Graham Corporation

Third Quarter FY2024 Teleconference

February 5, 2024

Daniel J. Thoren, *President and Chief Executive Officer*
Christopher J. Thome, *Vice President - Finance and Chief Financial Officer*

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,” “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 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.

Effectiveness of Strategy Reflected in Strong Q3 Results

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

Revenue

$43.8M *+10%*

- Defense projects
- Strong aftermarket sales
- Incremental P3 sales

Gross Margin

22.2% *+660 bps*

- Favorable mix and better pricing
- Improved execution
- Higher volume

Record Orders[1]

$123.3M

- Reflects repeat orders for critical U.S. Navy programs
- Drove record backlog[1] of ~$400M

➢ Net income of $0.2 million reflects debt amendment and acquisition costs; adjusted net income[2] up 183% to $2.4 million

➢ Adjusted EBITDA[2] was $3.9 million, up 72% y/y with Adjusted EBITDA margin[2] expansion of 320 bps to 8.8%

➢ Strong cash generation enabled debt paydown while continuing to strategically invest in the business

➢ Refinanced debt with lower cost, more flexible credit facility to support future growth opportunities

➢ Acquired P3 technologies to expand turbomachinery capabilities and technology solutions

➢ Increased FY 2024 revenue and adjusted EBITDA guidance; On track for 2027 goals

GHM

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

(2) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of Adjusted EBITDA, Adjusted EBITDA margin, and Adjusted Net income as well as the reconciliation of net income to Adjusted EBITDA

P3 Technologies: *Adds differentiated propulsion, power, fluid flow technologies*

P3 Technologies
Propulsion. Pumps. Power.

Established 2017; Jupiter, FL

11 employees with over 60 years of collective design and engineering experience

Annual revenue: ~$6.0 million

Added ~$6.0 million of backlog(1)

Acquired November 9, 2023

Stock and cash deal with cash earnout

Accretive to earnings in Q3 FY24

Investment Highlights and Strategic Rationale

1. Expect growth synergy opportunities by augmenting turbomachinery technologies, engineering team and manufacturing capabilities
2. Advances strategic transformation with expected higher growth and higher margin profile
3. Provides scalable, adaptable, and patent-protected technology solutions
4. Deepens reach in space and new energy markets while increasing diversification with medical industry
5. Adds talented, motivated, and innovative team with strong technical expertise

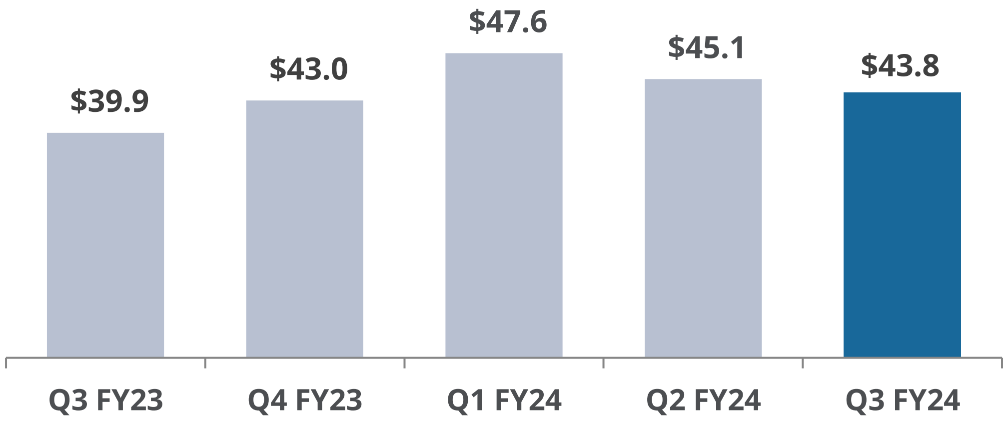
GHM

(1) See supplemental slides for the disclosure regarding the use of key performance metrics

Strong Margin Expansion on Revenue Growth

($ in millions)

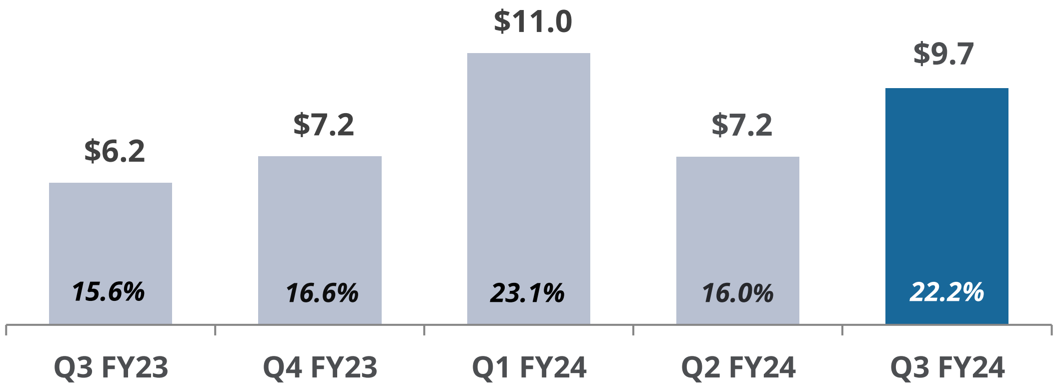
SALES



Sales increased $3.9 million, or 10% y/y

+ P3 added ~$1 million of incremental sales primarily related to space
+ Defense revenue up 12%
+ Commercial aftermarket sales up 59%
+ Increased direct labor to support growth
- Space revenue down $0.6 million due to project timing

GROSS PROFIT & MARGIN



Gross profit increased $3.5 million, or 56% y/y; gross margin up 660 bps

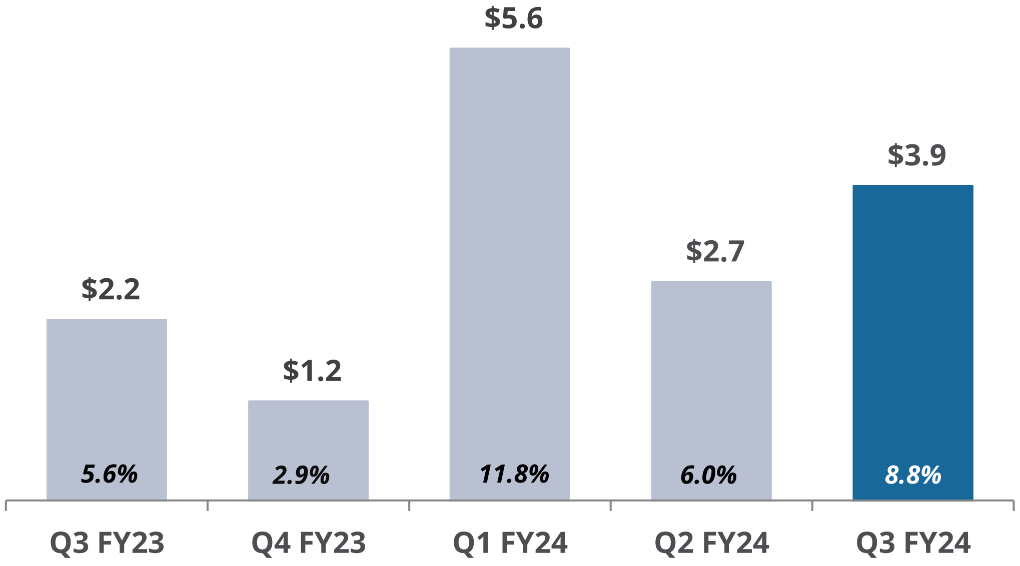
+ Reflects higher volume and related improved absorption
+ Margin accretive sales from P3
+ Better execution and pricing on defense contracts
+ Higher margin commercial aftermarket sales

GHM

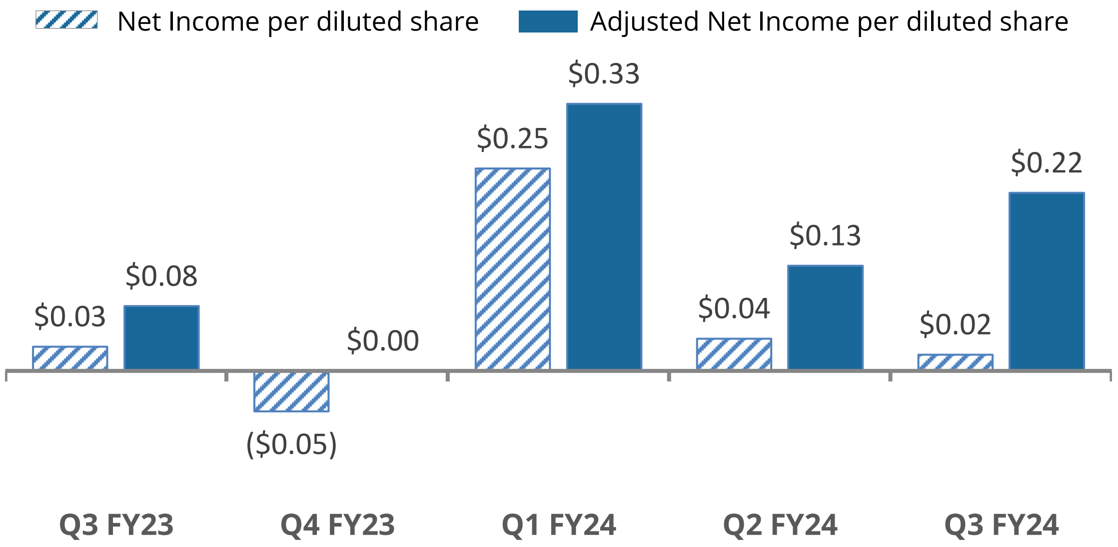
Improved Earnings Power

($ in millions, except per share data)

ADJUSTED EBITDA AND MARGIN(1)



NET INCOME PER DILUTED SHARE AND ADJUSTED NET INCOME PER DILUTED SHARE(1)



Selling, general and administrative expenses were 19% of sales, up from 13% last year

- Performance-based compensation and supplemental performance bonus from Barber-Nichols acquisition
- P3 acquisition-related costs
- Increased professional fees
- Initial ERP conversion costs

Net income reflects approximately $0.7 million of debt amendment costs

(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 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 Generation Enabled Debt Paydown and Strategic Investments

($ in millions)

Capitalization	December 31, 2023	March 31, 2023
Cash and cash equivalents	$15.2	$18.3
Total debt	**3.0**	**11.7**
Stockholders' equity	103.8	96.9
Total capitalization	**$106.8**	**$108.6**
Debt / total capitalization	2.8%	10.8%

	Three Months Ended		YTD
	December 31, 2023	December 31, 2022	December 31, 2023
Net cash provided by operating activities	$7.6	$9.3	$19.5
CapEx	(1.9)	(1.2)	(5.2)
Free cash flow (FCF)[1]	$5.7	$8.1	$14.3

Totals shown may not equal the sum due to rounding

Refinanced debt with a new, five-year up to $50 million senior secured revolving credit facility

- Provides flexibility with reduced borrowing costs

Acquired P3 in Nov. 2023 with a combination of cash, stock and future contingent earn-out

Reduced debt balance by $7.9 million in Q3; paid remaining $3.0 million in Jan. 2024

CapEx of $5.2 million YTD

- FY24 CapEx expectations reduced to a range of $8.0 million to $10.0 million due to projected timing of cash outflows
- Focused on capacity expansion, productivity improvements and the start of the ERP implementation

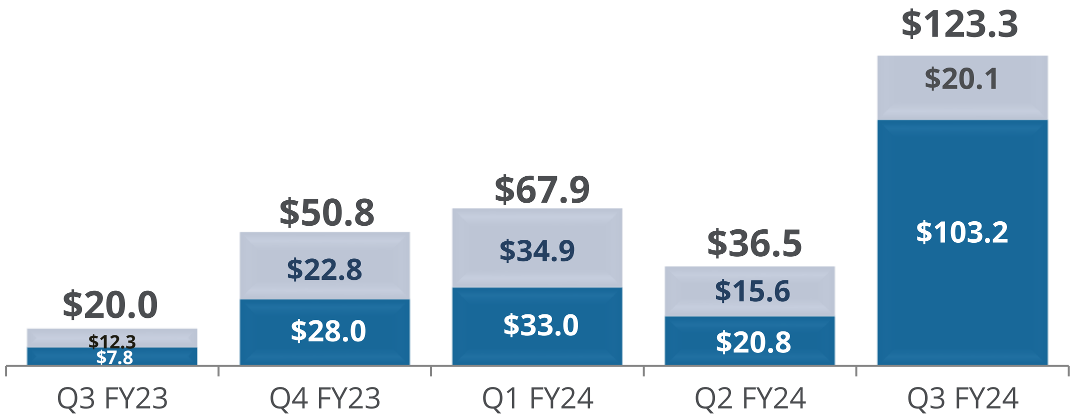
GHM

(1) See supplemental slides for additional important disclosures regarding Graham's use of the non-GAAP measure of free cash flow. Free cash flow is a non-GAAP metric defined as cash flow from operations less capital expenditures (CapEx).

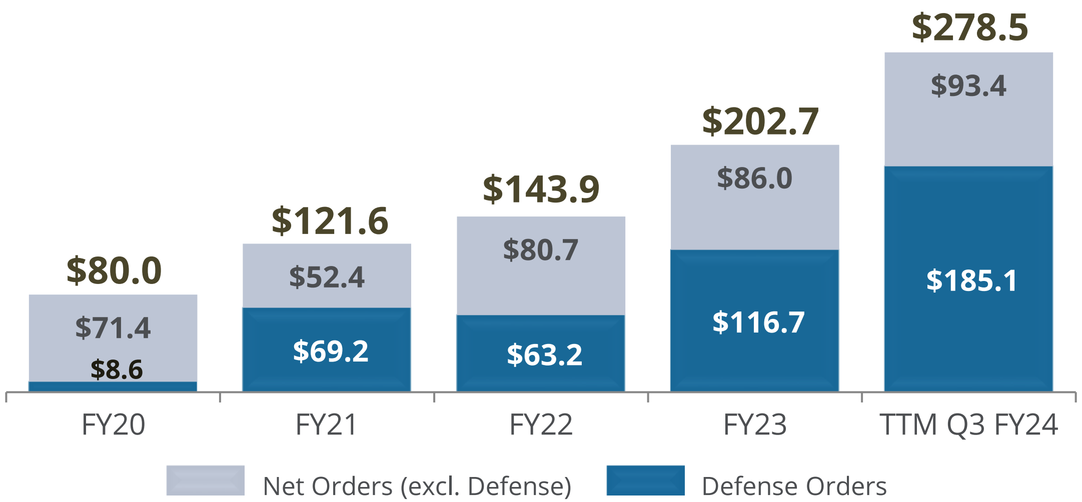
Record Follow-on Orders for Critical U.S. Navy Programs

($ in millions)

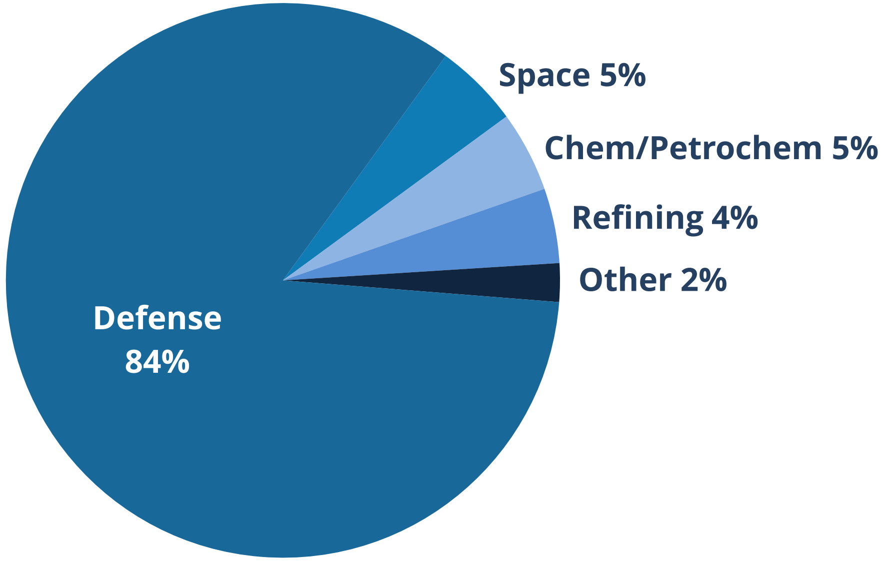
Quarterly Order (1) Trend



Yearly Order (1) Trend



Q3 FY24 Orders (1): $123.3 million



Q3 Book-to-Bill(1) of 2.8x

- Orders(1) increased 6x over prior-year period largely related to follow-on orders for critical U.S. Navy programs
- Aftermarket orders for the refining and petrochemical markets were $7.8 million in the third quarter
- Space orders increased nearly 3x y/y and doubled sequentially to $6.1 million

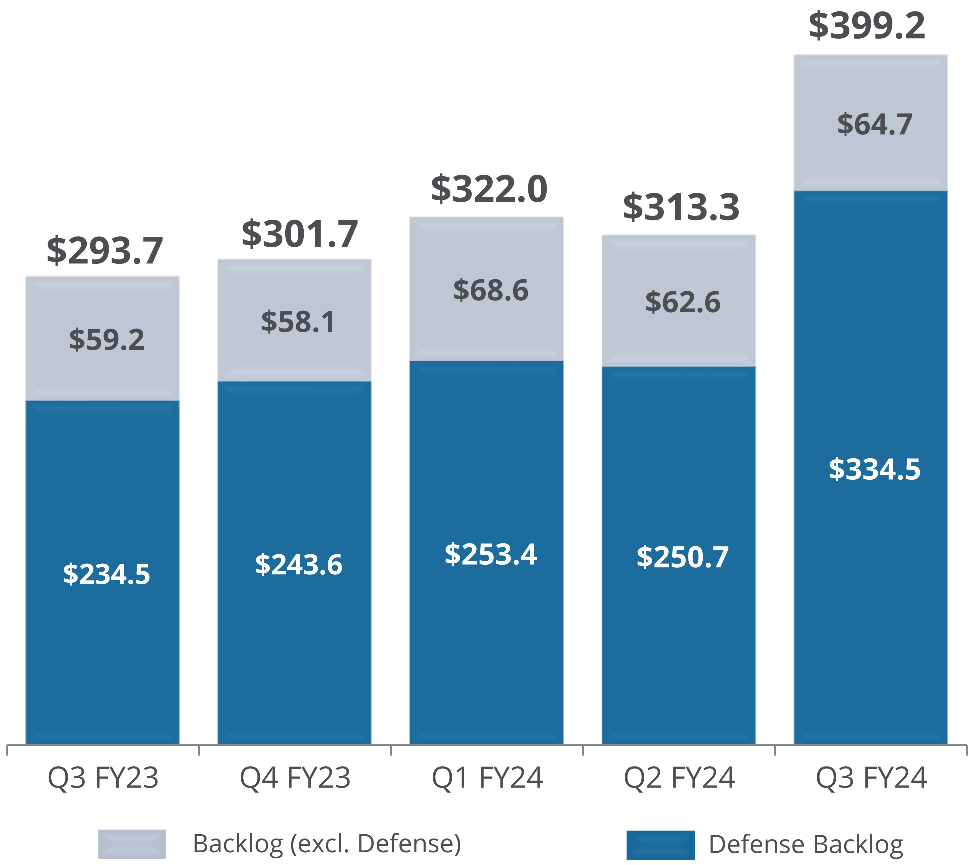
GHM

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

Record Backlog of nearly $400 Million Provides Visibility and Stability

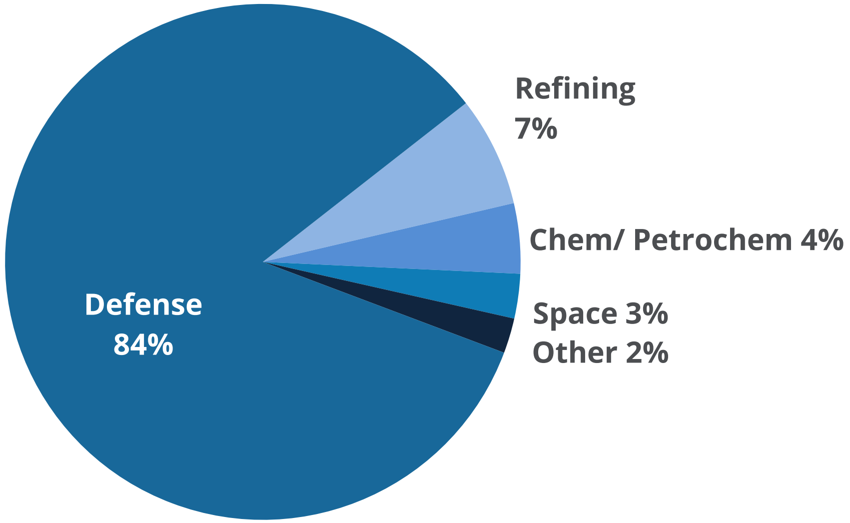
($ in millions)

TOTAL BACKLOG(1)



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

Q3 FY24 BACKLOG(1) : BY INDUSTRY



- Q3 backlog up 36% y/y; P3 acquisition added $6 million to backlog
- ~40% expected to convert to sales in next 12 months; 25% to 30% expected to convert within two years
- Majority of orders expected to convert beyond twelve months are for the defense industry, specifically the U.S. Navy
- Space backlog improved by $3.8 million, or 52%, sequentially

GHM

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

Increased Fiscal 2024 Revenue and Adjusted EBITDA Outlook[1]

Revenue: $175 million to $185 million

Gross margin: ~20%

SG&A[2] *(includes amortization)*: **~16% to 17% of sales**

Adjusted EBITDA[3]: ~$15 million to $16 million

Effective tax rate: ~22% to 23%

FY24 Guidance[1]

- Implies ~15% revenue growth at midpoint of range
- Implies ~9% adjusted EBITDA margin[3] at midpoint of range

On Track to Achieve FY27 Goals:

- ~8% to 10% annualized organic growth per year
- Implies $225M to $240M in revenue
- Low to mid-teen adjusted EBITDA margin[3]

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.

(1) FY2024 guidance as of February 5, 2024
(2) Includes approximately $4.5 million to $5 million of BN Performance Bonus, P3 acquisition and integration, and ERP conversion costs included in SG&A expense
(3) Excludes approximately $4.5 million to $5 million of BN performance bonus, P3 acquisition and integration, and ERP conversion costs included in SG&A expense and approximately $0.7 million of debt extinguishment

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

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 are operational measures 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 December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Net income	**$ 165**	**$ 368**	**$ 3,216**	**$ 848**
Acquisition & integration costs	274		274	54
Barber-Nichols performance bonus	1,264	-	2,833	-
Debt amendment costs	744	-	744	194
ERP Implementation costs	56	-	56	-
Net interest expense	37	294	277	697
Income taxes	(110)	70	899	245
Depreciation & amortization	1,422	1,506	3,862	4,468
Adjusted EBITDA [(1)]	**$ 3,852**	**$ 2,238**	**$ 12,161**	**$ 6,506**
Adjusted EBITDA margin % [(1)]	8.8%	5.6%	8.9%	5.7%

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.

Acquisition and Integration Costs are incremental costs that are directly related to the P3 acquisition. These costs may include, among other things, professional, consulting and other fees, system integration costs, and fair value adjustments relating to contingent consideration. In connection with the acquisition of BN, we entered into the BN Performance Bonus agreement to provide employees of BN with a supplemental performance-based award based on the achievement of BN performance objectives for fiscal years ending March 31, 2024, 2025, and 2026 which can range between $2,000 to $4,000 per year. Debt Amendment Costs consists of accelerated write-offs of unamortized deferred debt issuance costs and discounts, prepayment penalties and attorney fees in connection with the amendment of our credit facility in October 2023. ERP Implementation Costs relate to consulting costs incurred in connection with the new ERP system being implemented throughout our Batavia, N.Y. facility and are not expected to reoccur once the project is completed.

Adjusted Net Income and Adjusted Diluted EPS Reconciliation

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Net income	**$ 165**	**$ 368**	**$ 3,216**	**$ 848**
Acquisition & integration costs	274	-	274	54
Amortization of intangible assets	596	619	1,487	1,857
Barber-Nichols performance bonus	1,264	-	2,833	-
Debt amendment costs	744	-	744	194
ERP Implementation costs	56	-	56	-
Normalized tax rate[1]	(675)	(130)	(1,241)	(442)
Adjusted net income [2]	**$ 2,424**	**$ 857**	**$ 7,369**	**$ 2,511**
GAAP net income per diluted share	$ 0.02	$ 0.03	$ 0.30	$ 0.08
Adjusted net income per diluted share [2]	**$ 0.22**	**$ 0.08**	**$ 0.68**	**$ 0.24**
Diluted weighted average common shares outstanding	10,920	10,660	10,792	10,632

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

Non-GAAP Financial Measure:

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

(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.

Acquisition and Integration Costs are incremental costs that are directly related to the P3 acquisition. These costs may include, among other things, professional, consulting and other fees, system integration costs, and fair value adjustments relating to contingent consideration. In connection with the acquisition of BN, we entered into the BN Performance Bonus agreement to provide employees of BN with a supplemental performance-based award based on the achievement of BN performance objectives for fiscal years ending March 31, 2024, 2025, and 2026 which can range between $2,000 to $4,000 per year. Debt Amendment Costs consists of accelerated write-offs of unamortized deferred debt issuance costs and discounts, prepayment penalties and attorney fees in connection with the amendment of our credit facility in October 2023. ERP Implementation Costs relate to consulting costs incurred in connection with the new ERP system being implemented throughout our Batavia, N.Y. facility and are not expected to reoccur once the project is completed.

Graham Corporation

Third Quarter FY2024 Teleconference

February 5, 2024

Daniel J. Thoren, *President and Chief Executive Officer*
Christopher J. Thome, *Vice President - Finance and Chief Financial Officer*

www.GrahamCorp.com