

NYSE:GHM • October 28, 2015



POSITIVE PERFORMANCE

Second Quarter Fiscal 2016 Earnings Call

James R. Lines
President & Chief Executive Officer

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Vice President & Chief Financial Officer



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Safe Harbor Statement

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,” “projects,” “anticipates,” “believes,” “goal,” “outlook,” “priorities,” “could,” 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, statements relating to revenue, backlog and expected performance of Energy Steel & Supply Co., and expected expansion and growth opportunities within the domestic and international nuclear power generation markets, anticipated revenue, the timing of conversion of backlog to sales, profit margins, foreign sales operations, Graham Corporation’s strategy to build its global sales representative channel, the effectiveness of automation in expanding engineering capacity, the ability to improve cost competitiveness, customer preferences, changes in market conditions in the industries in which Graham Corporation operates, changes in general economic conditions and customer behavior and Graham Corporation’s acquisition and organic growth strategies 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, including under the heading entitled “Risk Factors.”

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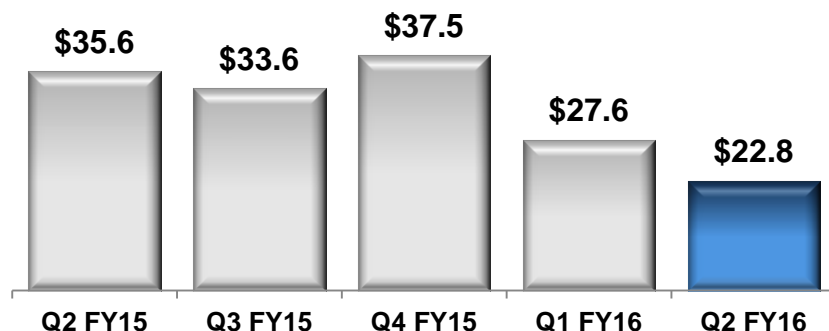
Second Quarter Fiscal 2016 Highlights

- Q2 revenue was \$22.8 million
 - Down 36% compared with \$35.6 million in Q2 FY2015
- Backlog remained strong at \$108.1 million
- Gross margin of 31% favorably impacted by:
 - productivity improvements realized as CVN-79 U.S. Navy project neared completion
 - A vendor settlement
- Q2 net income was \$2.0 million, \$0.20 per share
 - Down 53% compared with Q2 FY2015 net income of 4.2 million, \$0.41 per share, primarily due to lower volume
 - 9% of sales
- Repurchased approximately 187,000 shares for \$3.4 million

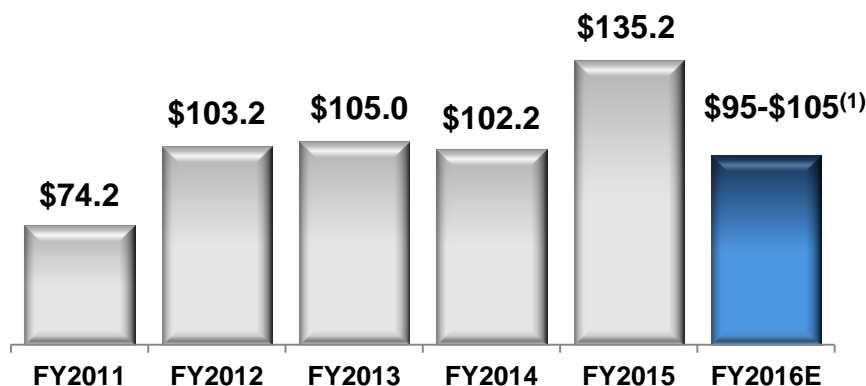
Second Quarter Fiscal 2016 Sales

(\$ in millions)

Quarterly Revenue



Annual Revenue



⁽¹⁾ FY2016 Guidance provided as of October 28, 2015

- FY2016 Q2 sales impacted by weak fundamentals in refining and chemical/petrochemical markets
 - International sales were 33%, compared with 39% last year
 - Sales to Middle East grew \$1.8 million
- Strong sales to U.S. Navy
 - Refining industry sales: \$7.2 million
 - Chemical/Petrochemical industry sales: \$7.3 million
 - Power industry sales: \$3.0 million
 - Other Commercial and Industrial sales, including U.S. Navy: \$5.3 million



Financial Overview

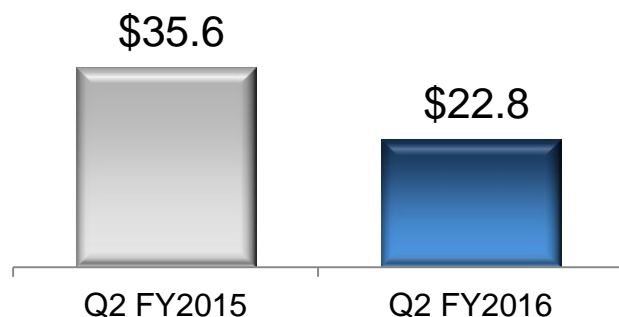
Jeff Glajch

Vice President and CFO

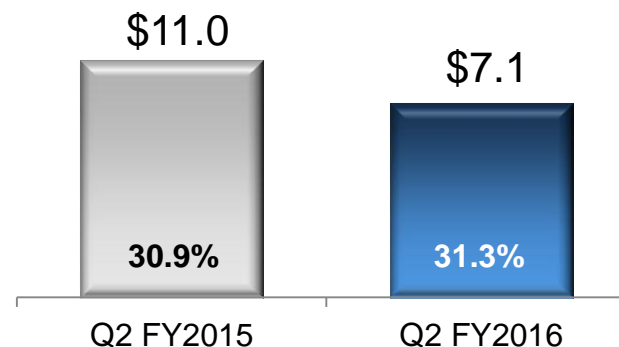
Q2 FY2016 – Favorable Productivity

(\$ in millions, except per share data)

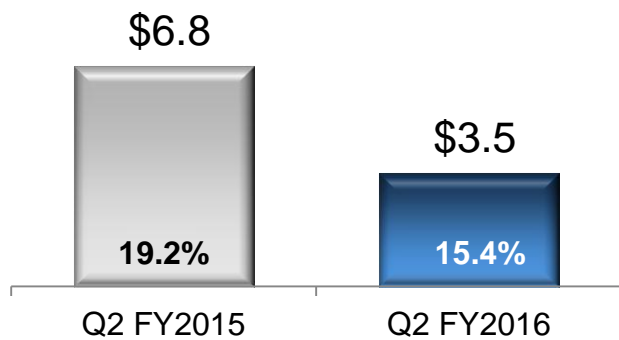
Sales



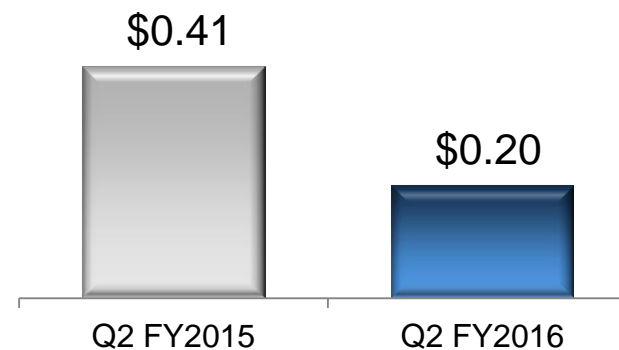
Gross Profit and Margin



EBITDA and Margin⁽¹⁾



EPS

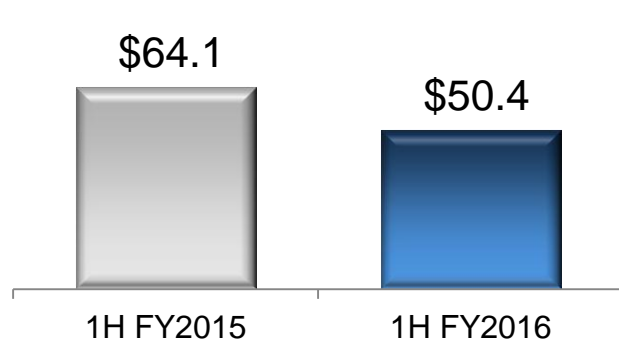


⁽¹⁾ See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA

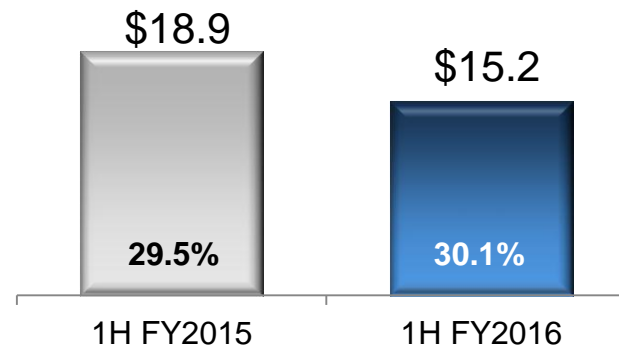
Q2 FY2016 YTD – Solid Execution

(\$ in millions, except per share data)

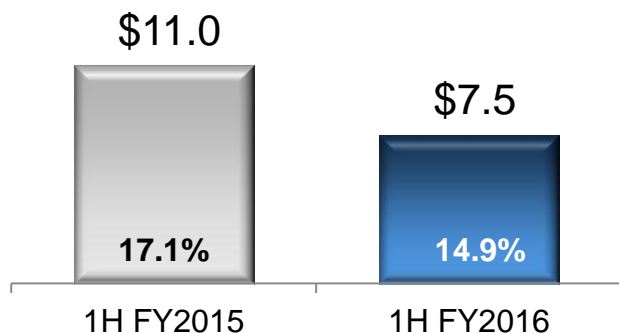
Sales



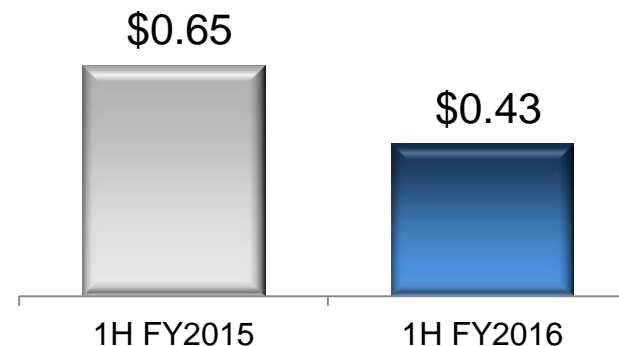
Gross Profit and Margin



EBITDA and Margin⁽¹⁾



EPS

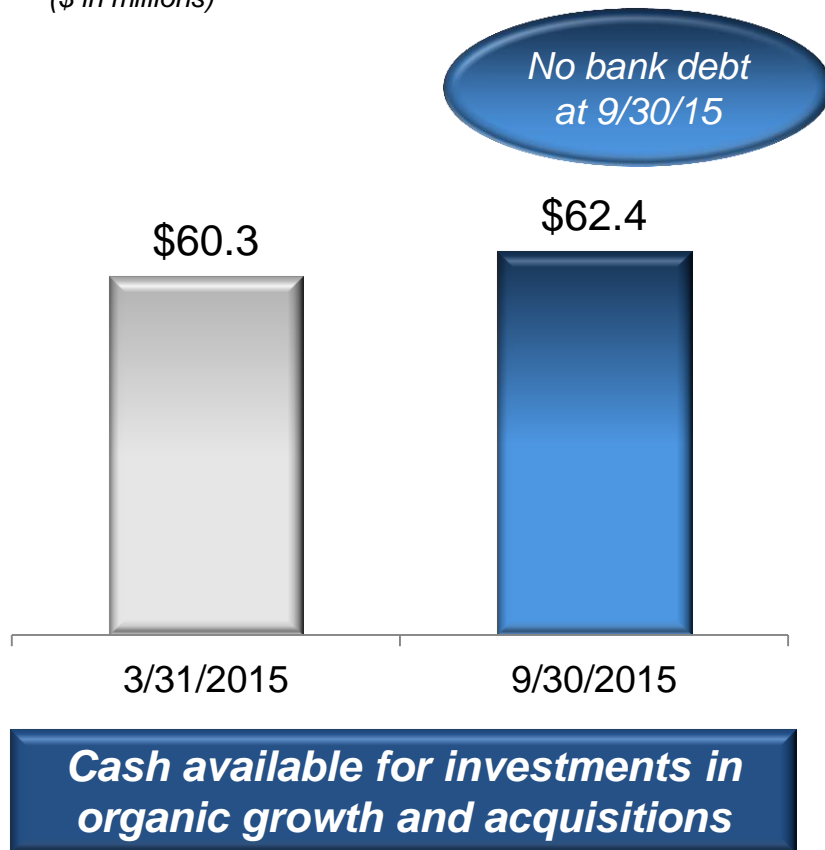


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Strong Cash Position to Support Growth

Cash, Cash Equivalents and Investments

(\$ in millions)



- Returned \$5.0 million to shareholders in 1H FY2016
 - Purchased approx. 187,000 shares for \$3.4 million under \$18 million stock repurchase program
 - Paid \$1.6 million of dividends
- Increased cash balances by \$2.1 million in 1H FY2016
 - Cash provided by operations was \$7.7 million
- Capital expenditures in 1H FY2016 were \$0.5 million
 - FY2016 capital expenditures expected to be between \$2 million and \$2.5 million



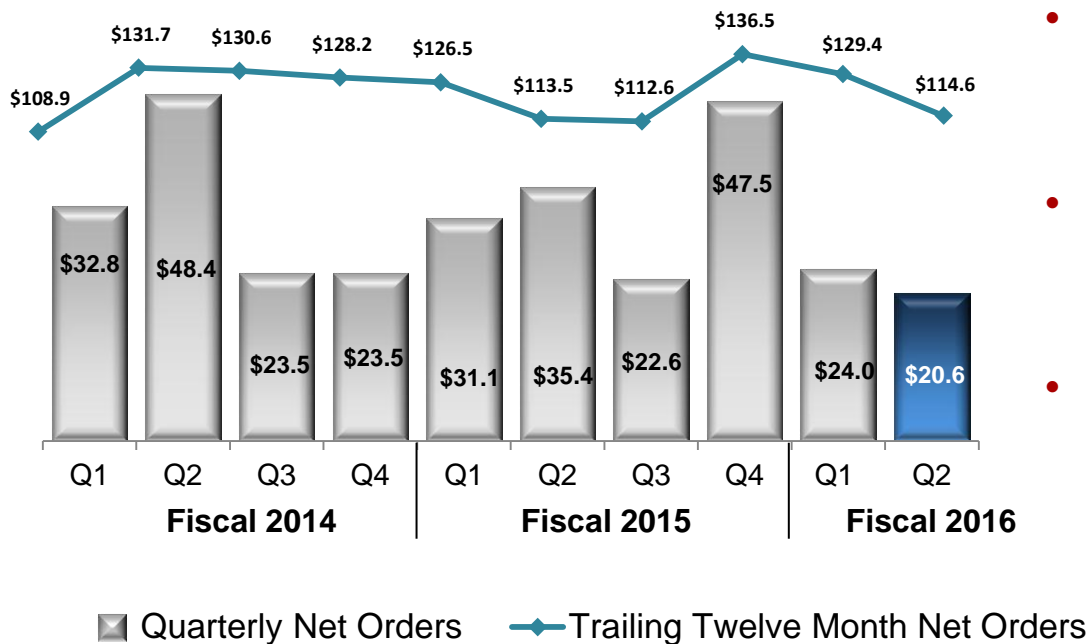
Outlook

Jim Lines
President & CEO

Order Climate Remains Volatile

Quarterly and TTM Net Orders

(in millions)



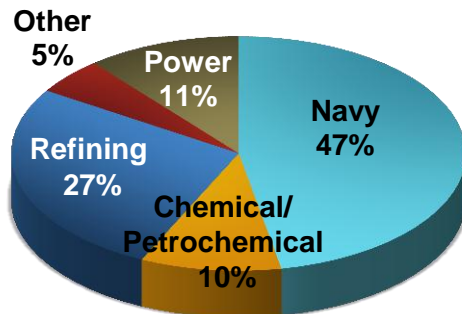
- Refining and chemical/petrochemical industry orders continue to reflect market uncertainty
- Q2 orders are net of a \$3.9 million international order cancelled from backlog
- Q2 gross orders of \$24.5 million are comparable with Q1 sequential quarter
- Q2 FY2016 geographic mix of net orders:
 - US: 59%
 - International: 41%
- Bidding pipeline remains active

Backlog Supports Outlook

Reflects benefits of diversification strategy

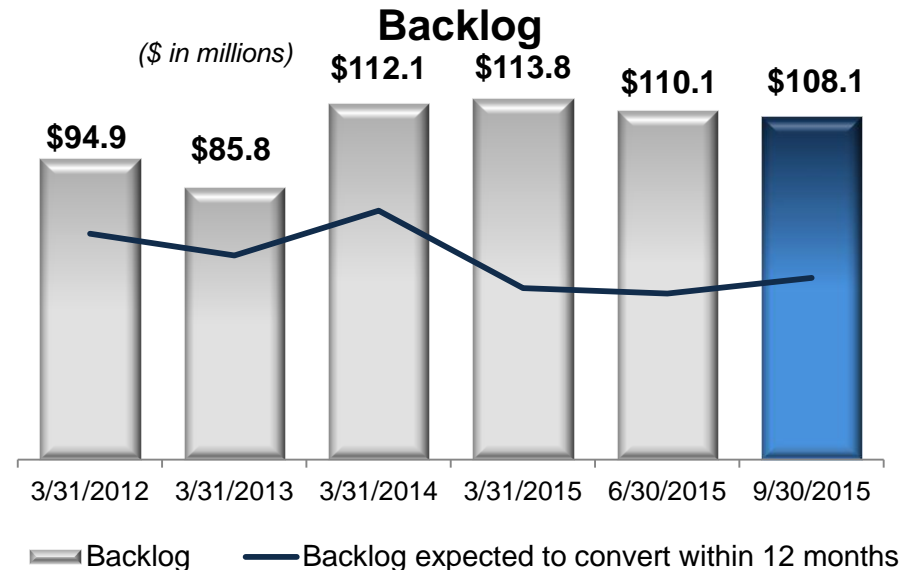
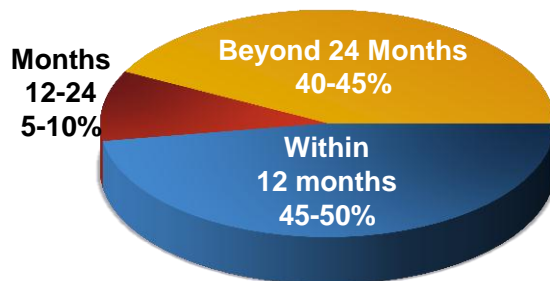
Backlog by Industry

September 30, 2015



Projected Backlog Conversion

September 30, 2015



- Continuing to build predictable base; high percentage of U.S. Navy projects in backlog
- 55% from markets or customers not served by the Company five years ago
 - Reducing the impact of more cyclical sales in the energy industry


Narrowed FY2016 Gross Margin Guidance⁽¹⁾

- Revenue \$95 million – \$105 million
- Gross margin 27% – 28%
- SG&A 17% – 18% of sales
- Effective tax rate 32% – 33%

Strategic Target: Exceed \$200 million in organic revenue

⁽¹⁾ FY2016 Guidance provided as of October 28, 2015

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Supplemental Information



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EBITDA Reconciliation

(Unaudited)

(\$ in thousands)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|------------------------------|-------------------------------------|-----------------|-----------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$ 1,976 | \$ 4,186 | \$ 4,337 | \$ 6,578 |
| +Net interest income | (52) | (40) | (101) | (83) |
| +Income taxes | 965 | 2,086 | 2,052 | 3,320 |
| +Depreciation & amortization | 622 | 579 | 1,243 | 1,153 |
| EBITDA | \$ 3,511 | \$ 6,811 | \$ 7,531 | \$ 10,968 |
| <i>EBITDA margin %</i> | 15.4% | 19.2% | 14.9% | 17.1% |

EBITDA is defined as consolidated net income before interest expense and income, income taxes, depreciation and amortization. EBITDA is not a measure 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 EBITDA is 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. Graham's credit facility also contains ratios based on EBITDA. Because EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.

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