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# Business Update

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# Agenda

- Jim Lines
  - Core values
  - End market dynamics
  - Supply Chain
  - Backlog
  - Outlook
- Jeff Glajch
  - Balance sheet strength
  - Actions taken
  - Next steps

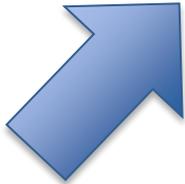
# Graham Core Values

## Shareholder benefit – *Improved TSR once markets stabilize*

- GHM shifts market position
- GHM has capability to grow quickly
- GHM creates opportunities in face of crisis



*Excel at each foundation building block below*



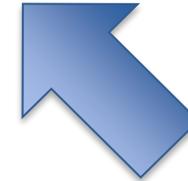
### Customers

- Stand at the ready
- Don't diminish support in downcycle
- Be better than competitors
- Be accommodative where possible
- Shift opportunity and price management processes



### Employees

- Hold on to our talent
- Narrow focus
- Work on right activities
- Change hiring plans
- Keep capacity and capabilities to seize opportunities



### Community

- Strengthen employer brand
- Give back to community where possible (donating N95 masks to hospitals)
- Be different from competitors

# Current Business Environment – End Markets

- Refining – varies by region and type of end user
  - Bidding activity continues for several large projects in China, India, other areas in Asia
  - Cash flow from upstream tied to oil price is weakening, integrated oil companies expected to slow order pace
  - Too early to define approach of independent refiners whose decisions are tied to crack spreads rather than oil price
- Chemical/petrochemical – weakening U.S. investment trend
  - Observing a measured, careful final investment decision
  - Reduced fracking rig count, abundance of co-produced natural gas slowing order placement pattern
- U.S. Navy – opportunities remain robust
  - Pipeline includes \$40-\$60 million of active bids, expected to close in next 12 months

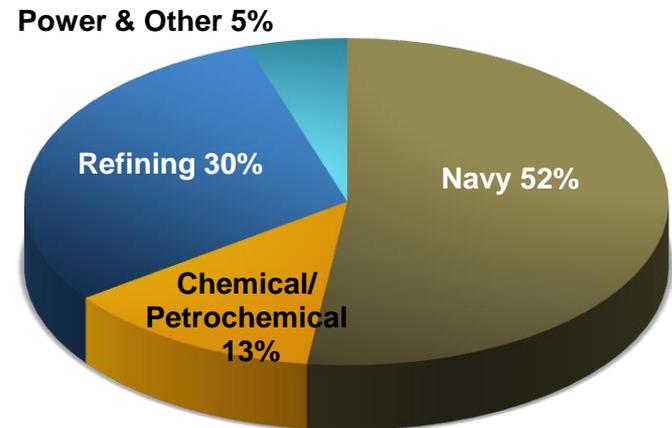
# Current Business Environment – Supply Chain

- Largely regional for Graham
  - Most suppliers are domestic, to support Batavia operations
  - Global subcontractors are regional, in support of regional projects
  - China supply chain primarily used for China end market
- Diversified, several sources for key components
- Maintaining ongoing communications to monitor status of suppliers and subcontractors

# Assessment of Backlog

- Large and solid backlog at 12/31/19: \$122.9 million
  - Navy more than half, 52%
  - During Q4 FY20, two refining orders canceled, \$3.5 million, unrelated to coronavirus pandemic
  - During Q4 FY20, two chem/petchem projects added, \$3 million each
  - Short cycle orders off ~25% vs last year

**Backlog by Industry**  
December 31, 2019



# Outlook – Uncertain

- Fiscal 2020
  - Rescinding guidance announced on January 29, 2020
- Fiscal 2021
  - Extent of remobilization following shutdown may be impacted if shutdown gets extended
  - Delaying finalization of budget due to significant uncertainty
  - Once business is back up and running, anticipate subsequent 12 months revenue flat with fiscal 2020
- Scenario assessment
  - China coronavirus recovery situation may replicate in U.S.
  - Graham management currently developing various contingency plans dependent on severity and duration of situation

# Significant Liquidity Provides Strength During Unprecedented Times

- \$72 million of cash at 12/31/19
  - \$25 million of borrowing capacity, plus additional \$25 million accordion in debt agreement
  - Virtually no bank debt outstanding
- Board of Directors plans to maintain quarterly cash dividend
- Retain current workforce to be ready when market recovers
- M&A opportunities may become more readily available
- Cash burn rate is ~ \$3 million / month, long runway

# Graham's Temporary Actions Taken to Adapt and Thrive

- Protecting our workforce
  - Two-week facility shutdown through April 5, 2020
  - In advance of shutdown:
    - Business travel stopped
    - Requiring self-isolation following certain personal travel
    - Restricting visitors
    - Office employees work remotely
    - Social distancing by limiting number of employees at work
    - Deep cleaning of facilities
    - Prohibiting group gatherings
    - Encouraging hygiene practices advised by health authorities
- Wage continuity to support our workforce

# Next Steps

- Plan to provide another interim investor update if situation changes
- Continue to maintain contact with customers, EPCs, suppliers
- Office staff working remotely
- Keep employees informed of changes
- Board intends to maintain quarterly cash dividend
- Current timing for Q4 FY20 is May 29, 2020



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