

Operator: Greetings, and welcome to the Graham Corporation's Second Quarter Fiscal Year 2022 Financial Results Conference Call. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Deborah Pawlowski, Investor Relations of Graham Corporation. Please go ahead.

Deborah Pawlowski: Thank you, Maria, and good morning, everyone. We certainly appreciate your time today and your interest in Graham Corporation. Joining me on the call are Dan Thoren, our President and CEO; and Jeff Glajch, our Chief Financial Officer. You should have a copy of the second quarter fiscal 2022 financial results, which we released this morning before the market. If not, you can access the release as well as the slides that will accompany our conversation today at our website, www.graham-mfg.com. After our formal presentation, we will be opening the line for Q&A.

If you'll turn to **Slide 2** in the deck, I will first review the safe harbor statement. You should be aware that we may make some forward-looking statements during the formal discussions as well as during the Q&A. These statements apply to future events that are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in the earnings release as well as with other documents filed with Securities and Exchange Commission. These documents can be found on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe these will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. We have provided reconciliation of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and the slides for your information.

So, with that, it's my pleasure to turn the call over to Jeff Glajch to begin. Jeff?

Jeff Glajch: Thank you, Debbie, and good morning, everyone. If you could turn to **Slide 3**. Revenue in the second quarter was \$34.1 million, up \$6 million or 22% compared with last year's second quarter. The addition of Barber Nichols contributed \$16.5 million in the quarter. Our legacy Graham Manufacturing business offset part of the gain. There were two reasons. First, in the comparable quarter last year, we had a non-repeatable material only order. In addition, we had a significant level of Chinese subcontracting in the second quarter last year. These two items made up approximately \$10 million in lower revenue compared with last year.

We are pleased with our strategic expansion into the defense business. It's evident that with 58% of our quarterly revenue coming from this key market, while we await a recovery in the energy and petrochemical markets. As we look to the second half of the year, we continue to expect strong performance from Barber Nichols. For the Batavia facility, we expect to see a significant shift toward higher profit defense jobs. In our commercial markets, we expect to have a large increase in subcontracted production planned for both the United States and India, which will measurably improve revenue and gross profit in the second half of the year.

I would caution, however, that this large increase in the amount of outsourcing, while set up very nicely right now is dependent on our subcontracting partners and can on occasion take longer than planned. So, there is a risk, a portion of this could shift out of the fiscal year into Q1 of fiscal 2023. Orders increased to \$31.4 million, up from \$20.9 million in Q1. Orders were split evenly between the Graham Manufacturing business and Barber Nichols. Our \$233 million backlog is strong, with 78% of it coming from the defense market.

In the quarter, gross margins and profitability were impacted by two Batavia based defense orders, which utilized a significant amount of labor but had a very low revenue per labor hour. One project was a first article order, which had been won competitively. The other was a fabrication order, which had a significant portion of its profit recognized in previous years where the material portion of the project was executed on a separate order. Both of these projects will make up a significantly lower portion of the expected revenue in the second

half of the year. In addition, we expect both of these projects to be nearly complete by the end of the fiscal year.

We did have a strong quarter at Barber Nichols. I continue to be pleased with their performance. Through four months, their business is at \$20 million of revenue and \$3 million of EBITDA. Our expectation for the full year remained at \$45 million to \$48 million of revenue and at an 11% EBITDA margin or \$5.2 million. So, they are ahead of pace to hit the fiscal year expectations for the ten months of the business that will be part of Graham in this fiscal year. I do caution extrapolating the four-months numbers, but I am encouraged about their performance and the integration within Graham.

In the second quarter, we have two one-time items. We had a pretax gain of \$1.9 million related to the earn-out of the Barber Nichols acquisition. I will discuss this in a minute. We also had an offsetting charge of \$798,000 related to the retirement of our prior CEO. The net of these two items, \$1.1 million or approximately \$882,000 after taxes are included in the reported results.

Regarding the earn-out adjustment for Barber Nichols, we have made a change, which we believe will further strengthen the long-term incentives of the business. The acquisition earn-out, which was for \$7 million to \$14 million payout based on fiscal 2024 EBITDA results has been canceled. This had represented a 10% to 20% addition to the original \$70.1 million acquisition price. This earn-out has been valued using a Monte Carlo purchase price accounting analysis at \$1.9 million. Therefore, with the cancellation of this earn-out, the economic value of that earn-out is now 0, and the gain had to be recognized through the income statement in the quarter.

However, I'm excited that we have initiated a new incremental bonus pool for a broader portion of the Barber Nichols' employees. This pool will be an incremental annual cash bonus pool based on fiscal year results 2024, 2025 and 2026. For each year, the pool will allow for a range of at the low end, \$2 million once the EBITDA threshold is met and a maximum of \$4 million if the maximum EBITDA is achieved within the year. Therefore, across the three years, the maximum opportunity is \$12 million. In those years, this will be reported as a period cost. We believe this bonus pool will be an excellent retention tool and will be in place for the third, fourth and fifth years following the acquisition of Barber Nichols.

We can move on to **Slide 4**. Much of Slides 4 and 5 I have already discussed. I will note that Q2 last year essentially included all the profit of the full fiscal year. Obviously, this quarter was challenged. However, the challenges were completely within the Batavia operation. In addition, those challenges are short term and many of them are behind us or mostly behind us. We expect the next two quarters to see a noticeable improvement in profitability. You will note the GAAP and adjusted EPS are similar for Q2. Along with the \$1.1 million one-time items that I mentioned earlier, we also have adjusted out the purchase accounting amortization of \$784,000 as well as the \$124,000 of acquisition-related costs. The full year reconciliation of GAAP to adjusted EPS are in the appendix of this deck.

Moving on to **Slide 5**. For the year-to-date results, the \$9.6 million revenue gain came from \$20 million of addition of Barber Nichols, offset by the same items noted for the quarter earlier, namely last year having the benefit of a one-time material order and higher Chinese subcontracting in the first half of the year. As with the quarter results, the year-to-date GAAP and adjusted EPS are similar for the same reasons noted for the second quarter. Again, this is reconciled in the appendix of the deck. You may recall, last year, we had a big impact from COVID in the first quarter, while we were shut down for three weeks, and we were running at half capacity throughout the quarter. While this year's first quarter were impacted by the same lower margin defense orders that were noted for the second quarter.

Moving on to **Slide 6**. As many of you know, I was very pleased that we invested our formerly high cash balance by buying Barber Nichols. I'm very pleased about their performance to date and after seeing even more of their team in action, the future at Barber Nichols is extremely exciting. They are executing very well and the early returns, which can often be a risk for an acquisition have been stellar. Our balance sheet with

the term loan that was taken as part of the acquisition provides us flexibility for future investments. We will continue to be willing to use our strong balance sheet for future internal and external growth opportunities.

Dan will talk further about our backlog, our strategy, and our guidance for the full year. Dan?

Dan Thoren: Thank you, Jeff, and good morning, everyone. I'm starting on **Slide 7**. We had a nice mix of orders in the second quarter. \$12.5 million came from our defense customers, almost \$19 million from our commercial customers. Defense orders were for both new and existing programs and new and overhaul equipment giving us full life cycle exposure. Space related orders were around \$2 million, and advanced energy orders were close to \$2 million. Our commercial balance orders or spares are trending upwards.

The big change in backlog from fiscal year '21 to fiscal year '22 was mostly from the acquisition of Barber Nichols. Of the \$233 million backlog, 78%, or \$182 million is in defense. From a backlog perspective, Graham has certainly made the transition from an energy and chemical business with some defense work to a defense company with an important contribution from energy and chemical. About one half of the backlog is expected to convert to revenue in the next twelve months. The remaining twelve-months order graph does not include BN orders prior to the acquisition on June 1, 2021.

Moving to **Slide 8**. Graham's strategy started many years ago, has been realized through both organic and inorganic means. The organic defense business supplying vacuum and heat transfer equipment on Navy carriers and submarines has been very successful. The acquisition of Barber Nichols has added more defense business that helps to offset the cyclicity in the heritage energy and chemical business. Our second quarter revenue in defense was \$20 million, up \$12.7 million from the first quarter where BNI contributed for one month.

The really nice thing about defense business is the visibility. Ships and submarines take a long time to build. So, budgeting and plans are in place long before orders come. In some cases, the Navy will place orders for multiple strategic assets at one time, giving us a large backlog that converts over several years. These long-term orders provide good value for our customer and allows us to continually improve margins as the projects repeat in our shops.

Please turn to **Slide 9** for our updated fiscal '22 guidance. Revenue remains unchanged in the \$130 million to \$140 million range. As discussed by Jeff, we started slow in the first half with \$54 million of revenue, and we are ramping up each quarter. BN is expected to contribute \$45 million to \$48 million for the year. Our gross margin will be 17% to 18%, reflecting lower margin Navy work at Batavia with SG&A around 15% or 16% of revenue. We have tightened adjusted EBITDA from \$7 million to \$9 million to \$7 million to \$8 million. Capital expenditures remain unchanged at \$3.5 million to \$4 million.

Certainly, we continue to track supply chain and COVID-19 related disruptions. The biggest potential impact to our projections that we are tracking now is the executive order on ensuring adequate COVID safety protocols for federal contractors. This requirement would be flowed down contractually to Graham Manufacturing and Barber Nichols and would require that all of our employees that do not have exemptions be vaccinated against COVID-19 effective December 8, 2021.

Slide 10 summarizes how we are driving value for our shareholders. The defense strategy has been successful, and we see additional growth available. In the energy market, that's refining and petrochem, we are seeing leading indicators of an up-cycle expansion. We are preparing our company and our supply base for the increase in business there. We have several initiatives to enhance our market positions and brand recognition. These range from marketing. So, this is one of the things we're doing is a website upgrade and also resuming our successful academics training program.

We're also taking different approaches to our markets. We're leveraging our installed base. We're redeveloping our relationships with licensors, customers and EPCs that have been strained through this COVID environment that we've been in. We have made excellent progress with balance sheet efficiency over the last six months, as Jeff has discussed. Finally, we are developing a multiyear strategic plan that will

generate cash to enable more growth. I shared our first strategic plan iteration with our Board yesterday and had some great feedback. They are encouraged with what we are planning.

With that, I'd like to turn it back to Maria to open the lines, so Jeff and I can answer questions from the audience.

Operator: [Operator Instructions] Our first question is from Theo O'Neill with Litchfield Hills Research.

Theo O'Neill: I want to ask about the nuclear sub opportunity in Australia. From what I can tell here, Australia does have some capacity to make submarines in the diesel electric variety. Can you talk about what kind of opportunity this would present for Graham Corporation in Australia?

Dan Thoren: Yes, absolutely. So, our understanding, and it's certainly not written in stone at this point. But our understanding is that the Australians are interested in nuclear propulsion that the U.S. and Britain have in their submarines. And if it goes that way, Graham has been providing some of the heat transfer and vacuum equipment for the United States nuclear submarines, the power plants in there. So, we would expect that there might be an opportunity to provide that same or similar type equipment for the Australian subs. This would be a new design. It's many years out, but we're encouraged by that. Barber Nichols also makes torpedo ejection pumps for the United States Navy submarines. If the technology goes that way for the Australian subs, Barber Nichols could have an opportunity to supply torpedo injection pumps for the Australian subs also.

Theo O'Neill: If you get that kind of business, does that strategically set you up in a better position for more business in Asia in general? Would it change anything about the contracting or subcontracting part of the business?

Dan Thoren: I would guess not because the United States holds their nuclear propulsion very, very tightly. So, they only share with their closest allies. I would expect that it goes no further than Australia.

Operator: Our next question is from Tate Sullivan with Maxim.

Tate Sullivan: Staying within the defense work. Can you just review in your comments on the competitively bid first article defense work? Did you say that job should end and so that's not a source for the higher margins in the second half of your fiscal year? Is that correct?

Jeff Glajch: Those jobs are actually continuing through the second half of the year, but at a much smaller percentage of our total revenue. By the end of the fiscal year, both of the jobs that have been pulling down the profitability will be very close to complete. We're expecting them to be between 90% and 95% complete by the end of the year. They'll have a very minimal impact on fiscal '23.

Tate Sullivan: Okay. Are these lower-margin projects related to some of the opportunities that you have with U.S. Navy to go more sole source from competitively bid? Are they separate or can you give a little more detail with those?

Jeff Glajch: Of course, Tate. Both of these projects are projects that we now have sole sourced opportunities going forward. They're already in our backlog at a different pricing point as they were sole sourced. Very importantly, particularly on the first article one, we've gotten through all the learnings on the first article side. As we're running through the project, we're seeing better efficiency toward the end of the project than we were certainly in the beginning of the project because we treated as one project though, you get the good and the bad from a profitability standpoint when we recognize revenue. Our expectation going forward on both of these types of projects is that with what's in backlog right now, we will see significantly better results when we're converting the next vessel.

Tate Sullivan: Okay. Going back to the comments on the earn-out, the change in the earn-out and going to a bonus. It was not related at all to Barber Nichols performance so far?

Dan Thoren: Not at all, Tate. Typically, in an earn-out scenario, the sellers are ones who receive the benefit of an earn-out. The sellers decided that they wanted to do something a little different. So, we basically

canceled the earn-out as it was. Separately, we put in a bonus program to allow a much broader group of individuals at Barber Nichols to participate. Some of them are the sellers, but they're a much smaller percentage of the total than obviously a 100%.

We believe this bonus program will be very, very impactful to retain individuals, perhaps to even attract individuals and because it goes over fiscal years '24 through '26, by the end of fiscal year '26 is, that will be the fifth year of the acquisition. So, it's a really nice retention pool and attraction pool for employees now that will help us retain them and attract further employees through years three to five of the acquisition. We're really excited about this change. I have to tip my hat to the sellers who, quite frankly, could very easily just take in the earn-out assuming it was earned in fiscal '24.

The metrics for the earn-out for fiscal '24 were certain metrics. The metrics for the bonus for fiscal '24 are exactly the same. For fiscal '25 and fiscal '26, they're actually an increase off the fiscal '24 numbers. So, from a corporation's standpoint, we believe that it is not only fair, but it will lead to very strong returns. We're getting very excited about it.

Operator: Our next question is from Dick Ryan with Colliers.

Dick Ryan: Dan, you mentioned on the order front, both new and existing programs. Can you give us any more color on what new opportunities you've brought in?

Dan Thoren: I can't right now, Dick, as for some of those, we have to get customer approval to talk about. So, I can't give you any specifics there, but we are really excited that we continue to get some new programs. The other piece of it that I talked about in my prepared remarks was we are expanding our overhaul business. That full life cycle is something that we've been working towards, and we're starting to see the fruits of those labors. Being a full life cycle supplier for Navy is an excellent position to be in, and we're really happy about these new orders coming in.

Dick Ryan: Okay. What risks could you see from this executive order on vaccine mandates in terms of maybe your second half results? Would it be costs, the ability to deliver or have you been able to kind of parse those risks out at all?

Dan Thoren: It's a great question, and something that we're putting a lot of brain power into. The exact requirements aren't fully defined for us yet. The executive order has some unclearness associated with it that we're still trying to parse apart. What is very clear is that it would be flowed down contractually. We have not seen contract mods from our customers yet relative to that federal acquisition regulation flow down yet. I'm suspecting that we would. When that does flow down, it's very clear that to continue to execute we have to have employees vaccinated or with approved exemptions by December 8. Our employee base is not 100% vaccinated.

I would suspect that if they choose not to get vaccinated, then it will have an impact on our workforce. We'll have a reduced workforce and the ability to execute the programs as scheduled would be compromised. Ultimately, what that means for us is probably lower revenue in the second half and then schedule delays to our customers that we would go back and ask for some type of consideration to address that change essentially that's been driven by the government. Lots of things kind of rolling right now. You're seeing different defense companies that have rolled this out, and there are negative consequences that they're seeing. They are losing people because of it.

Dick Ryan: Okay. You talked about early indicators in the energy side. What are you seeing and is that more international, domestic or how do you see that business opportunity flowing?

Dan Thoren: For people who have been around Graham for a long time, they tell me that when we start to see our balance orders picking up, that's a leading indicator for an up cycle in energy and petrochem. We are seeing our spares orders increasing. The majority of our spares do come from domestic. It is more of a domestic situation that we're seeing. But what that means is that our customers feel like they see an up-cycle coming. They want to repair their plants, getting them up to tip-top conditions so that they can really benefit

from the increase in energy prices. So, we're seeing those indications at the same time as we talk to our customers. They say any major projects are still 12 to 24 months out. We expect this to be a very slow up cycle, but the really good news is that there's indications that it actually might be coming, so we're excited about that.

Operator: Our next question is from Gary Schwab with Valley Forge Capital Management.

Gary Schwab: First of all, I want to congratulate you on creating such an improvement on your website over what you had at the end of the last quarter. I think it's one thousand times better. I want to thank Debbie Pawlowski because I know that she was the driving force behind getting that new website up and running so quickly.

Jeff Glajch: Gary, this is Jeff. There's a lot more coming. I assure you.

Gary Schwab: Okay. Great. But secondly, I want to drill down some more on your first article projects and how that affects your margins. Is there a big difference between the initial cost and learning curve on first article DoD projects versus similar commercial projects that aren't DoD?

Dan Thoren: That's a great question.

Jeff Glajch: Let me try to hit part of it if I can. Every project is a little bit different on the commercial side. However, there's such a long history within Graham Manufacturing of these projects that a lot of times, we can take a lot of what was learned from previous projects and apply them to the next project. While they're all different, there's a lot of similarities and history there. On the defense side, first article, there's a lot of engineering.

Let me give you a good example. One of the projects that's in fabrication right now was a project that was won in fiscal 2016, and there was a lot of engineering work that was done over a number of years. After the engineering work, when you start the fabrication work, you're dealing with new engineering work from our side, you're dealing with the new vessel configuration from the Navy side. There's a lot of back and forth between us the Navy and the customers as there is on the commercial side, but that back and forth on the commercial side is a six-months process. The back and forth here is a many-years process, and there's a lot of changes as you go.

Some of the fabrication, when we thought about this four or five years ago, and we're looking at it now, it's difficult fabrication, difficult welding and it's things that we're doing for the first time. On the commercial side, we've done very similar welding many, many times, and so it's not as much of a lift. The nice thing about it though, is once you get through that learning curve, and we're seeing it even in the vessels we're doing now, the latter part of the project is much more efficient than the beginning part of the project. As we look at the next project, all the learnings that we got from the first article are behind us now and really are part of our procedures. Very long answer to a short question, but I hope that was helpful.

Gary Schwab: Is the cost and learning curve versus the final selling price, a higher percentage for Graham because you have to make all these jigs and molds and everything that BN doesn't have to do? Is it a little different?

Dan Thoren: I thought Jeff's answer was actually really good. It really kind of goes back to what you have experience with. If you look at Graham's commercial business, a lot of the ejectors and heat exchangers are, while they may be custom designs, they're based on prior designs. The Navy work is really, really custom that you're trying to fit something into a vessel, and it has all kinds of different shapes that it kind of has to work around. It's a very custom challenging first article.

For Barber Nichols, we kind of play in the same realm, where if we have a pump or turbine or compressor, a motor drive, that is a new order, if it's pretty similar to something we've done in the past, then the risks are lower. If it's brand-new with lots of new requirements that we haven't worked before, the risks are higher in the first article. I would say that both companies are similar that way and if we can leverage something that we've done in the past, we can reduce risk. If we're out there kind of on the leading edge, if you will, or kind of

plowing new ground, then the risks are higher. We're seeing that on the Graham side, but frankly, not unusual within the industry on the defense side.

Gary Schwab: Looking at your current backlog of \$182 million, I know you said that you'll be finishing your first article work, what you're working on now. Are there other different unstarted first article projects that are still in your backlog that you'll be getting to in a year or two?

Dan Thoren: They're very small. I will tell you that we are pursuing new equipment, new applications to continue to grow our defense business. We would expect the first time that we make these new things that we bid in the future to go through the first article challenges that is very typical. This will be somewhat of a recurring theme. The beauty is, is that if we can build up this catalog, if you will, or these programs so that we've got many of them in place, and we're taking a one new first article, then the impact of that on our overall results would be less. We're going to continue to chase the new business, to continue to grow the defense business, and we will have first articles in the future.

Jeff Glajch: It's just unfortunate that in this particular first half of the year, it's been a much bigger percentage of our overall business, and it's impactful. Normally, when that happens, it's not that particularly impactful, and it doesn't move the needle.

Gary Schwab: From what I understand, the Navy wants to get back to their pre-pandemic production schedule. They were building three subs a year. They were building two Virginias and one Columbia class. They said they want to get back on to that schedule again and they want to get onto that schedule again for like the next twenty years? So, they're talking about three subs a year. They even would like to push to four, but I don't think they can do that right now. Does that mean that you would probably win whatever you're doing currently on all of these new projects as they come along? The question I have is, if they're doing three subs a year, can you even handle that kind of business?

Dan Thoren: Gary, it's a great question. I would say that everybody from the shipbuilders down to the subcontractors are having those conversations right now. So, the shipbuilders start and say, okay, we're ramping up. We don't have enough capacity. So, we want to push some additional things that we've been doing in-house to our supply chain. The supply chain is saying, we appreciate the opportunities, and we're working hard to figure out how to help you out. The opportunities that are coming at us are wonderful. Some of them will be competitively bid and some of them will be sole sourced. We've got to plan and manage our business and continue to invest in it to be able to take as much as it makes sense to take.

We won't overcommit. At the same time, we love the visibility of this business. It's long-term business. It can be very profitable business. We're definitely in weekly conversations with our customers about what is coming in the future and how can we help you.

Gary Schwab: Okay. All right. Great. I was just wondering on this testing that's due by December 1. Do you have any critical employees like supervisors or foreman that haven't been vaccinated and is there alternative? I know some companies are saying, well, if you don't get vaccinated, then you have to be tested twice a week. Are you doing anything like that? Is that in the plan?

Dan Thoren: Thus far, there has been no requirement for employees to tell employers, whether they're vaccinated or not. The COVID protocol that we have is that if you're not vaccinated, we're asking you to wear masks and socially distance. It follows the CDC guidance. Going forward, it's not as clear. So, to answer your question specifically, we don't know who is vaccinated and unvaccinated because we don't have cards for everybody. So, there is the potential that there's some folks that are not vaccinated that could be impacted by this rule. We just don't know yet.

Certainly, we're communicating to our employees and letting them know what's coming but we don't have a requirement yet. Contractually, our customers have to flow down this federal acquisition regulation that embodies the executive order, and we haven't seen that yet, but we're trying to get ready for it. I would suspect, just kind of based on other companies that we've heard about in the Western New York area and

Colorado area, frankly, that there will be some fallout. Characterizing it now and giving you specificity, I just can't go there.

Operator: Our next question is from William Bremer with Vanquish Capital Partners.

William Bremer: Dan and Jeff, solid call. I got two questions that are sort of out of the box type of thinking. Number one, there's been a lot of talk in the last six months and in the press regarding the big three: Bezos, Branson, Musk on space, and we've seen it. I know we have a small and immaterial piece of that. I was wondering if you could provide us what your opportunity may be as this development starts to become more commercialized?

Dan Thoren: Sure. This all kind of started when people were looking forward into the future and saying, wouldn't it be nice to connect this all better and start to get outside of our world and started to explore our universe. The connect us piece has been very active and very robust. A lot of the commercial investments into launch were driven by the desire to connect everybody across the world. So, this concept of the other three billion, the people that are not connected, how do we connect them, we do that with communication satellites. As that notion started to come, a lot of these folks said we got to get the satellites up there, and we got to get a bunch of them up there and so, the billionaires started to invest.

We have been involved with those folks, helping them to develop new launch capabilities. In some cases, we have production opportunities for those launch vehicles, namely in the rocket engine turbo pump arena. Then you think about the payload, what is going on those rockets that go up. A lot of them are communication satellites. Essentially, what they're trying to do is pack more and more communication gear into a smaller and smaller package on satellites. They're kind of pushing the envelope of power density, which means that you have to worry about the heat. Thermal management systems are something that Barber Nichols gets involved with.

We do have thermal management pumps that are pumping around a liquid to help cool the electronics on these satellites. Those are being built today. The next level is, okay, now let's get up into the space and kind of have a departure point to go visit other planets or solar systems or whatever. You think about space habitation, and you think about fueling rockets in space so that you don't have to launch from the earth's surface. Barber Nichols gets involved in cryogenic liquid transfer and we're talking to folks about that. You also worry about environmental and life support types of systems up in space. We're involved in those types of systems also.

I look at it as a fun exciting area that has some growth. It is not a huge market from what I can tell for either Graham Manufacturing or Barber Nichols. But certainly, a unique and interesting area to work in and provide some diversity in our business. We kind of like to be in different markets and serve different customers. From that perspective, we look at it as a great place to work and play.

William Bremer: No, I completely agree with you. Second question, and it's out there as well a little bit. Starting to see a renaissance in the nuclear area with this globalization of these smaller modular reactors. Do we have any exposure there?

Dan Thoren: We do. Can't talk about it, but yes, we do.

William Bremer: Well, that's why I'm asking the question in a public forum.

Dan Thoren: A lot of these are start-ups that are very concerned about their IP. We've signed non-disclosure agreements with many of them to say that we would not let details out. We can't say that we are participating in those small modular nuclear types of programs and other types of renewable energy type programs. It's a really neat area that you don't know where it goes but if it does go somewhere, you want to be part of it. That's the interesting thing about having an engineering capable company, and both Barber Nichols and Graham are engineering capable to help our customers design and develop brand-new kind of out there types of equipment. Again, exciting place to be. You'll never bat a 1,000 in this league but you learn a lot along the way. We're excited to be part of that also.

Operator: Our next question is from Tom Spiro with Spiro Capital.

Tom Spiro: Two, three quarters ago, as I recall, the company won a number of large Asian refinery projects, maybe two of them, three of them. Could you give us an update on where those projects stand, number one? And number two, the outlook for further Asian opportunities?

Jeff Glajch: I think the opportunities you're speaking of were won perhaps a year or so ago, maybe even a little longer, specifically for the Indian market. You're correct, there are two projects that we won. Those are proceeding well. The first one of them is in fabrication now. We've had some of the work done by our third-party fabricator in India. In fact, they just delivered a component portion of it and on time, on budget. So, we're very pleased about that. That one is in process now. The second one had a delay on it for a little while. It was more of a, call it, engineering timing delay. That one will be starting shortly, and that's a significant portion of the subcontracting manufacturing hours that we're assuming we are projecting in the second half of the year.

That will continue not only in the second half of the year but into fiscal year '23. We don't have all of it in the next six months. We have a good chunk of it in the next six months, but then we have some more into fiscal '23. Regarding other opportunities, as we look at that, particularly in that market, there's a good number of projects over the next 6 to probably 36 months that are teed up to go to bid. We will participate in all of them. We're hopeful that we will be successful in some of them, certainly not all of them. We believe we're well positioned. These first couple of projects have really shown our capabilities and the strength of our brand within the Indian market, and we think that will help us with the future opportunities.

Tom Spiro: Have the first couple of projects hiking your enthusiasm or diminished it? Are you comfortable with how they're proceeding or not?

Jeff Glajch: No, we are comfortable, Tom. Absolutely. In fact, one of the things that you see any time you enter a new market, and I can harken back to when we entered the Chinese market, we had some ups along the way there. To be fair, we haven't had that level of bumps along the way here in India. The subcontractors have been doing very well for us so far. We're excited about the opportunities in the Indian market particularly given the quantity of them and how successful we've been so far. We're definitely looking at a better today than even we were a year or two ago.

Operator: It appears that there are no further questions at this time. I would like to pass the floor back over to Dan Thoren, President and CEO, for closing remarks.

Dan Thoren: Thank you very much, Maria. Thank you all for participating today. This does conclude our earnings call. We wish you a great fall season, and we'll look forward to talking to you again in the next quarter.

Operator: This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.