluted share , 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) per diluted share and adjusted net income (loss) per diluted share . 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.

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