



Strategy Briefing

June 9, 2022

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www.GrahamCorp.com

Safe Harbor and Non-GAAP

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,” “estimates,” “outlook,” “anticipates,” “believes,” “implies,” “could,” “opportunities,” “potential,” “should,” “plans,” “goal,” “may,” “will,” 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, its dividend, its ability and the timing needed to address challenges in its defense business, including at the Batavia, NY operations, profitability of future projects, the development and impact of better documentation of build processes and pricing models, its ability to meet customers’ delivery expectations, the future impact of low margin defense projects and related cost overruns, anticipated capital contributions, the future expected contributions of BN, expected expansion and growth opportunities within its domestic and international markets, anticipated revenue and sales, adjusted EBITDA, adjusted EBITDA margins, and SG&A expenses, its ability to generate free cash flow and expected free cash flow conversion rates, future capital expenditures and R&D spend, any share repurchases, its ability to reduce debt, market presence, profit margins, foreign sales operations, its ability to improve cost competitiveness and productivity, customer preferences, changes in market conditions in the industries in which it operates, labor constraints, 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, its acquisition and growth strategy and its operations in China, India and other international locations, 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, included under the heading entitled “Risk Factors.”

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Use of Forward-Looking Non-GAAP Financial Measures

Forward-looking free cash flow conversion, 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 and future 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 data set forth in this presentation may be material.



Our Mission

*Build Better Companies to
Deliver Superior Performance*

Vision & Competitive Advantage

Build a group of related engineered product companies that operate independently yet collaborate to win bigger business, leverage best practices, share services across companies, and provide career paths for key employees so that each member company can remain focused and agile while accomplishing more than they could alone.

Our People

Leaders with an ownership mentality, a technical mindset, connecting passion with purpose, and a desire to develop others.

Our Culture

Continually improving, innovative, entrepreneurial, skin in the game, trusting relationships.

Our Structure

Independently operating business units are part of a larger ecosystem that provides business coaching/mentoring, best practices, common systems and shared services, cash management and capital allocation, M&A, and leadership development.

Our Process

Liquidity event with equity engagement, capital to grow, and modest leverage.

Strategic Planning Process



A Different Company Today → Expect More Positive Change

Great promise bringing our heat transfer and vacuum technology business together with our new fluid and power business gained through the Barber-Nichols acquisition

- *Reduced dependence on highly cyclical energy and petrochemical industries*
- *Combined engineering expertise enables new products and greater potential*
- *Ability to grow into integrated systems in all markets*

Able to meet critical delivery requirements for U.S. Navy

- *Recently shipped a first article condenser; on track to meet remaining delivery requirements*
- *First article investments mostly complete, moving towards increasing margins*
- *Received high marks from our U.S. Navy customers; discussions regarding additional future scope of work*
- *Providing reliable delivery on multiple U.S. Navy programs across the organization while other suppliers are struggling*

Platform and strategic direction to deliver value for our employees, customers, suppliers, communities and stockholders over the long-term

Added Critical Talent and Enhanced Structure

Daniel J. Thoren

President and Chief Executive Officer

- *Joined GHM Jun 2021*
- *Over 30 years experience*
- *Prior CEO of Barber-Nichols*



Christopher J. Thome

Vice President Finance & Chief Financial Officer

- *Joined GHM Apr 2022*
- *Over 30 years experience*
- *Prior Corporate Controller & Treasurer at Allied Motion Technologies*



Alan E. Smith

Vice President and General Manager- Batavia

- *Joined GHM July 2007*
- *Over 30 years experience*
- *Prior Director of Operations at Lydell*



Matthew J. Malone

Vice President and General Manager of Barber-Nichols

- *Joined GHM Jun 2021*
- *Over 10 years experience*
- *Prior VP Operations at Barber-Nichols*

Board of Directors

Appointed two new directors in March 2022 with significant defense industry knowledge

Reorganization and alignment of key management positions

Director of Sales

Director of Navy Operations

Navy Supervisors

Director of Commercial Operations

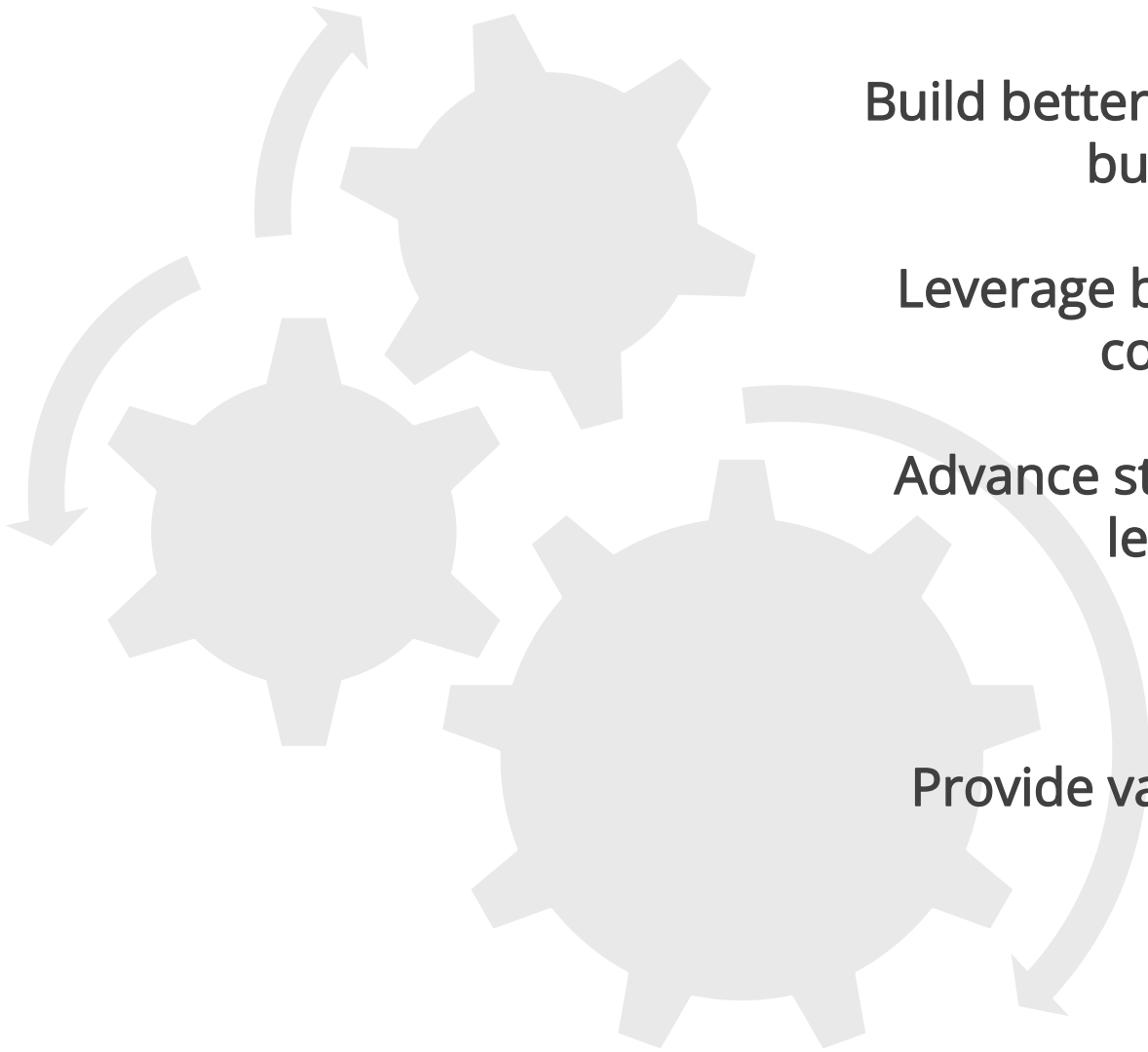
Director of Engineering

Director of Supply Chain

Human Resource Manager

Product Managers

Corporate Strategies and Initiatives



Build better companies through regular strategic evaluation, business practices and smart investments

Leverage board and industry connections for accelerating corporate entity structure and processes

Advance strategic market offerings to full life cycle system level and build our organization to serve

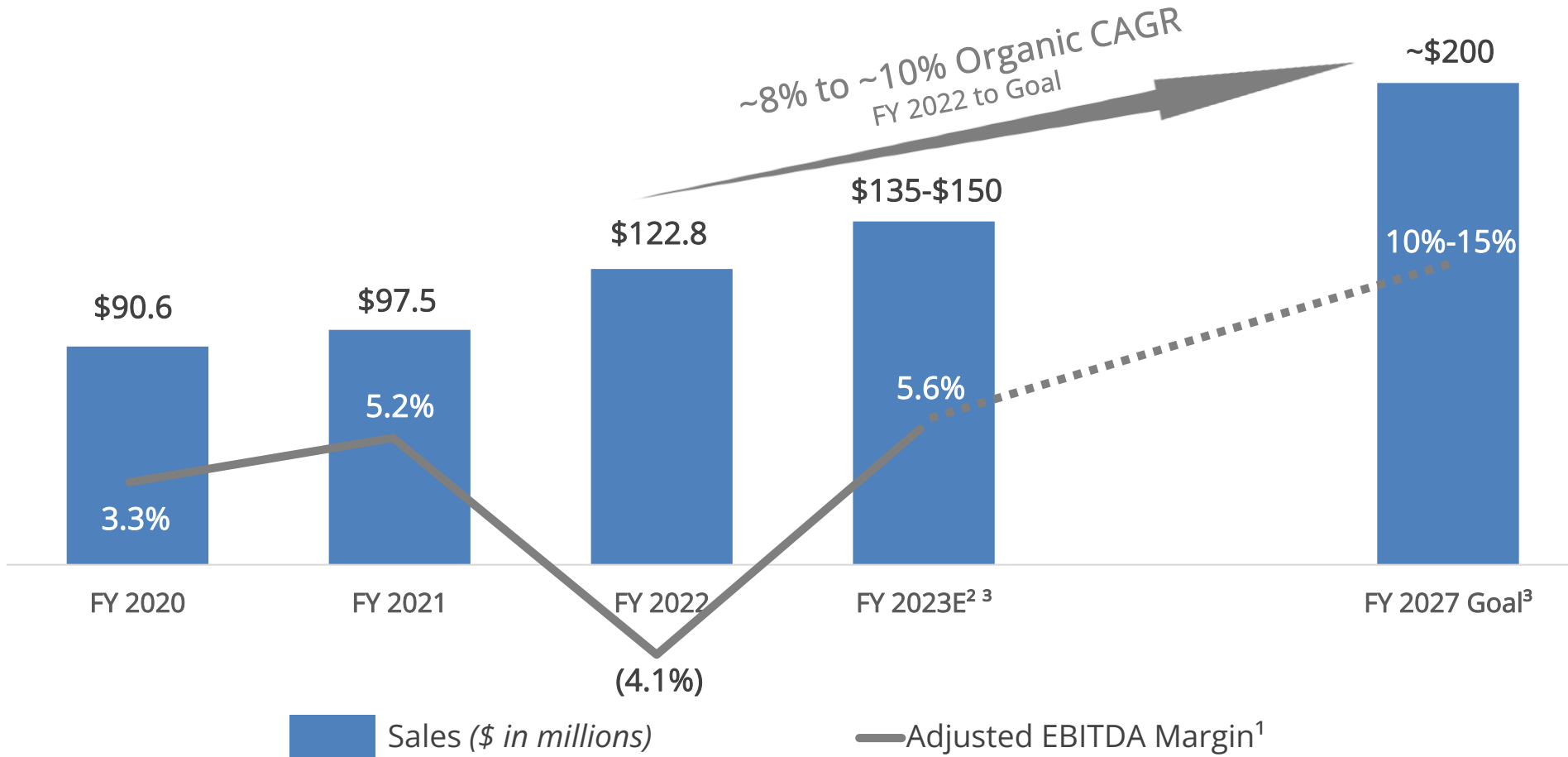
Grow leaders at all levels

Provide value-enhancing corporate support and services to our operating entities

Expect High Single Digit Growth and Expanded Margins

Growth Drivers: Barber-Nichols opportunities, building legacy Navy business and steady commercial business

Expect to deliver low double digit to mid-teens adjusted EBITDA margins¹



¹ Adjusted EBITDA margin is a non-GAAP measure. See Slide 2 for more information and the Appendix for historical reconciliation information.

² FY 2023E mid-point of outlook provided on June 8, 2022

³ Projections are based on Company estimates as of June 8, 2022 and are provided solely for illustrative purposes. Actual results may vary. The Company undertakes no obligation to update this information.

Capital Allocation Priorities

Move beyond current challenges

Demonstrate earnings power and cash generation

Generate Free Cash Flow conversion >100%¹

Replicate Barber-Nichols model for acquisitions

Expect total CapEx and R&D spend to be 4% to 7% of sales

1

Organic Growth

- New Navy programs
- E&C up-cycle and global expansion
- New product development, other growth initiatives

2

Debt Reduction

- Goal of $\leq 2.5x$ net debt / adjusted EBITDA¹

3

In-organic Growth

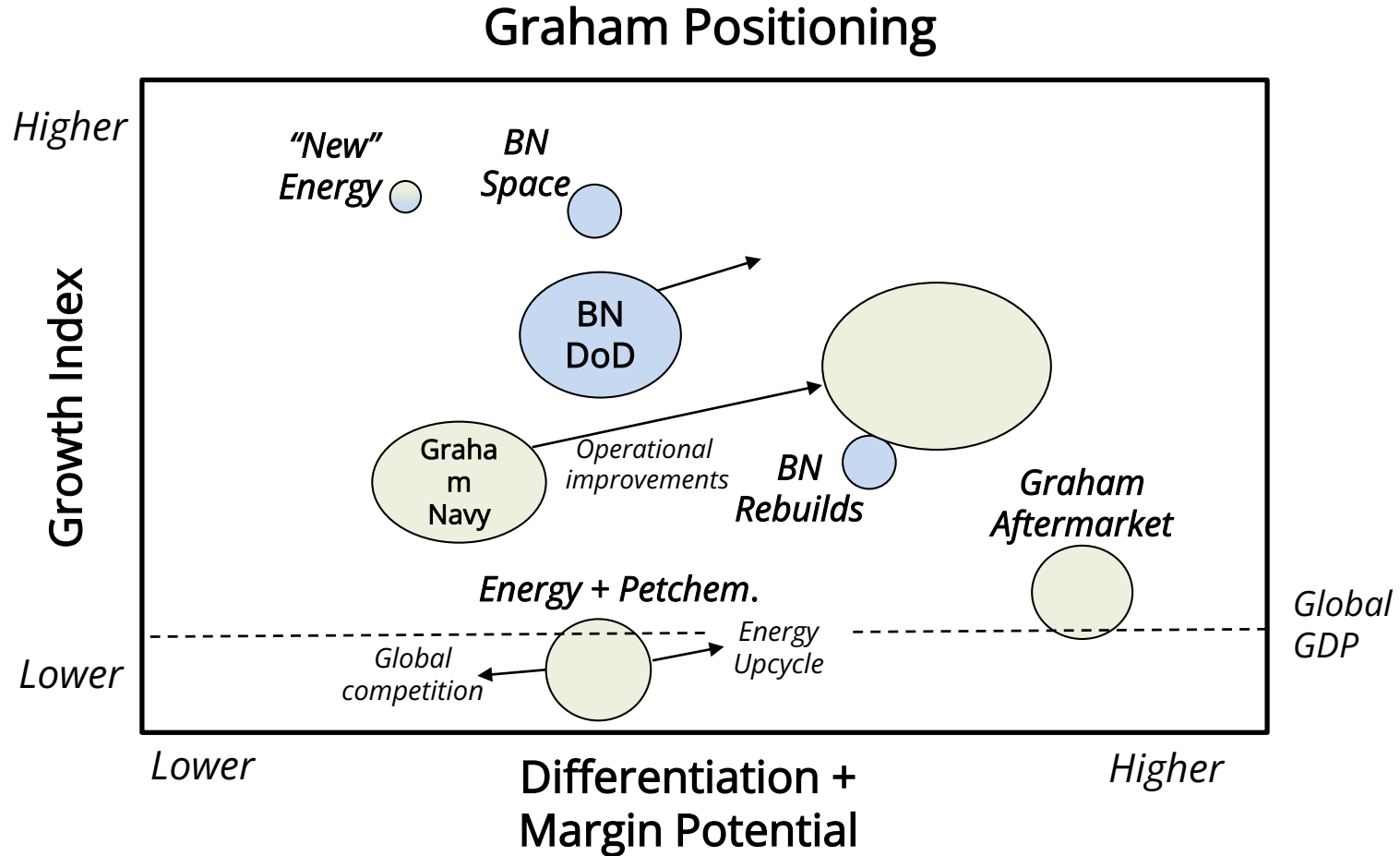
- Fund M&A

4

Return of Capital

- Dividend: *get beyond lending agreement restrictions for evaluation in FY24*
- Share Repurchase: *when beyond lending agreement restrictions, consider opportunistically*

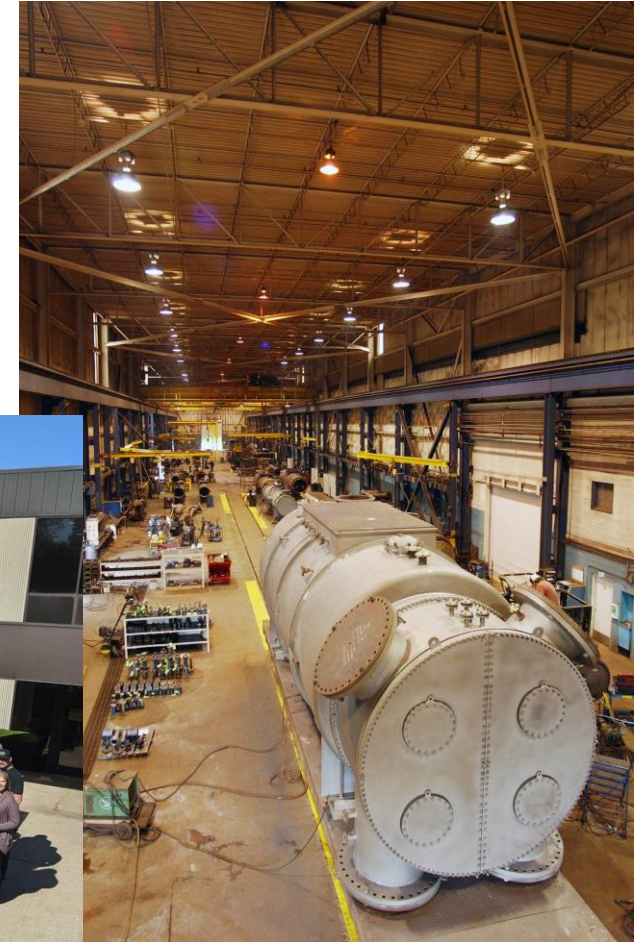
Visual: Growth Businesses with Strategies for Expanding Margins



- Founded: 1936
- Locations: Batavia, New York; Ahmedabad, India; Suzhou, China
- Employees: 328
- Campus: 415,000 ft²

Competitive Advantages

<i>People</i>	Technical SMEs
<i>Architecture</i>	Int'l Offices, R&D, Fab Facilities, Installed Base
<i>Processes</i>	Quality, Weld, Service, Training
<i>Culture</i>	Problem Solving, Service Orientation



Defense

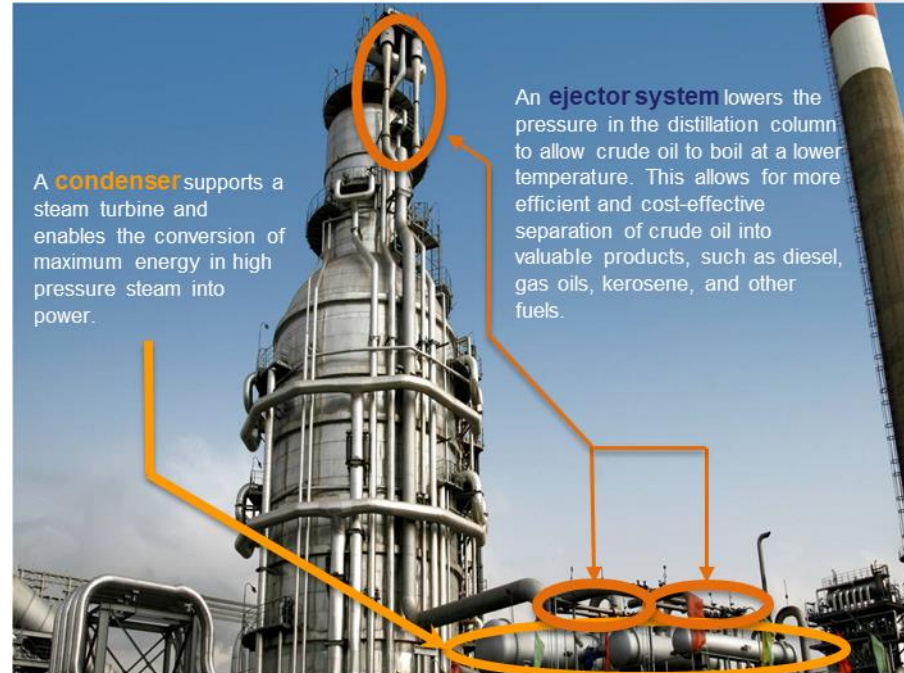
Ejector Systems, Condensers,
Heat Exchangers

Chemical/Petrochemical

Steam Surface Condensers,
Ejector Systems, Liquid Ring Pumps,
Heat Transfer Products

Petroleum Refining

Ejector Systems, Process Vacuum
Condensers, Liquid Ring Pumps



Industry & Market Expectations

U.S. Navy strategic ship budgets and build plans remain strong

- Virginia Submarine: 2/year through 2049
- Columbia Submarine: 1/year after the first two boats for 12 total
- Ford Aircraft Carrier: 1 every 4 years, 10 planned, 2 complete
- SSN(X) next gen attack submarine design has begun



CVN Carrier



SSN Virginia Class Subs



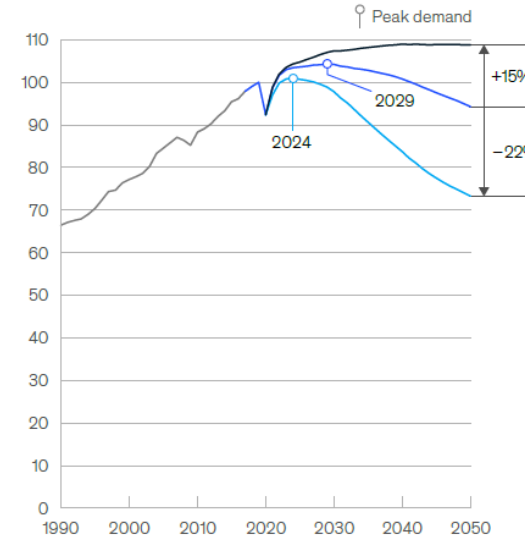
SSBN Columbia Class Subs

Industry & Market Data

Expected Energy / Petrochem Market Trends




- Oil demand could peak in 2029, depends on scenario
- India refinery capacity grows at 4% CAGR and doubles petrochemical capacity by 2025
- China E&C growth slowing
- Petrochemical market setting up for next big buildout (*5 year lead time*)
- Asian & Indian pricing below domestic market
- Domestic aftermarket budgets returning after industry and COVID-19 downturn
 - Capital equipment should follow

Global gross liquids demand outlook by scenario, million barrels/day

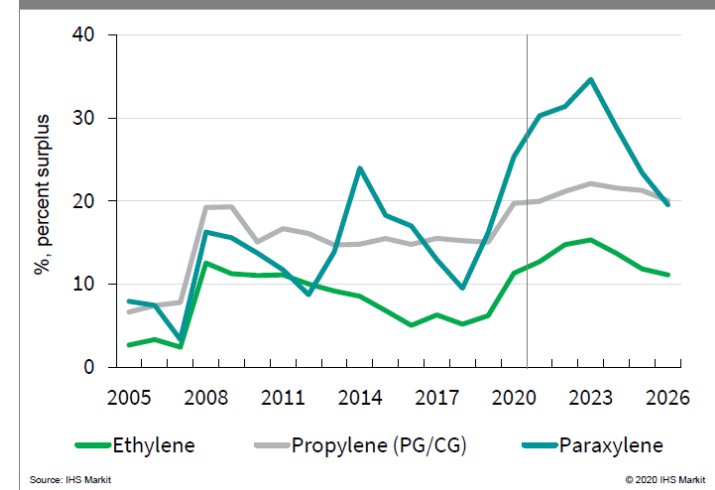


Source: IEA; McKinsey Energy Insights Global Energy Perspective 2021

Scenarios description

- 
Energy transition (reference case)
 Consensus view on key drivers of oil demand, including global trade, rate of car ownership, and electrification of road transport; EVs reach cost parity with internal-combustion-engine (ICE) vehicles in next decade, while hydrogen could become competitive for long-haul trucks around 2030.
- 
Delayed transition
 Slower uptake of electric vehicles (EVs) due to supply delays and limited government subsidies or industry targets. Less recycling and avoidance of plastics in packaging due to long-lasting lower oil prices and lack of regulation.
- 
Accelerated transition
 Stronger governmental push for subsidizing EV purchases or banning ICE vehicles, combined with strong uptake of alternative fuels in aviation and maritime. Stricter regulations for minimal recycling levels and avoiding plastics in packaging.

World surplus capacity as % of total demand (select markets)



Source: IHS Markit

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Executing Four-Step Strategy

1

Stabilize

Identify areas for process and system improvements

Strengthen structure to enable strong execution and reduce risk

Reorganize and align key management positions

Positive communication with key customers

2

Improve

Roadmap to improve operations with better information flow and accountability

Realize anticipated returns in target markets by driving operational effectiveness and developing capabilities

Prioritize business visibility and analysis, new products, enhanced service and support, and employee recruitment and engagement

3

Grow

U.S. Navy, aftermarket and international E/C markets

Leverage vacuum and heat transfer expertise and large installed base

Develop new products with repeat production potential

4

Mature

Full lifecycle product strategy

From customer collaboration in developing markets to investing in and executing production and service programs

- Founded: 1966
- Location: Arvada, Colorado
- Employees: 170
- Campus: 96,000 ft²
 - Added a 43,000 ft² state-of-the-art manufacturing facility January 2021

Competitive Advantages

<i>People</i>	Relationship driven technical SMEs
<i>Architecture</i>	Measured diverse growth, Integrated Design/Mfg/Assy/Test/OH
<i>Processes</i>	Consistent, predictable, stable
<i>Culture</i>	Connecting Passion with Purpose



Defense

Pumps, Blowers, Turbines, Generators,
Electronics

Space

Fuel & Coolant Pumps, Rocket Turbopumps,
Cooling Fans, High Altitude Blowers,
Fuel Cell Blowers

Advanced Energy

Turbine/Generators, Fuel Cell Blowers & Pumps,
Research Power Systems ORC & SCO2

Fluid & Thermal Management

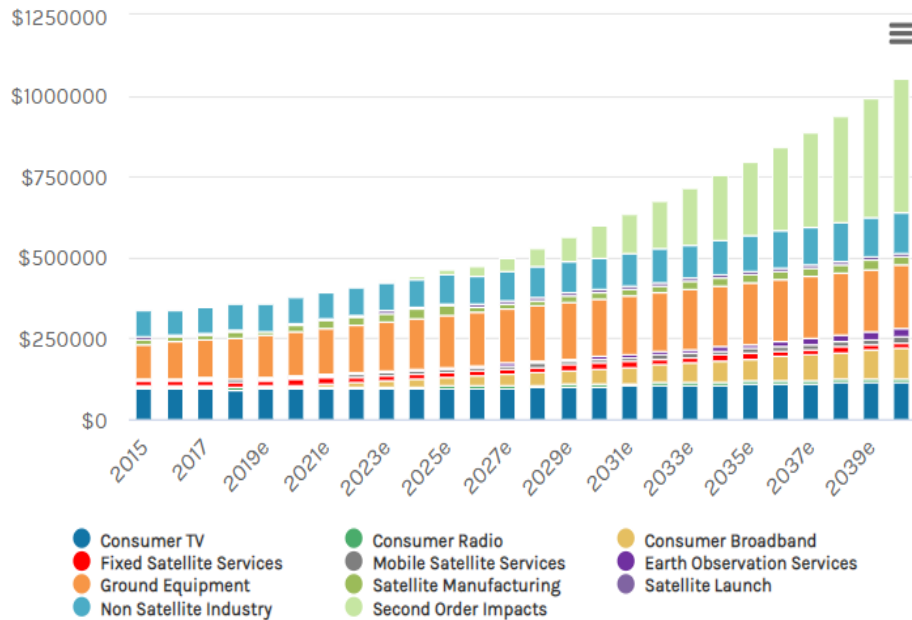
Liquid/Vapor/SC Coolant Circulators,
LNG Pumps, Blowers



Space and Defense Industry: Markets Expected to Continue Growth

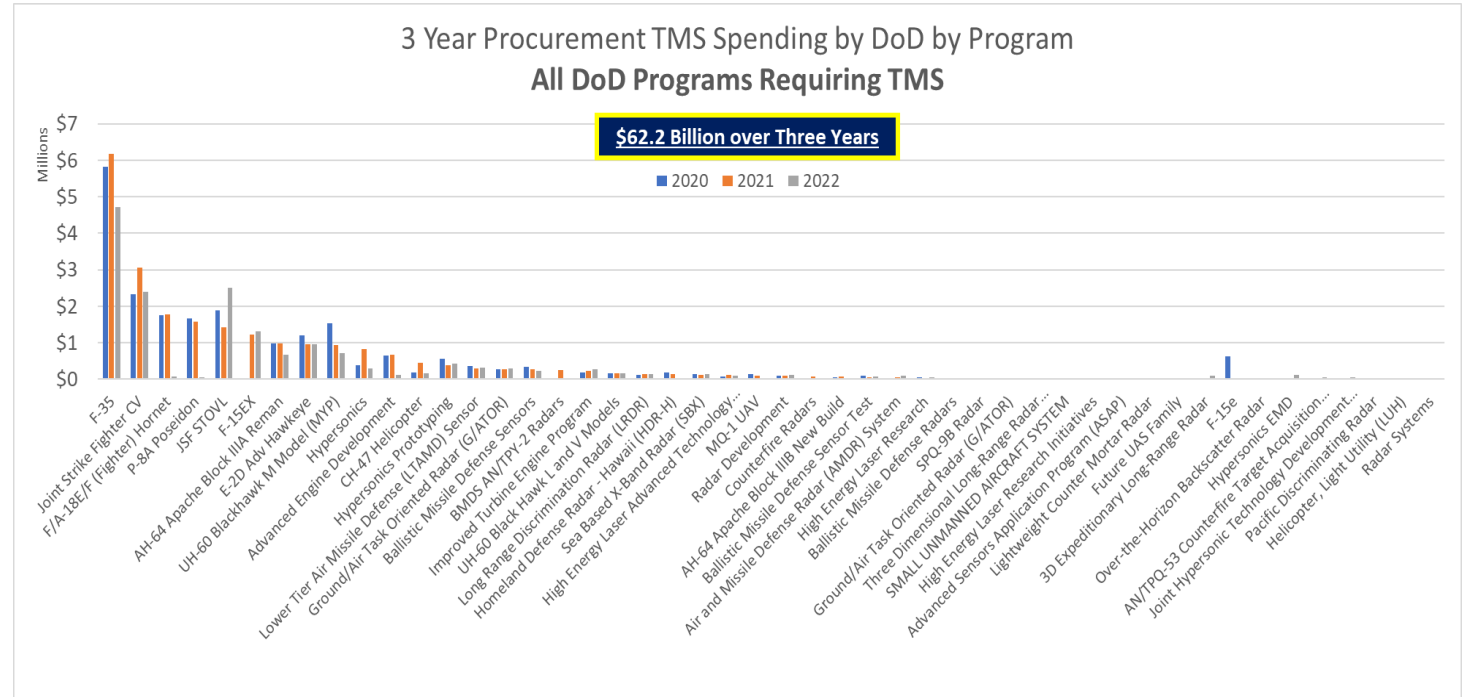
Space

The Global Space Economy (\$t)



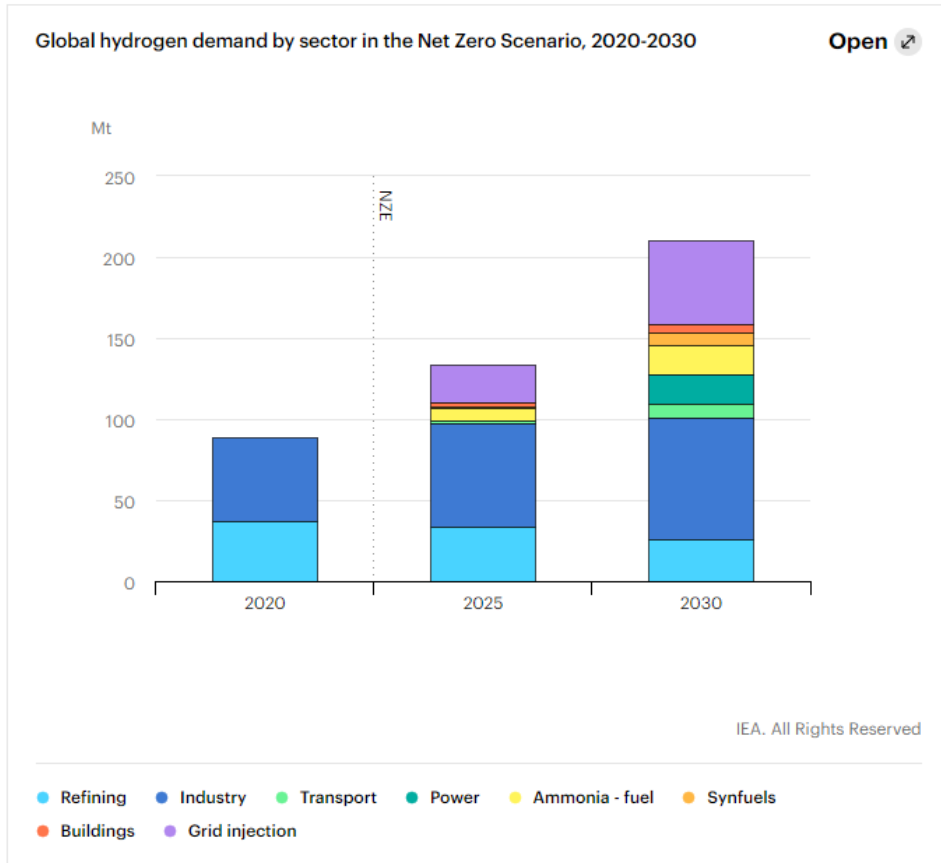
Thermal Management Systems - Defense

3 Year Procurement TMS Spending by DoD by Program
All DoD Programs Requiring TMS



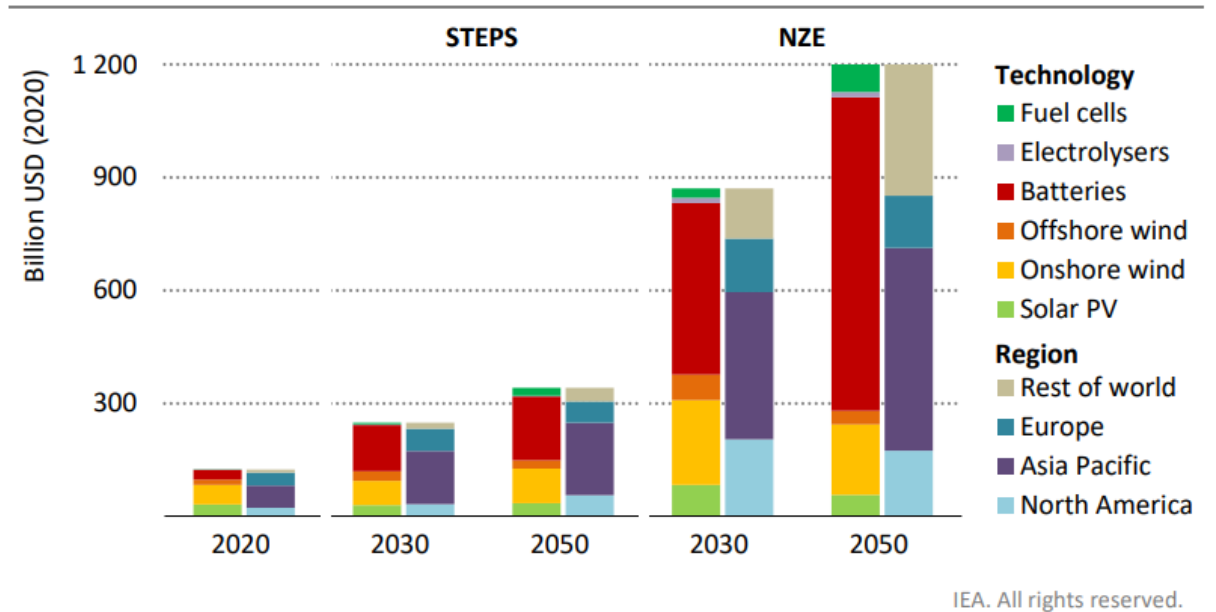
New Energy Industry: Market Expected to Grow Significantly

Hydrogen



Clean Energy Technologies

Figure 1.3 ▶ Estimated market size for selected clean energy technologies by technology and region, 2020-2050



There is explosive growth in clean energy technologies over the next decade in the NZE, leading to a clean energy market worth a cumulative USD 27 trillion by 2050

Strategy focused on continued development and growth

1

Nurture customer partnerships in developing target markets

2

Validate customized solutions in new applications

3

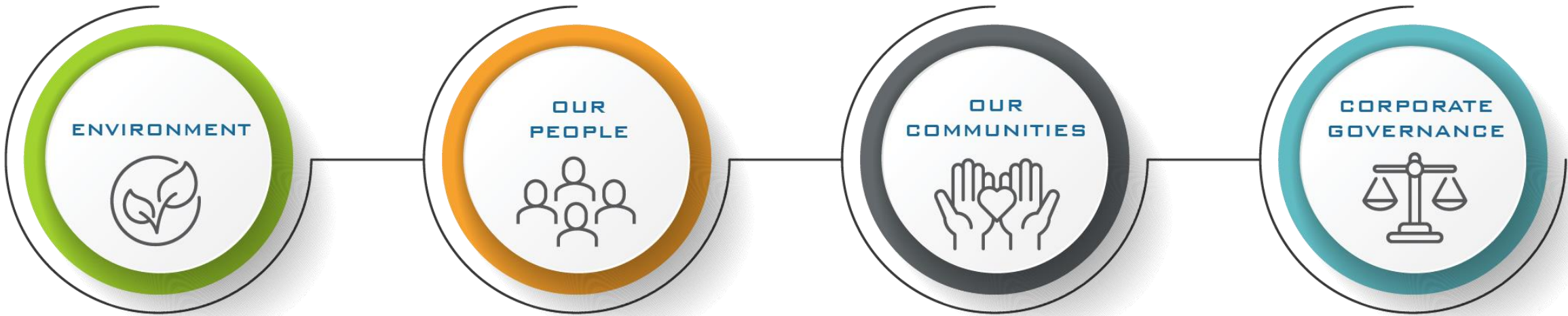
Develop disruptive products for existing markets

4

Invest and execute to win production and service programs

Over the long-term, goal of achieving a full lifecycle product strategy

Our Commitment to Sustainability



<https://www.grahamcorp.com/sustainability>

Transforming to Drive Value for All Stakeholders



New **platform for growth**: BN provides growing, solid margin business with highly engineered turbomachinery solutions for more diverse markets that provides platform for scalability



Capitalize on investment in U.S. Navy business with **improved execution**: creates opportunity for growth with strong profitability, long term visibility and significant cash generation



Restructure legacy energy/petrochemical business and leverage international brand to build a competitive operation in markets with growth potential, specifically India and Asia, while capitalizing on large North America installed base to drive higher-margin aftermarket business



Questions and Answer Session

Questions may be submitted through the webinar portal

- Or -

To ask in person dial 1-201-689-8560, where an operator will place you in the question queue. *Please mute the audio on the webinar if asking questions on the conference line.*



Supplemental Information

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Adjusted EBITDA Reconciliation

	Year Ended March 31,		
	2022	2021	2020
Net (loss) income	\$ (8,773)	\$ 2,374	\$ 1,872
Acquisition related inventory step-up expense	95	-	-
Acquisition & integration costs	562	-	-
Change in fair value of contingent consideration	(1,900)	-	-
CEO and CFO transition costs	1,182	-	-
Debt amendment costs	278	-	-
Net interest expense (income)	400	(156)	(1,312)
Income taxes	(2,443)	893	440
Depreciation & amortization	5,599	1,945	1,968
Adjusted EBITDA	\$ (5,000)	\$ 5,056	\$ 2,968
<i>Adjusted EBITDA margin %</i>	<i>-4.1%</i>	<i>5.2%</i>	<i>3.3%</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.