



GRAHAM
ENGINEERING ANSWERS

Fourth Quarter Fiscal 2014 Earnings Call

May 30, 2014

James R. Lines

President &
Chief Executive Officer

Jeffrey F. Glajch

Vice President &
Chief Financial Officer



NYSE: GHM

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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.

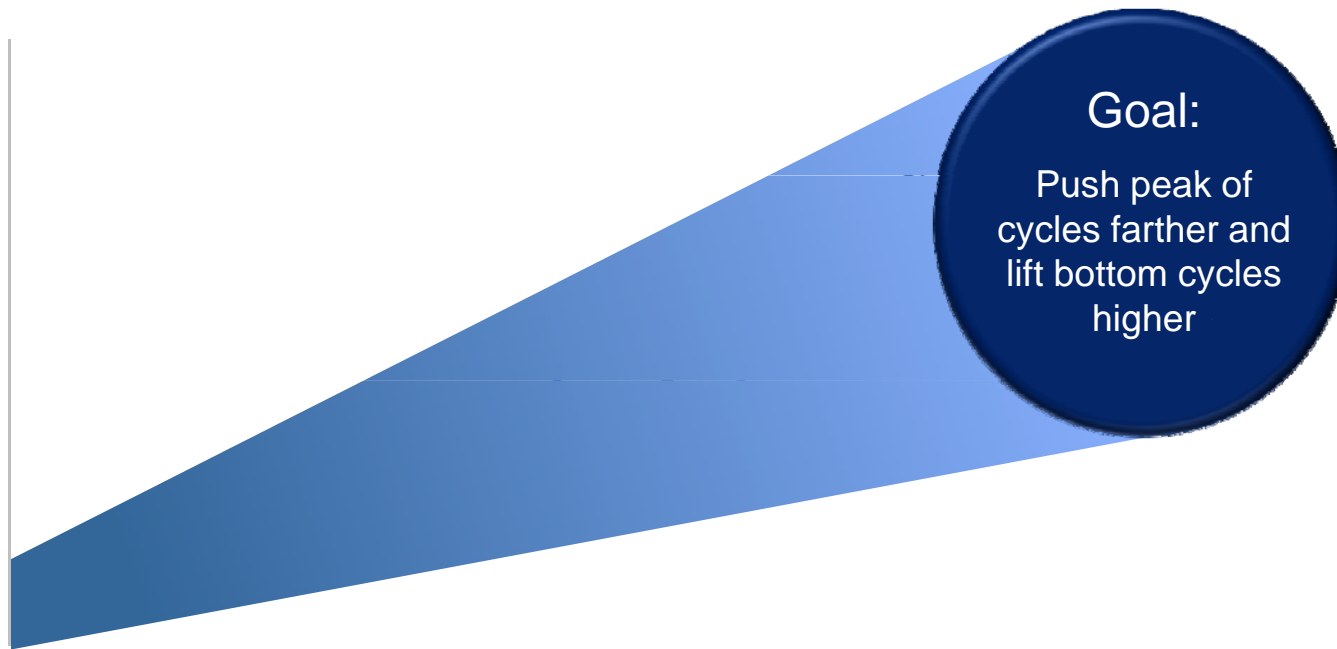
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Double Revenue in Next Cycle

*A world leader in the design and manufacture of **Engineered-to-Order (ETO)** products for the **Energy Markets** with a goal to **Double Revenue to Exceed \$200 million** in next cycle.*



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Fourth Quarter and Fiscal 2014 Highlights



- Record orders in fiscal 2014 of \$128.2 million, up 34%; Fiscal year-end record backlog of \$112.1 million
- Revenue of \$26.1 million in fourth quarter; \$102.2 million for fiscal 2014
- Fourth quarter net income of \$2.3 million, \$0.23 per share; Net income was \$10.1 million or \$1.00 per share in fiscal 2014
- Cash and cash equivalents and investments increased to \$61.1 million at March 31, 2014
- Expecting 17%-27% top-line growth in fiscal 2015, based on orders and backlog



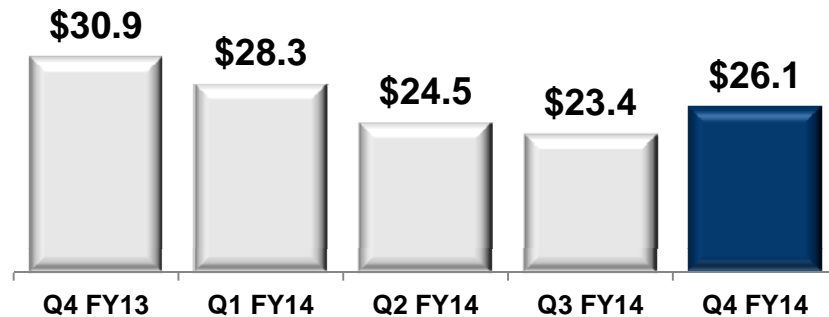
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Fourth Quarter Fiscal 2014 Sales

(\$ in millions)

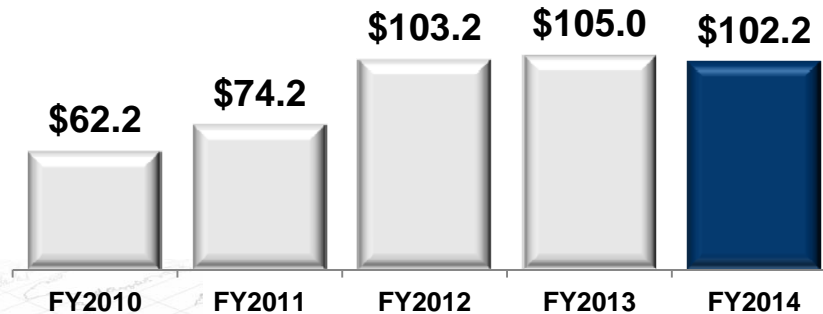
Quarterly Revenue



➤ Q4 sales impacted by fiscal 2013 and early fiscal 2014 orders

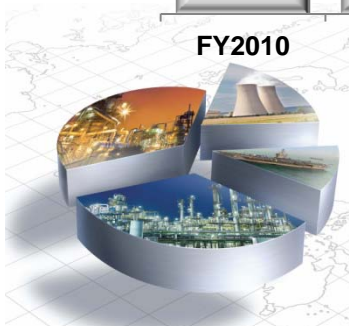
- Refining sales were \$5.8 million
- Chemical/Petrochemical industry sales were \$10.5 million
- Power industry sales were \$4.9 million
- Other Commercial and Industrial sales were \$4.9 million

Annual Revenue



➤ Strong North American sales

- U.S sales represented 78%, up 24%
- Chem/Petrochem new capacity
- Canadian oil sands new capacity
- Refining capacity upgrades
- Defense/U.S. Navy



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Financial Overview

Jeffrey F. Glajch

Vice President &
Chief Financial Officer



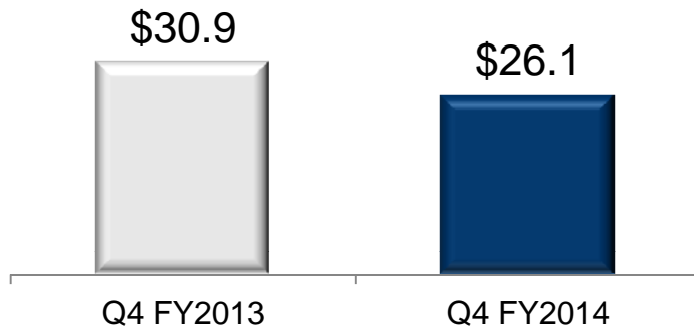
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Fourth Quarter Impacted by 2013 Orders

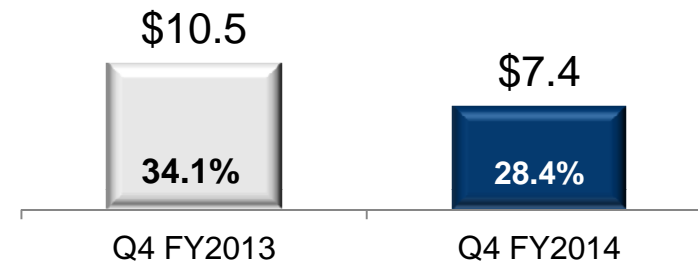


(\$ in millions, except EPS)

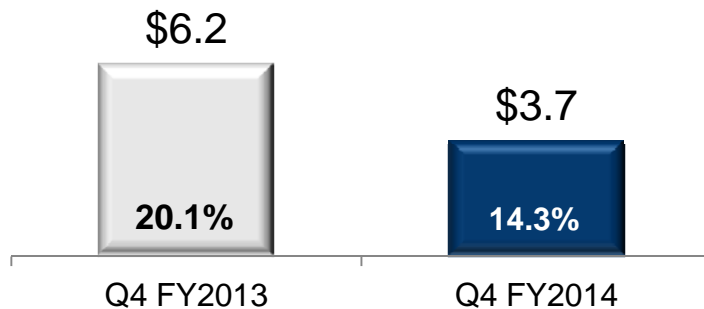
Sales



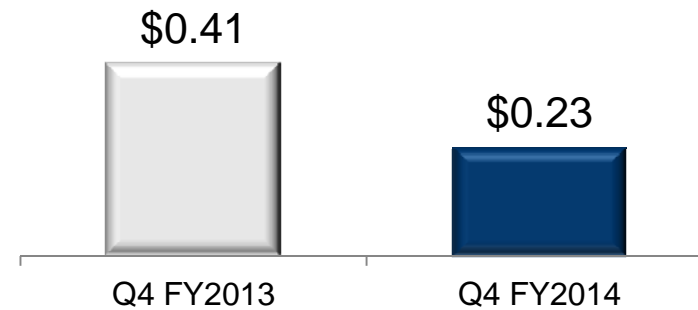
Gross Profit and Margin



EBITDA and Margin*



EPS



* See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA.

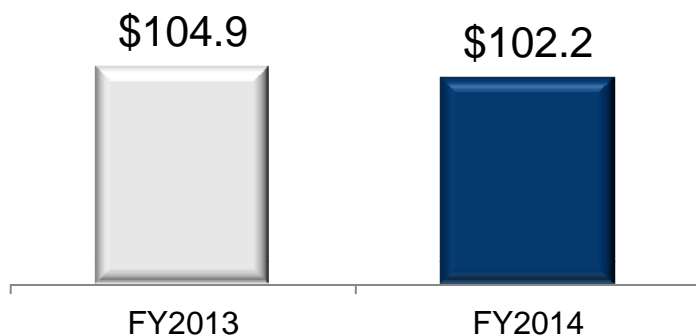
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Fiscal 2014 Results

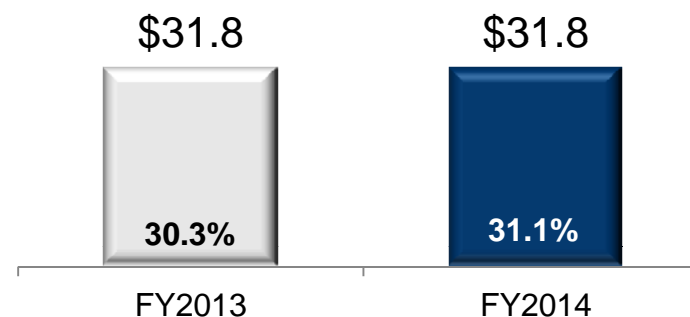


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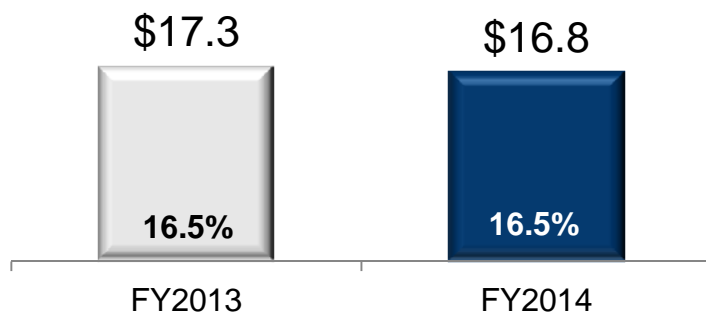
Sales



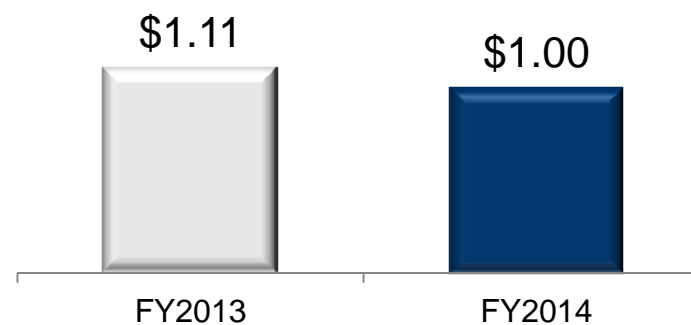
Gross Profit and Margin



EBITDA and Margin*



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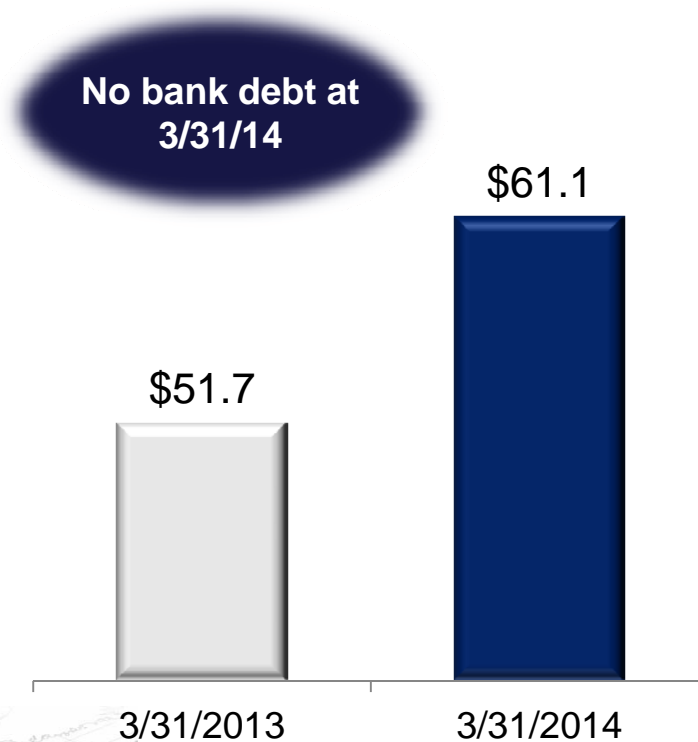
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Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)



- Cash and investments position increased \$9.4 million in fiscal 2014
- Portion of fiscal 2014 cash generated to be used for fiscal 2015 completion of production expansion
- Strong cash and investments position for funding organic and acquisition growth



Cash available for investments in organic growth and acquisitions

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Outlook

James R. Lines

President &
Chief Executive Officer

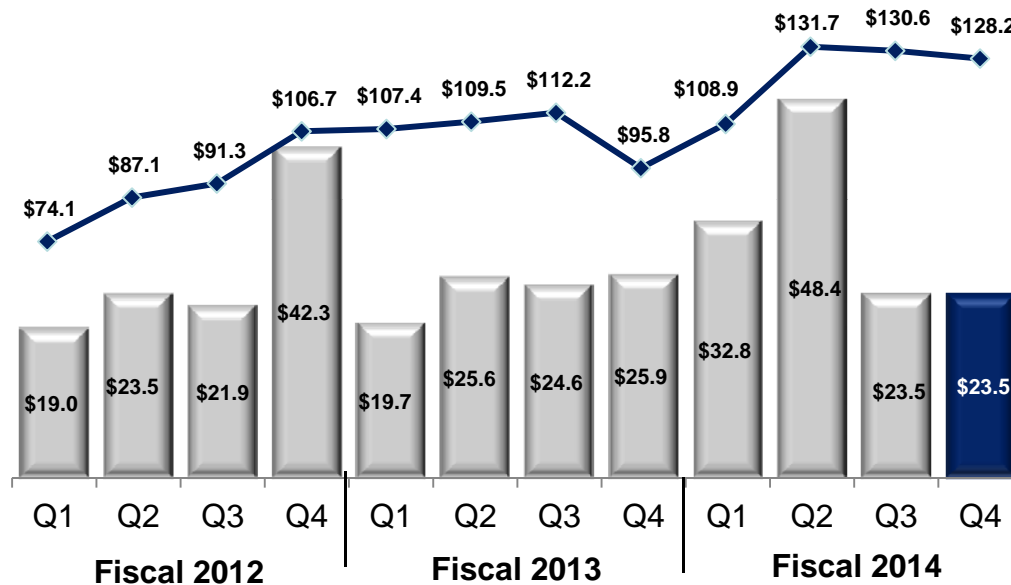


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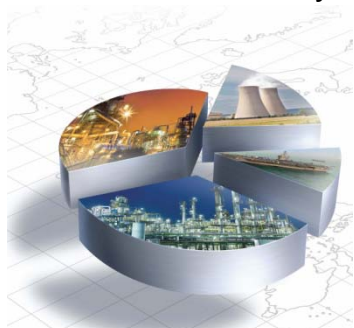


Healthy Order Pipeline

Quarterly and TTM Orders *(in millions)*



■ Quarterly Orders ◆ Trailing Twelve Month Orders



➤ Quarterly average \$32 million for fiscal 2014

- Q4 FY2014 orders diverse by market
 - Chemical/petrochemical 23%
 - Power 23%
 - Refining 29%
 - Other Commercial & Industrial (including Navy) 25%
- High percentage of Q4 orders, 63%, from the U.S. market
 - Driven by new capacity investments

➤ Strong pipeline intact

- TTM bids: Double the FY04 – FY05 period
 - North American petrochemical market
 - Global refining opportunities
 - Power market steady

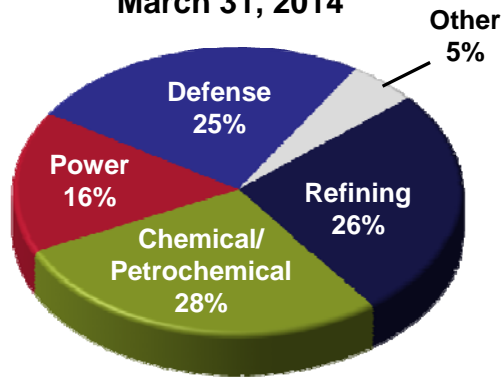
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Record Backlog Level

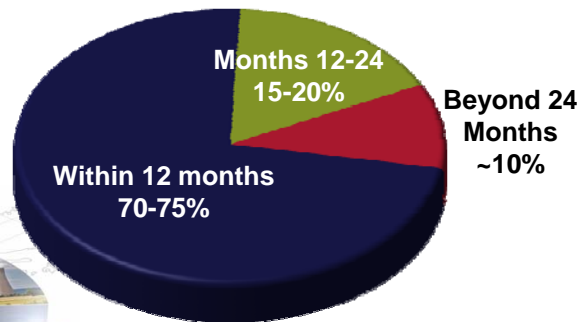
Backlog by Industry

March 31, 2014



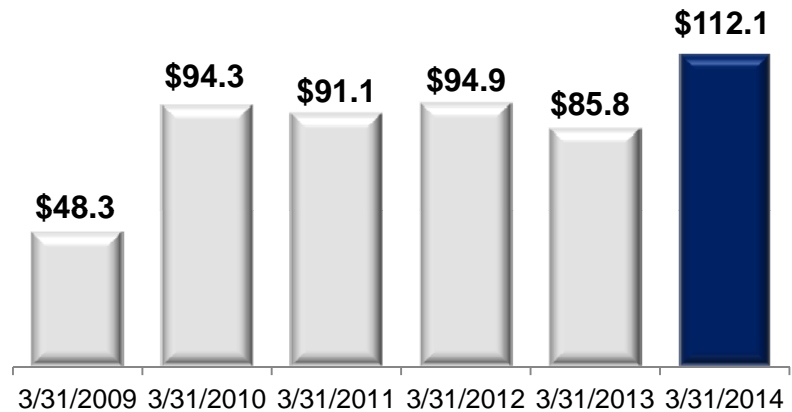
Projected Backlog Conversion

March 31, 2014



Backlog

(in millions)



- **Strong FY14 backlog growth**
 - Growing backlog driven by brisk order release pace during first half of fiscal 2014
 - Anticipate continued near-term strength of U.S. chemical/petrochemical market
- **Approximately 40% of backlog from new customers or markets since fiscal 2009**

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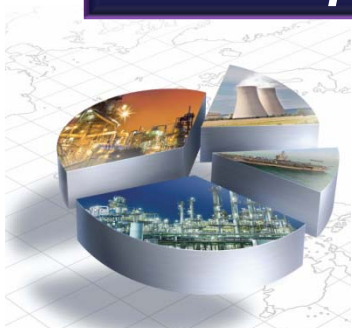


Outlook: Fiscal 2015 and Beyond

Fiscal 2015 Guidance:⁽¹⁾

- Revenue \$120 million - \$130 million
- Gross margin 30% - 32%
- SG&A 15% - 16% of sales
- Effective tax rate 33% - 34%

Next “Top of Cycle” Target: Exceed \$200 million in organic revenue



(1) Fiscal 2015 guidance provided as of May 30, 2014

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EBITDA Reconciliation

(\$ in thousands)

	Three Months Ended		Year Ended	
	March 31,		March 31,	
	2014	2013	2014	2013
Net income	\$ 2,317	\$ 4,096	\$ 10,145	\$ 11,148
+Net interest expense	(60)	(6)	(93)	(315)
+Income taxes	920	1,603	4,565	4,429
+Depreciation & amortization	<u>553</u>	<u>519</u>	<u>2,199</u>	<u>2,079</u>
EBITDA	<u>\$ 3,730</u>	<u>\$ 6,212</u>	<u>\$ 16,816</u>	<u>\$ 17,341</u>
<i>EBITDA margin %</i>	14.3%	20.1%	16.5%	16.5%

* EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and 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. 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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