



GRAHAM CORPORATION Q2 FY2022 TELECONFERENCE

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Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as “expects,” “estimates,” “confidence,” “projects,” “typically,” “outlook,” “anticipates,” “indicates,” “believes,” “appears,” “could,” “opportunities,” “seeking,” “plans,” “aim,” “pursuit,” “look towards” 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, effects of the COVID-19 global pandemic, possible vaccine mandates, the integration of the Barber Nichols, LLC (“BN” or “Barber Nichols”) acquisition, the future expected contributions of BN, expected expansion and growth opportunities within its domestic and international markets, anticipated revenue, the timing of conversion of backlog to sales, market presence, profit margins, tax rates, foreign sales operations, its ability to improve cost competitiveness and productivity, customer preferences, changes in market conditions in the industries in which it operates, 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 on Form 10-K, its Quarterly Reports on Form 10-Q, and its other filings with the Securities and Exchange Commission, including under the heading entitled “Risk Factors.”

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This presentation includes some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The Company has provided a discussion of these non-GAAP financial measures and reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Q2 FY22 Overview

Revenue of \$34.1 million up 22% year-over-year, driven by acquisition

- Defense industry 58% of revenue in the quarter
- Strategic expansion into defense business
- Energy/Petrochem expected to recover over next twelve to 24 months

Sequential order increase to \$31.4 million

Backlog at quarter-end was \$233.2 million; defense industry represented 78% of backlog

- Space industry added to backlog with acquisition of Barber Nichols

Profits and margins heavily impacted by certain lower margin defense projects

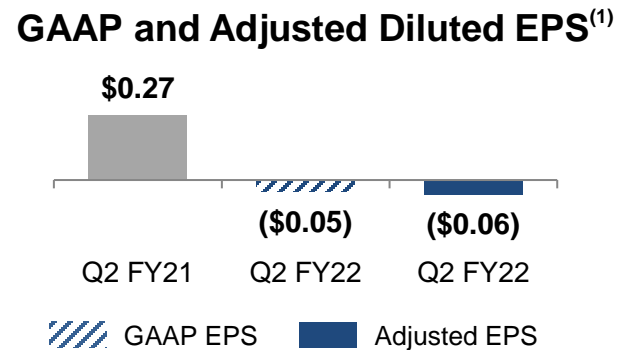
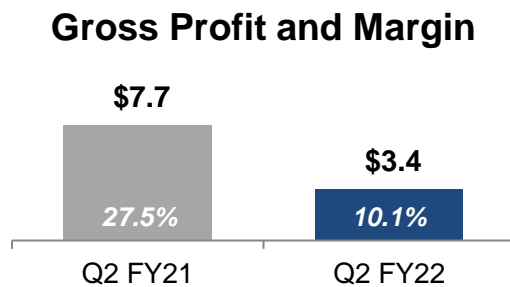
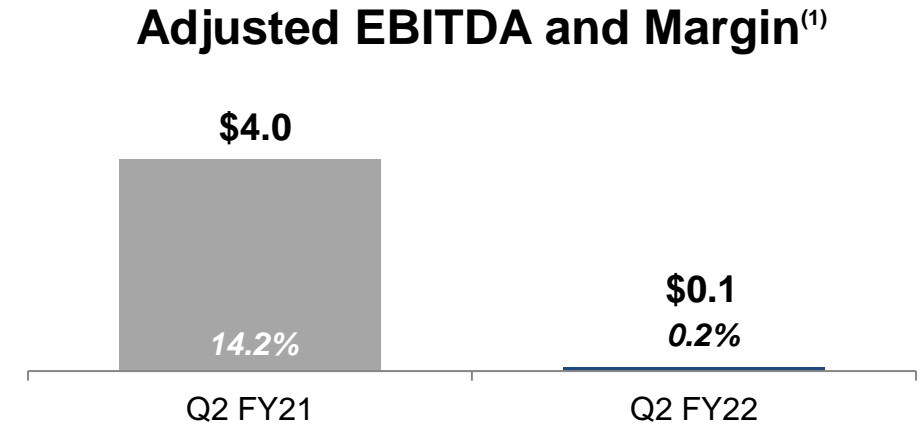
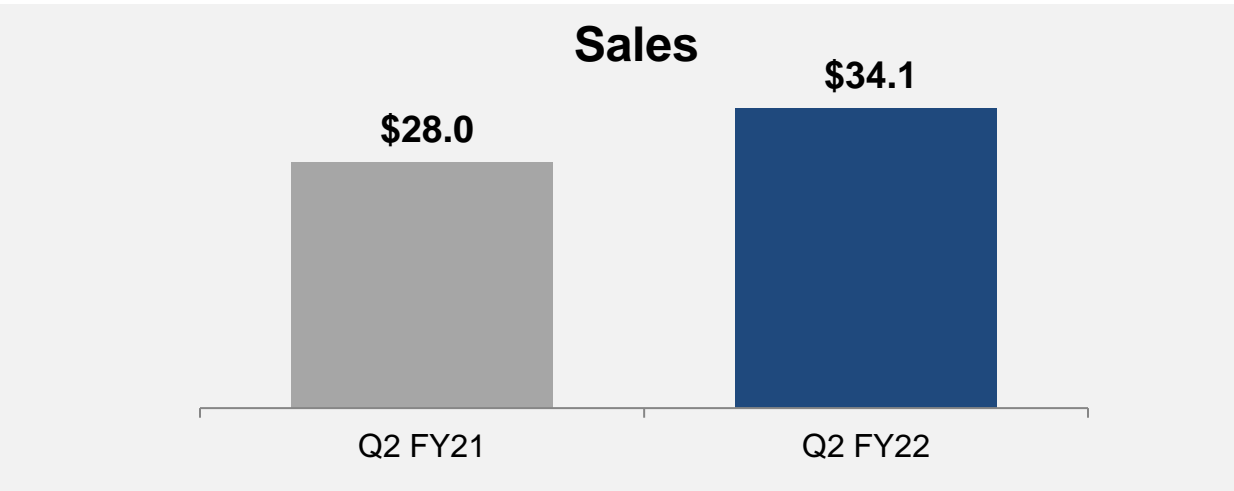
Strong capital structure and financial flexibility

Strengthening long-term incentives for Barber Nichols

Transition toward growth and stronger margins

Q2 FY22: Results driven by Acquisition and Defense Industries

(\$ in millions, except per share data)

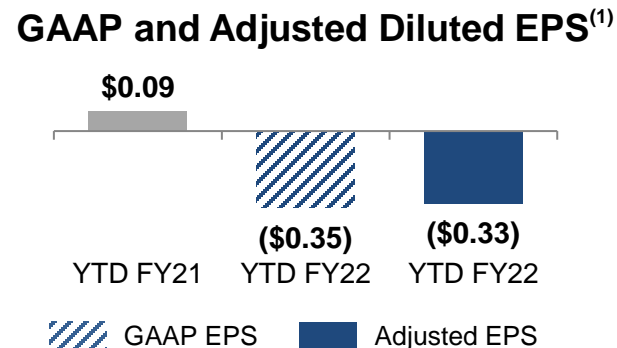
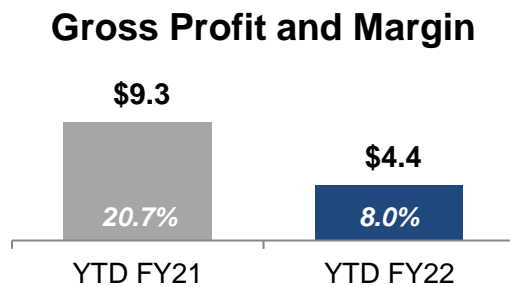
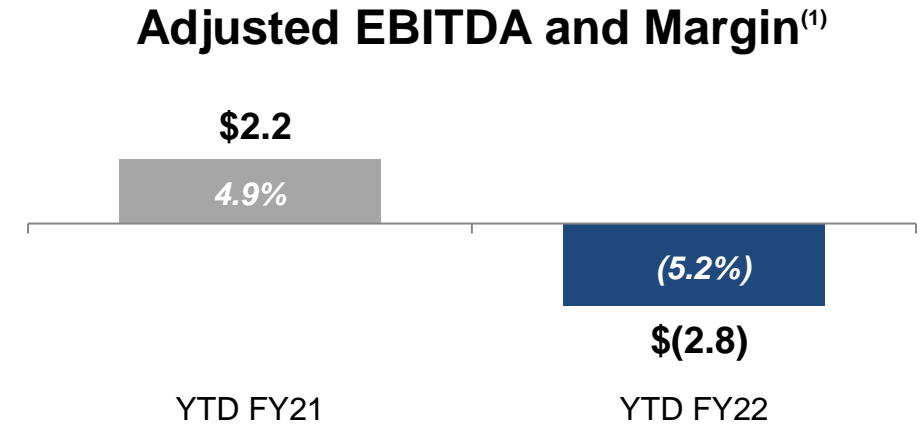
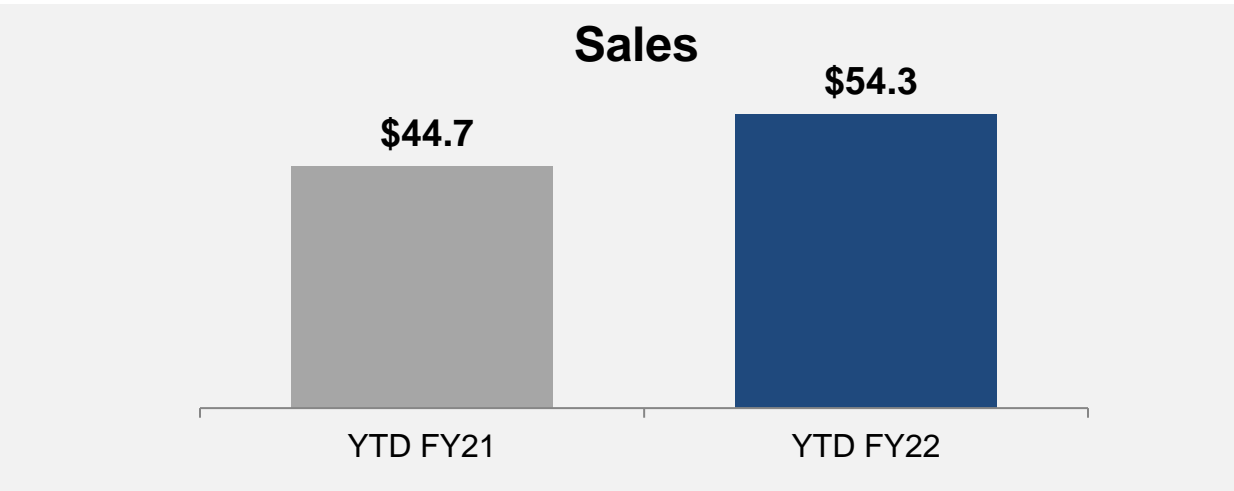


- Sales increased \$6.1 million, or 22% over Q2 FY21; Q2 FY22 includes full quarter of BN
 - + \$16.5 million from BN
 - + Higher sales to the defense industry
 - Lower petrochemical and refining sales
- Margin and profitability impacts:
 - Timing of lower margin defense projects
 - Benefit of material only order in Q2 FY21

(1) See supplemental slides for additional important disclosures regarding Graham's use of Adjusted EBITDA, Adjusted EBITDA margin and Adjusted diluted EPS as well as the reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted diluted EPS.

YTD FY22: Continue to Expect Growth for Full Year

(\$ in millions, except per share data)



- Sales increased 22% over easy comparator period; Reflects low order levels in FY21
 - + \$20.0 million from BN
 - + Higher sales to the defense industry
 - Lower petrochemical and refining sales
- Margin and profitability impacts:
 - Timing of lower margin defense projects
 - Liquidated damages due to COVID-19

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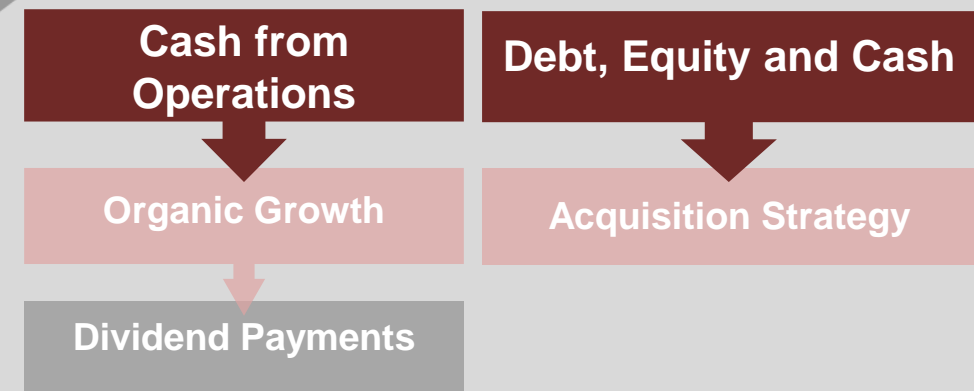
Used Large Cash Reserves to Invest in Growth

(\$ in millions)

| CAPITALIZATION | | |
|---|-----------------|----------------|
| | Sept. 30, 2021 | March 31, 2021 |
| Cash and cash equivalents and investments | \$ 16.5 | \$ 65.0 |
| Total debt | 23.5 | - |
| Shareholders' equity | 101.9 | 97.9 |
| Total capitalization | \$ 125.4 | \$ 97.9 |
| Debt / total capitalization | 18.7% | N/A |

- Accretive acquisition expected to improve return on assets
 - Put cash to work to grow the business
 - Invested \$41.1 million of cash for acquisition
- Borrowed \$20 million of low-cost debt for acquisition
- Strong liquidity and financial flexibility

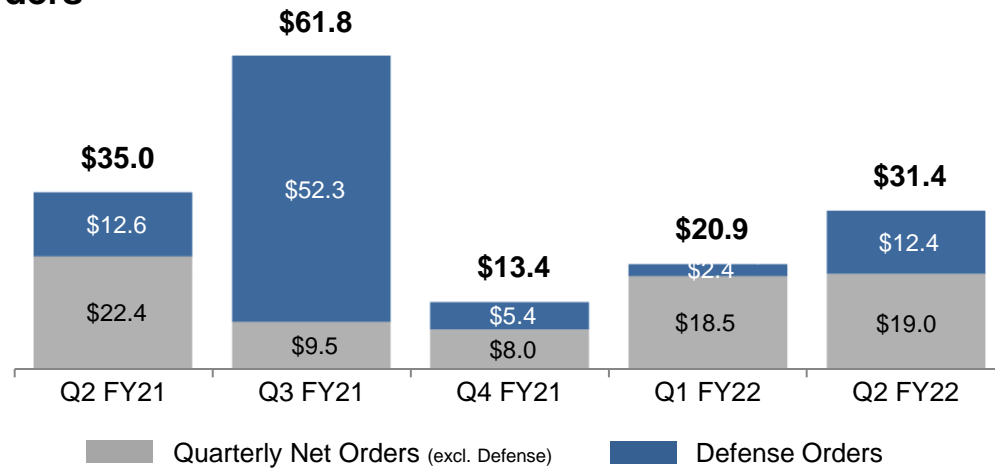
Priorities



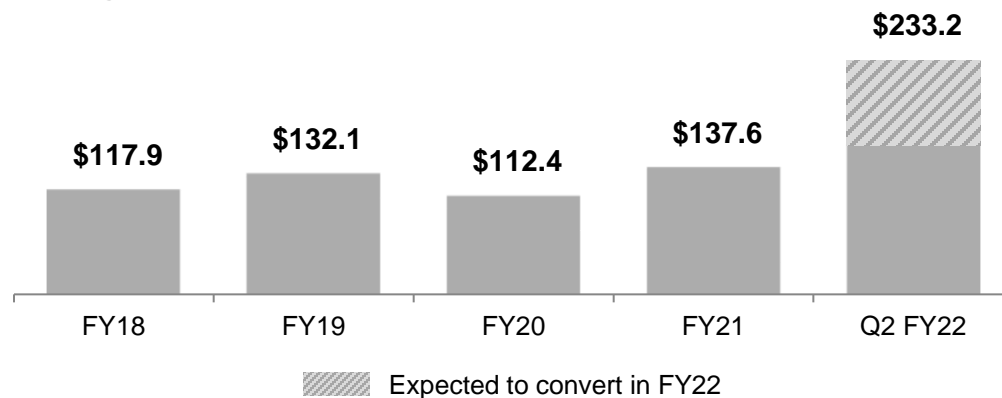
Backlog Growth Driven by Defense

(\$ in millions)

Orders

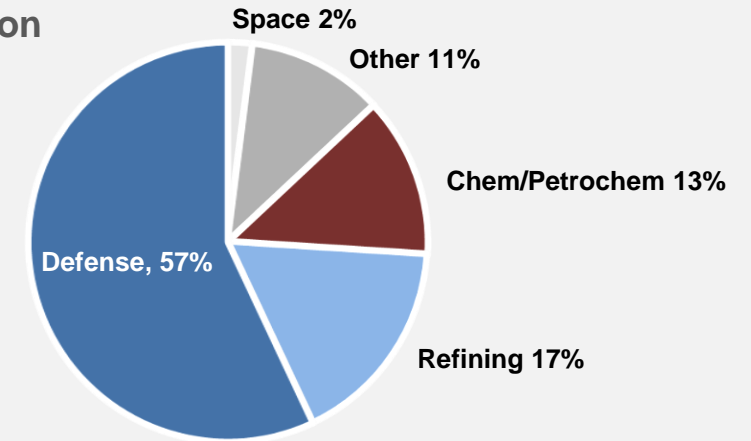


Backlog

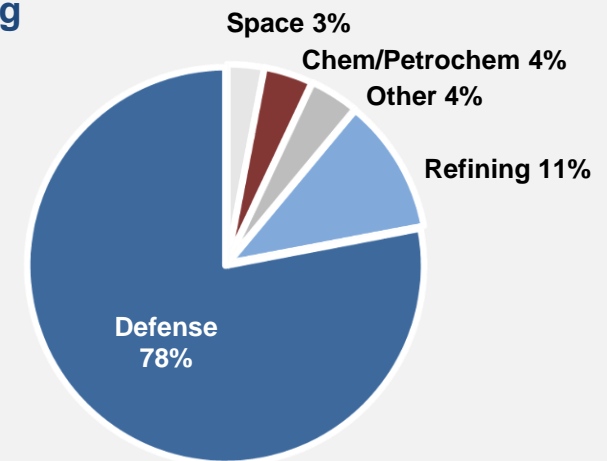


Q2 FY22 TTM Orders

\$127.5 million



Q2 FY22 Backlog By Industry



Execution of Strategy: Evolving into Defense Business

Acquisition of Barber-Nichols strengthening presence in Defense industry

Strong Defense business helps offset challenges in other segments

- Sales increased \$12.7 million sequentially
- Sequential orders up more than \$10 million
- Strong backlog of \$181.3 million; representing 78% of total backlog

Longer-term visibility into future naval programs – ships and submarines

Continue to expect margin improvements as projects start to ramp



Graham Fiscal 2022 Guidance⁽¹⁾

Revenue: \$130 million to \$140 million

- 45% to 50% anticipated to be associated with the defense industry
- Inclusive of BN's 10-month revenue contribution expected to be between \$45 million to \$48 million
- Expect improvement sequentially by quarter with fourth quarter anticipated to be the strongest

Gross margin: 17% to 18%

SG&A: 15% to 16% of sales

Adjusted EBITDA: \$7.0 million to \$8.0 million

Capital expenditures: \$3.0 million to \$3.5 million

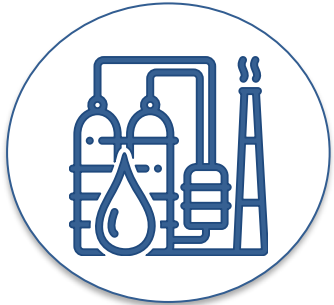
(1) FY2022 guidance as of October 27, 2021

The revenue, gross margin, SG&A, adjusted EBITDA and capital expenditure expectations for fiscal 2022 are based on the assumption that Graham will be able to operate its production facility at planned capacity, has access to its global supply chain including its subcontractors, and does not experience significant COVID-19-related disruptions or any other unforeseen events.

Transforming to Drive Value



Leveraging transformational acquisition to **accelerate growth in defense industry**



Preparing for refining and petrochem **upcycle expansion**



Enhancing leading market positions and furthering **strong brand** recognition



More **efficient balance sheet** with capacity for additional acquisitions and financial flexibility to **invest in organic growth**



Strong operating leverage and **powerful cash** generation



SUPPLEMENTAL INFORMATION



Adjusted EBITDA Reconciliation

(Unaudited, \$ in thousands)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|-----------------|-----------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) income | \$ (492) | \$ 2,744 | \$ (3,618) | \$ 926 |
| Acquisition related inventory step-up expense | 41 | - | 41 | - |
| Acquisition related costs | 93 | - | 262 | - |
| Change in fair value of contingent consideration | (1,900) | - | (1,900) | - |
| CEO severance | 798 | - | 798 | - |
| Net interest expense (income) | 115 | (23) | 137 | (112) |
| Income taxes | (180) | 773 | (925) | 401 |
| Depreciation & amortization | 1,588 | 486 | 2,408 | 972 |
| Adjusted EBITDA | \$ 63 | \$ 3,980 | \$ (2,797) | \$ 2,187 |
| <i>Adjusted EBITDA margin %</i> | <i>0.2%</i> | <i>14.2%</i> | <i>(5.2%)</i> | <i>4.9%</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.

Adjusted Net Income Reconciliation

(Unaudited, \$ in thousands)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|-----------------|-----------------------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) income | \$ (492) | \$ 2,744 | \$ (3,618) | \$ 926 |
| Acquisition related inventory step-up expense | 41 | - | 41 | - |
| Acquisition related costs | 93 | - | 262 | - |
| Amortization of intangible assets | 784 | - | 1,009 | - |
| Change in fair value of contingent consideration | (1,900) | - | (1,900) | - |
| CEO severance | 798 | - | 798 | - |
| Normalize tax rate to 20% ⁽¹⁾ | 37 | - | (42) | - |
| Adjusted net (loss) income | \$ (639) | \$ 2,744 | \$ (3,450) | \$ 926 |
| <i>Adjusted diluted earnings per share</i> | <i>\$ (0.06)</i> | <i>\$ 0.27</i> | <i>\$ (0.33)</i> | <i>\$ 0.09</i> |

¹⁾ Applies a normalized tax rate of 20% to GAAP pre-tax income and non-GAAP adjustments above, which are each pre-tax.

Non-GAAP Financial Measure:

Adjusted net income and adjusted diluted EPS are defined as net income and diluted EPS as reported, adjusted for certain items and at a normalized tax rate. Adjusted net income and adjusted diluted EPS 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 adjusted net income and adjusted diluted EPS, 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 and diluted EPS to the historical periods' net income and diluted EPS. 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.