UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to ___________
Commission File Number 001-08462

GRAHAM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**16-1194720**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
20 Florence Avenue, Batavia, New York	**14020**
(Address of principal executive offices)	**(Zip Code)**

585-343-2216
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.10 Per Share	GHM	NYSE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of November 3, 2023, there were outstanding 10,702,731 shares of the registrant's common stock, par value $0.10 per share.

Graham Corporation and Subsidiaries

Index to Form 10-Q

As of September 30, 2023 and March 31, 2023 and for the three and six months ended September 30, 2023 and 2022

PART I – FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

GRAHAM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net sales	$ 45,076	$ 38,143	$ 92,645	$ 74,218
Cost of products sold	37,885	32,863	74,477	62,194
Gross profit	7,191	5,280	18,168	12,024
Other expenses and income:				
Selling, general and administrative	6,115	5,059	13,134	10,544
Selling, general and administrative – amortization	273	273	547	547
Operating income (loss)	803	(52)	4,487	933
Other expense (income), net	94	(62)	187	(125)
Interest expense, net	55	246	240	403
Income (loss) before provision (benefit) for income taxes	654	(236)	4,060	655
Provision (benefit) for income taxes	243	(40)	1,009	175
Net income (loss)	$ 411	$ (196)	$ 3,051	$ 480
Per share data				
Basic:				
Net income (loss)	$ 0.04	$ (0.02)	$ 0.29	$ 0.05
Diluted:				
Net income (loss)	$ 0.04	$ (0.02)	$ 0.28	$ 0.05
Weighted average common shares outstanding:				
Basic	10,699	10,617	10,675	10,614
Diluted	10,810	10,617	10,761	10,618

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollar amounts in thousands)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ 411	$ (196)	$ 3,051	$ 480
Other comprehensive income (loss):				
Foreign currency translation adjustment	(58)	(337)	(310)	(680)
Defined benefit pension and other postretirement plans net of income tax expense of $47 and $37 for the three months ended September 30, 2023 and 2022, respectively, and $93 and $74 for the six months ended September 30, 2023 and 2022, respectively	164	131	328	262
Total other comprehensive income (loss)	106	(206)	18	(418)
Total comprehensive income (loss)	$ 517	$ (402)	$ 3,069	$ 62

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands, except per share data)

(Unaudited)

	September 30, 2023	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 25,800	$ 18,257
Trade accounts receivable, net of allowances ($1,887 and $1,841 at September 30 and March 31, 2023, respectively)	28,710	24,000
Unbilled revenue	34,975	39,684
Inventories	27,009	26,293
Prepaid expenses and other current assets	2,850	1,534
Income taxes receivable	774	302
Total current assets	120,118	110,070
Property, plant and equipment, net	27,122	25,523
Prepaid pension asset	6,251	6,107
Operating lease assets	7,775	8,237
Goodwill	23,523	23,523
Customer relationships, net	10,423	10,718
Technology and technical know-how, net	8,922	9,174
Other intangible assets, net	7,266	7,610
Deferred income tax asset	1,489	2,798
Other assets	239	158
Total assets	$ 213,128	$ 203,918
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 2,000	$ 2,000
Current portion of finance lease obligations	19	29
Accounts payable	13,554	20,222
Accrued compensation	11,357	10,401
Accrued expenses and other current liabilities	6,262	6,434
Customer deposits	59,526	46,042
Operating lease liabilities	1,125	1,022
Income taxes payable	—	16
Total current liabilities	93,843	86,166
Long-term debt	8,863	9,744
Finance lease obligations	76	85
Operating lease liabilities	6,993	7,498
Deferred income tax liability	48	108
Accrued pension and postretirement benefit liabilities	1,341	1,342
Other long-term liabilities	1,169	2,042
Total liabilities	112,333	106,985
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $1.00 par value, 500 shares authorized	—	—
Common stock, $0.10 par value, 25,500 shares authorized, 10,846 and 10,774 shares issued and 10,703 and 10,635 shares outstanding at September 30 and March 31, 2023, respectively	1,084	1,075
Capital in excess of par value	29,196	28,061
Retained earnings	80,494	77,443
Accumulated other comprehensive loss	(7,445)	(7,463)
Treasury stock (143 and 138 shares at September 30 and March 31, 2023, respectively)	(2,534)	(2,183)
Total stockholders' equity	100,795	96,933
Total liabilities and stockholders' equity	$ 213,128	$ 203,918

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Six Months Ended September 30, 2023	2022
Operating activities:		
Net income	$ 3,051	$ 480
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	1,549	1,724
Amortization of intangible assets	891	1,238
Amortization of actuarial losses	421	336
Amortization of debt issuance costs	119	93
Equity-based compensation expense	625	312
Deferred income taxes	1,162	174
(Increase) decrease in operating assets:		
Accounts receivable	(4,947)	38
Unbilled revenue	4,620	(5,283)
Inventories	(734)	(2,560)
Prepaid expenses and other current and non-current assets	(1,343)	(782)
Income taxes receivable	(489)	(136)
Operating lease assets	589	901
Prepaid pension asset	(144)	(325)
Increase (decrease) in operating liabilities:		
Accounts payable	(6,451)	3,730
Accrued compensation, accrued expenses and other current and non-current liabilities	5	553
Customer deposits	13,503	544
Operating lease liabilities	(529)	(840)
Long-term portion of accrued compensation, accrued pension and postretirement benefit liabilities	—	(595)
Net cash provided (used) by operating activities	11,898	(398)
Investing activities:		
Purchase of property, plant and equipment	(3,312)	(1,176)
Proceeds from disposal of property, plant and equipment	38	—
Net cash used by investing activities	(3,274)	(1,176)
Financing activities:		
Principal repayments on debt	(1,020)	(3,511)
Proceeds from the issuance of debt	—	5,000
Repayments on financing lease obligations	(147)	(136)
Payment of debt issuance costs	—	(122)
Issuance of common stock	225	—
Purchase of treasury stock	(57)	(22)
Net cash (used) provided by financing activities	(999)	1,209
Effect of exchange rate changes on cash	(82)	(254)
Net increase (decrease) in cash and cash equivalents	7,543	(619)
Cash and cash equivalents at beginning of period	18,257	14,741
Cash and cash equivalents at end of period	$ 25,800	$ 14,122

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

(Unaudited)

	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at April 1, 2023	10,774	$ 1,075	$ 28,061	$ 77,443	$ (7,463)	$ (2,183)	$ 96,933
Comprehensive income (loss)				2,640	(88)		2,552
Issuance of shares	53	8	(8)				—
Forfeiture of shares	(9)	(1)	1				—
Recognition of equity-based compensation expense			293				293
Issuance of treasury stock			294			(294)	—
Purchase of treasury stock						(57)	(57)
Balance at June 30, 2023	10,818	1,082	28,641	80,083	(7,551)	(2,534)	99,721
Comprehensive income				411	106		517
Issuance of shares	28	2	223				225
Recognition of equity-based compensation expense			332				332
Balance at September 30, 2023	10,846	$ 1,084	$ 29,196	$ 80,494	$ (7,445)	$ (2,534)	$ 100,795

	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at April 1, 2022	10,801	$ 1,080	$ 27,770	$ 77,076	$ (6,471)	$ (2,961)	$ 96,494
Comprehensive income (loss)				676	(212)		464
Forfeiture of shares	(32)	(3)	3				—
Recognition of equity-based compensation expense			114				114
Purchase of treasury stock						(21)	(21)
Balance at June 30, 2022	10,769	1,077	27,887	77,752	(6,683)	(2,982)	97,051
Comprehensive loss				(196)	(206)		(402)
Forfeiture of shares	(11)	(1)	1				—
Recognition of equity-based compensation expense			198				198
Issuance of treasury stock			(237)			356	119
Balance at September 30, 2022	10,758	$ 1,076	$ 27,849	$ 77,556	$ (6,889)	$ (2,626)	$ 96,966

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except per share data)

(Unaudited)

NOTE 1 – BASIS OF PRESENTATION:

Graham Corporation's (the "Company's") Condensed Consolidated Financial Statements include its wholly-owned subsidiaries located in Arvada, Colorado, Suzhou, China and Ahmedabad, India at September 30 and March 31, 2023. The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X, each as promulgated by the U.S. Securities and Exchange Commission. The Company's Condensed Consolidated Financial Statements do not include all information and notes required by GAAP for complete financial statements. The unaudited Condensed Consolidated Balance Sheet as of March 31, 2023 presented herein was derived from the Company's audited Consolidated Balance Sheet as of March 31, 2023. For additional information, please refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023 ("fiscal 2023"). In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included in the Company's Condensed Consolidated Financial Statements.

The Company's results of operations and cash flows for the three and six months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the current fiscal year, which ends March 31, 2024 ("fiscal 2024").

NOTE 2 – REVENUE RECOGNITION:

The Company recognizes revenue on contracts when or as it satisfies a performance obligation by transferring control of the product to the customer. For contracts in which revenue is recognized upon shipment, control is generally transferred when products are shipped, title is transferred, significant risks of ownership have transferred, the Company has rights to payment, and rewards of ownership pass to the customer. For contracts in which revenue is recognized over time, control is generally transferred as the Company creates an asset that does not have an alternative use to the Company and the Company has an enforceable right to payment for the performance completed to date.

The following table presents the Company's revenue disaggregated by product line and geographic area:

	Three Months Ended September 30,		Six Months Ended September 30,	
Market	2023	2022	2023	2022
Refining	$ 7,289	$ 7,568	$ 14,156	$ 15,443
Chemical/Petrochemical	4,365	5,804	10,406	11,679
Defense	25,118	14,855	47,935	24,655
Space	2,775	4,306	7,597	10,768
Other Commercial	5,529	5,610	12,551	11,673
Net sales	$ 45,076	$ 38,143	$ 92,645	$ 74,218
Geographic Area				
Asia	$ 2,980	$ 4,255	$ 8,882	$ 8,503
Canada	1,092	1,707	1,991	2,704
Middle East	669	686	1,718	1,145
South America	172	399	199	1,860
U.S.	38,604	30,325	76,745	58,494
All other	1,559	771	3,110	1,512
Net sales	$ 45,076	$ 38,143	$ 92,645	$ 74,218

A performance obligation represents a promise in a contract to provide a distinct good or service to a customer. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Transaction price reflects the amount of consideration to which the Company expects to be entitled in exchange for transferred products. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized as the performance obligation is satisfied. In certain cases, the Company may separate a contract into more than one performance obligation, while in other cases, several products may be part of a fully integrated solution and are bundled into a single performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods underlying each performance obligation. The Company has made an accounting policy election to exclude from the measurement of the contract price all taxes assessed by government authorities that are collected by the Company from its customers. The Company does not adjust the contract price for the effects of a financing component if the Company expects, at contract inception, that the period between when a product is transferred to a customer and when the customer pays for the product will be one year or less. Shipping and handling fees billed to the customer are recorded in revenue and the related costs incurred for shipping and handling are included in Cost of products sold.

The Company recognizes revenue over time when contract performance results in the creation of a product for which the Company does not have an alternative use and the contract includes an enforceable right to payment in an amount that corresponds directly with the value of the performance completed. To measure progress towards completion on performance obligations for which revenue is recognized over time the Company utilizes an input method based upon a ratio of direct labor hours incurred to date to management's estimate of the total labor hours to be incurred on each contract, an input method based upon a ratio of total contract costs incurred to date to management's estimate of the total contract costs to be incurred or an output method based upon completion of operational milestones, depending upon the nature of the contract. The Company has established the systems and procedures essential to developing the estimates required to account for performance obligations over time. These procedures include monthly review by management of costs incurred, progress towards completion, identified risks and opportunities, sourcing determinations, changes in estimates of costs yet to be incurred, availability of materials, and execution by subcontractors. Sales and earnings are adjusted in current accounting periods based on revisions in the contract value due to pricing changes and estimated costs at completion. Losses on contracts are recognized immediately when evident to management. Revenue on the majority of the Company's contracts, as measured by number of contracts, is recognized upon shipment to the customer. Revenue on larger contracts, which are fewer in number but represent the majority of revenue, is recognized over time. The following table presents the Company's revenue percentages disaggregated by revenue recognized over time or upon shipment:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue recognized over time	75 %	75 %	78 %	70 %
Revenue recognized at shipment	25 %	25 %	22 %	30 %

The timing of revenue recognition, invoicing and cash collections affect trade accounts receivable, unbilled revenue (contract assets) and customer deposits (contract liabilities) on the Condensed Consolidated Balance Sheets. Unbilled revenue represents revenue on contracts that is recognized over time and exceeds the amount that has been billed to the customer. Unbilled revenue is separately presented in the Condensed Consolidated Balance Sheets. The Company may have an unconditional right to payment upon billing and prior to satisfying the performance obligations. The Company will then record a contract liability and an offsetting asset of equal amount until the deposit is collected and the performance obligations are satisfied. Customer deposits are separately presented in the Condensed Consolidated Balance Sheets. Customer deposits are not considered a significant financing component as they are generally received less than one year before the product is completed or used to procure specific material on a contract, as well as related overhead costs incurred during design and construction.

Net contract assets (liabilities) consisted of the following:

	September 30, 2023	March 31, 2023	Change	Change due to revenue recognized	Change due to invoicing customers/ additional deposits
Unbilled revenue (contract assets)	$ 34,975	$ 39,684	$ (4,709)	$ 54,904	$ (59,613)
Customer deposits (contract liabilities)	(59,526)	(46,042)	(13,484)	11,797	(25,281)
Net contract (liabilities) assets	$ (24,551)	$ (6,358)	$ (18,193)		

Contract liabilities at September 30 and March 31, 2023 include $7,954 and $6,092, respectively, of customer deposits for which the Company has an unconditional right to collect payment. Trade accounts receivable, as presented on the Condensed Consolidated Balance Sheets, includes corresponding balances at September 30, and March 31, 2023, respectively.

Receivables billed but not paid under retainage provisions in the Company's customer contracts were $2,681 and $2,542 at September 30, and March 31, 2023, respectively.

The Company's remaining unsatisfied performance obligations represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. The Company also refers to this measure as backlog. As of September 30, 2023, the Company had remaining unsatisfied performance obligations of $313,343. The Company expects to recognize revenue on approximately 50% of the remaining performance obligations within one year, 25% to 30% in one to two years and the remaining beyond two years.

NOTE 3 – INVENTORIES:

Inventories are stated at the lower of cost or net realizable value, using the average cost method.

Major classifications of inventories are as follows:

	September 30, 2023	March 31, 2023
Raw materials and supplies	$ 3,573	$ 4,344
Work in process	21,152	20,554
Finished products	2,284	1,395
Total	$ 27,009	$ 26,293

NOTE 4 – INTANGIBLE ASSETS:

Intangible assets are comprised of the following:

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
At September 30, 2023				
Intangibles subject to amortization:				
Customer relationships	20 years	$ 11,800	$ 1,377	$ 10,423
Technology and technical know-how	20 years	10,100	1,178	8,922
Backlog	4 years	3,900	3,334	566
		$ 25,800	$ 5,889	$ 19,911
Intangibles not subject to amortization:				
Tradename	Indefinite	$ 6,700	$ —	$ 6,700
		$ 6,700	$ —	$ 6,700

Technology and technical know-how and Customer relationships are amortized in Selling, general and administrative expense on a straight line basis over their estimated useful lives. Backlog is amortized in Cost of products sold over the projected conversion period based on management estimates at time of purchase. Intangible amortization was $445 and $619 for the three months ended September 30, 2023 and 2022, respectively, and $891 and $1,238 for the six months ended September 30, 2023 and 2022, respectively. The estimated annual amortization expense by fiscal year is as follows:

		Annual Amortization
Remainder of 2024	$	890
2025		1,318
2026		1,095
2027		1,095
2028		1,095
2029 and thereafter		14,418
Total intangible amortization	$	19,911

NOTE 5 – EQUITY-BASED COMPENSATION:

The 2020 Graham Corporation Equity Incentive Plan, as amended (the "2020 Plan"), provides for the issuance of 722 shares of common stock in connection with grants of incentive stock options, non-qualified stock options, restricted stock units and stock awards to officers, key employees and outside directors, including 112 shares that became available under the 2020 Plan from the Company's prior plan, the Amended and Restated 2000 Graham Corporation Incentive Plan to Increase Shareholder Value (the "2000 Plan"). As of August 11, 2020, the effective date of the 2020 Plan, no further awards will be granted under the 2000 Plan.

No time vesting restricted stock units ("RSUs") or performance based restricted stock units ("PSUs") were granted in the three months ended September 30, 2023 and 2022. The following restricted stock units were granted in the six months ended September 30, 2023 and 2022:

Six months ended September 30,	Vest 100% on First Anniversary [1] Directors	Vest One-Third Per Year Over Three-Year Term [1] Officers and Key Employees	Vest 100% on Third Anniversary [1] Officers and Key Employees	Total Shares Awarded
2023				
Time Vesting RSUs	38	40	—	78
Performance Vesting PSUs	—	—	79	79
2022				
Time Vesting RSUs	37	56	18	111
Performance Vesting PSUs	—	—	112	112

[1] Subject to the terms of the applicable award.

The Company has an Employee Stock Purchase Plan, as amended (the "ESPP"), which allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% of its fair market value on the last, first or lower of the last or first day of the six-month offering period. As of September 30, 2023, a total of 400 shares of common stock may be purchased under the ESPP.

The Company has recognized equity-based compensation costs as follows:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
Restricted stock awards	$	77	$	201	$	164	$	306
Restricted stock units		249		—		445		—
Employee stock purchase plan		6		(3)		16		6
	$	332	$	198	$	625	$	312
Income tax benefit recognized	$	74	$	43	$	139	$	68

NOTE 6 – INCOME (LOSS) PER SHARE:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding and, when applicable, potential common shares outstanding during the period. A reconciliation of the numerators and denominators of basic and diluted income (loss) per share is presented below:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Basic income (loss) per share				
Numerator:				
Net income (loss)	$ 411	$ (196)	$ 3,051	$ 480
Denominator:				
Weighted average common shares outstanding	10,699	10,617	10,675	10,614
Basic income (loss) per share	$ 0.04	$ (0.02)	$ 0.29	$ 0.05
Diluted income (loss) per share				
Numerator:				
Net income (loss)	$ 411	$ (196)	$ 3,051	$ 480
Denominator:				
Weighted average common shares outstanding	10,699	10,617	10,675	10,614
Restricted stock units outstanding	111	—	86	4
Weighted average common and potential common shares outstanding	10,810	10,617	10,761	10,618
Diluted income (loss) per share	$ 0.04	$ (0.02)	$ 0.28	$ 0.05

NOTE 7 – PRODUCT WARRANTY LIABILITY:

The reconciliation of the changes in the product warranty liability is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	$ 616	$ 496	$ 578	$ 441
Expense for product warranties	112	13	203	90
Product warranty claims paid	(90)	(22)	(143)	(44)
Balance at end of period	$ 638	$ 487	$ 638	$ 487

The product warranty liability is included in the line item Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets.

NOTE 8 – CASH FLOW STATEMENT:

Interest and income taxes paid as well as non-cash investing and financing activities are as follows:

	For the Six Months Ended September 30,	
	2023	2022
Interest paid	$ 507	$ 362
Income taxes paid	337	151
Capital purchases recorded in accounts payable	392	205

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

The Company has been named as a defendant in lawsuits alleging personal injury from exposure to asbestos allegedly contained in, or accompanying, products made by the Company. The Company is a co-defendant with numerous other defendants in these lawsuits and intends to vigorously defend itself against these claims. The claims in the Company's current lawsuits are similar to those made in previous asbestos-related suits that named the Company as a defendant, which either were dismissed when it was shown that the

Company had not supplied products to the plaintiffs' places of work or were settled for immaterial amounts. The Company cannot provide any assurances that any pending or future matters will be resolved in the same manner as previous lawsuits.

As of September 30, 2023, the Company was subject to the claims noted above, as well as other potential claims that have arisen in the ordinary course of business.

Although the outcome of the lawsuits, legal proceedings or potential claims to which the Company is, or may become, a party to cannot be determined and an estimate of the reasonably possible loss or range of loss cannot be made for the majority of the claims, management does not believe that the outcomes, either individually or in the aggregate, will have a material adverse effect on the Company's results of operations, financial position or cash flows.

The Company previously entered into related party operating leases with Ascent Properties Group, LLC ("Ascent"), for two building lease agreements and two equipment lease agreements in Arvada, Colorado. In connection with such leases, the Company made fixed minimum lease payments to the lessor of $242 and $211 during the three months ended September 30, 2023 and 2022, respectively, and $466 and $422 during the six months ended September 30, 2023 and 2022, respectively. The Company is obligated to make payments of $486 during the remainder of fiscal 2024. Future fixed minimum lease payments under these leases as of September 30, 2023 are $6,271.

NOTE 10 – INCOME TAXES:

The Company files federal and state income tax returns in several domestic and international jurisdictions. In most tax jurisdictions, returns are subject to examination by the relevant tax authorities for a number of years after the returns have been filed. The Company is subject to U.S. federal examination for the tax years 2019 through 2022 and examination in state tax jurisdictions for the tax years 2018 through 2022. The Company is subject to examination in the People's Republic of China for tax years 2019 through 2022 and in India for tax years 2019 through 2022.

There was no liability for unrecognized tax benefits at either September 30, 2023 or March 31, 2023.

NOTE 11 – CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS:

The changes in accumulated other comprehensive loss by component for the six months ended September 30, 2023 and 2022 are as follows:

	Pension and Other Postretirement Benefit Items	Foreign Currency Items	Total
Balance at April 1, 2023	$ (7,470)	$ 7	$ (7,463)
Other comprehensive income before reclassifications	—	(310)	(310)
Amounts reclassified from accumulated other comprehensive loss	328	—	328
Net current-period other comprehensive income (loss)	328	(310)	18
Balance at September 30, 2023	$ (7,142)	$ (303)	$ (7,445)

	Pension and Other Postretirement Benefit Items	Foreign Currency Items	Total
Balance at April 1, 2022	$ (6,970)	$ 499	$ (6,471)
Other comprehensive income before reclassifications	—	(680)	(680)
Amounts reclassified from accumulated other comprehensive loss	262	—	262
Net current-period other comprehensive income (loss)	262	(680)	$ (418)
Balance at September 30, 2022	$ (6,708)	$ (181)	$ (6,889)

The reclassifications out of accumulated other comprehensive loss by component for the three and six months ended September 30, 2023 and 2022 are as follows:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss Three Months Ended September 30, 2023	2022	Affected Line Item in the Condensed Consolidated Statements of Income
Pension and other postretirement benefit items:			
Amortization of actuarial loss	$ 210 (1)	$ 168 (1)	Income before benefit for income taxes
Tax effect	46	37	Provision for income taxes
	$ 164	$ 131	Net income

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss Six Months Ended September 30, 2023	2022	Affected Line Item in the Condensed Consolidated Statements of Income
Pension and other postretirement benefit items:			
Amortization of actuarial loss	$ 421 (1)	$ 336 (1)	Income before benefit for income taxes
Tax effect	93	74	Provision for income taxes
	$ 328	$ 262	Net income

(1) These accumulated other comprehensive loss components are included within the computation of pension and other postretirement benefit costs.

NOTE 12 – DEBT:

On June 1, 2021, the Company entered into a $20,000 five-year term loan with Bank of America (the "Term Loan"). The Term Loan required monthly principal payments of $167 through June 1, 2026, with the remaining principal amount plus all interest due on the maturity date. The interest rate on the Term Loan was the applicable Bloomberg Short-Term Bank Yield Index ("BSBY"), plus 1.50%, subject to a 0.00% floor.

As of March 31, 2023 and September 30, 2023, long term debt was comprised of the following:

	September 30, 2023	March 31, 2023
Bank of America term loan	$ 11,500	$ 12,500
Less: unamortized debt issuance costs	(637)	(756)
	10,863	11,744
Less: current portion	2,000	2,000
Total	$ 8,863	$ 9,744

As of September 30, 2023, future minimum payments required were as follows:

Remainder of 2024	$ 1,000
2025	2,000
2026	2,000
2027	6,500
2028 and thereafter	—
Total	$ 11,500

On June 1, 2021, the Company entered into a five-year revolving credit facility with Bank of America (the "Revolving Credit Facility") that provided a $30,000 line of credit, including letters of credit and bank guarantees, expandable at the Company's option and the bank's approval at any time up to $40,000. As of September 30, 2023 and March 31, 2023, there was $0 outstanding on the Revolving Credit Facility. Amounts outstanding under the Revolving Credit Facility bore interest at a rate equal to BSBY plus 1.50%, subject to a 0.00% floor. As of September 30, 2023, the BSBY rate was 5.3718%. Outstanding letters of credit under this agreement were subject to a fee of 1.50% per annum of the outstanding undrawn amount of each letter of credit not secured by cash and 0.60% of each letter of credit secured by cash. Amounts available for borrowing under the Revolving Credit Facility were subject to an unused commitment fee of 0.25%. As of September 30, 2023, there was $3,711 letters of credit outstanding with Bank of America.

Under the Term Loan and Revolving Credit Facility, as amended (the "Credit Facility"), the Company covenanted to maintain a maximum total leverage ratio, as defined in the Credit Facility, of 3.0 to 1.0, with an allowable increase to 3.25 to 1.0 following an acquisition for a period of twelve months following the closing of the acquisition. In addition, the Company covenanted to maintain a minimum fixed charge coverage ratio, as defined in the Credit Facility, of 1.2 to 1.0 and minimum margined assets, as defined in such agreements, of 100% of total amounts outstanding on the Revolving Credit Facility, including letters of credit. The Company also covenanted to maintain liquidity, as defined in the Credit Facility, of at least $20,000. As of September 30, 2023, the Company was in compliance with the financial covenants of the Credit Facility. At September 30, 2023, the amount available under the Revolving Credit Facility was $27,613, subject to the above liquidity and leverage covenants.

In connection with the amendments to the Credit Facility, the Company was charged a back-end fee of $725 to Bank of America payable upon the earliest to occur of (i) any default or event of default, (ii) the last date of availability under the Revolving Credit Facility, and (iii) repayment in full of all principal, interest, fees and other obligations, which may be waived or cancelled if certain criteria are met.

The Company has a letter of credit facility agreement with HSBC Bank USA, N.A. of $7,500 (the "Letter of Credit Facility"). Under the Letter of Credit Facility, the Company incurs an annual facility fee of $5 and outstanding letters of credit are subject to a fee of between 0.75% and 0.85%, depending on the term of the letter of credit. Interest is payable on the principal amounts of unreimbursed letter of credit draws at a rate of 3% plus the bank's prime rate. The Company's obligations under the Letter of Credit Facility are secured by cash held with the bank. As of September 30, 2023, there was $6,577 letters of credit outstanding with HSBC and availability under the Letter of Credit Facility was $923. The agreement is subject to an annual renewal by the bank on July 31 of each year.

Total letters of credit outstanding as of September 30, and March 31, 2023 were $10,621 and $12,842, respectively.

SUBSEQUENT EVENT

On October 13, 2023, the Company terminated the Revolving Credit Facility, repaid the Term Loan and entered into a new five-year revolving credit facility with Wells Fargo Bank, National Association ("Wells Fargo") that provides a $35,000 line of credit, including letters of credit and bank guarantees, expandable up to $50,000 upon the Company satisfying specified covenants (the "New Revolving Credit Facility"). The additional $15,000 will automatically be available upon (a) the Company achieving a minimum consolidated EBITDA, as defined in the agreement, of $15,000, computed on a trailing twelve month basis, for three consecutive quarters and (b) a minimum liquidity (consisting of cash and borrowing availability under the New Revolving Credit Facility) for the Company of at least $7,500. In addition to the $25,000 letters of credit available to be issued pursuant to the New Revolving Credit Facility, the Company may request the issuance of cash secured letters of credit in an aggregate amount of up to $7,500.

The New Revolving Credit Facility contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of Wells Fargo, which require the Company to maintain (i) a consolidated total leverage ratio not to exceed 3.50:1.00 and (ii) a consolidated fixed charge coverage ratio of at least 1.20:1.00, in both cases computed in accordance with the definitions and requirements specified in the New Revolving Credit Facility.

Borrowings under the New Revolving Credit Facility bear interest at a rate equal to, at the Company’s option, either (i) a forward-looking term rate based on the secured overnight financing rate ("SOFR") for the applicable interest period, subject to a floor of 0.0% per annum or (ii) a base rate determined by reference to the highest of (a) the rate of interest per annum publicly announced by the Lender as its prime rate, (b) the federal funds rate plus 0.50% per annum and (c) one-month term SOFR plus 1.00% per annum, subject to a floor of 1.00% per annum, plus, in each case, an applicable margin. The applicable margins range between (i) 1.25% per annum and 2.50% per annum in the case of any term SOFR loan and (ii) 0.25% per annum and 1.50% per annum in the case of any base rate loan, in each case based upon the Company’s then-current consolidated total leverage ratio; provided, however, for a period of one year following the closing date, the applicable margin shall be set at 1.25% per annum in the case of any term SOFR loan and 0.25% per annum in the case of any base rate loan.

The Company will incur a quarterly commitment fee on the unused portion of the New Revolving Credit Facility during the applicable quarter at a per annum rate also determined by reference to the Company’s then-current consolidated total leverage ratio, which fee ranges between 0.10% per annum and 0.20% per annum; provided, however, for a period of one year following the closing date, the quarterly commitment fee will be set at 0.10% per annum. Any outstanding letters of credit that are cash secured will bear a fee equal to the daily amount available to be drawn under such letters of credit multiplied by 0.65% per annum. Any outstanding letters of credit issued under the New Revolving Credit Facility will bear a fee equal to the daily amount drawn under such letters of credit multiplied by the applicable margin for term SOFR loans.

In connection with the termination of the Revolving Credit Facility, the Company repaid the $725 exit fee and recognized an extinguishment charge of approximately $650 from its previous lending agreement amendments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollar and share amounts in thousands, except per share data)

Overview

We are a global leader in the design and manufacture of mission critical fluid, power, heat transfer and vacuum technologies for the defense, space, energy and process industries. We design and manufacture custom-engineered vacuum, heat transfer, pump and turbomachinery technologies. For the defense industry, our equipment is used in nuclear and non-nuclear propulsion, power, fluid transfer, and thermal management systems. For the space industry our equipment is used in propulsion, power and energy management systems and for life support systems. We supply equipment for vacuum, heat transfer and fluid transfer applications used in energy and new energy markets including oil refining, cogeneration, and multiple alternative and clean power applications including hydrogen. For the chemical and petrochemical industries, our heat transfer equipment is used in fertilizer, ethylene, methanol and downstream chemical facilities.

Our brands are built upon engineering expertise and close customer collaboration to design, develop, and produce mission critical equipment and systems that enable our customers to meet their economic and operational objectives. Continual improvement of our processes and systems to ensure qualified and compliant equipment are hallmarks of our brand. Our early engagement with customers and support until the end of service life are values upon which our brands are built.

Our corporate headquarters is located with our production facilities in Batavia, New York, where surface condensers and ejectors are designed, engineered, and manufactured. Our wholly-owned subsidiary, Barber-Nichols, LLC ("BN"), based in Arvada, Colorado, designs, develops, manufactures and sells specialty turbomachinery products for the space, aerospace, cryogenic, defense and energy markets. We also have wholly-owned foreign subsidiaries, Graham Vacuum and Heat Transfer Technology Co., Ltd. ("GVHTT"), located in Suzhou, China and Graham India Private Limited ("GIPL"), located in Ahmedabad, India. GVHTT provides sales and engineering support for us throughout Southeast Asia. GIPL serves as a sales and market development office focusing on the refining, petrochemical, edible oils, and fertilizer markets in India and the Middle East.

We refer to our fiscal year, which ends March 31, 2024, as fiscal 2024. Likewise, we refer to our fiscal year that ended March 31, 2023 and March 31, 2022 as fiscal 2023 and fiscal 2022, respectively.

Summary

Highlights for the three months ended September 30, 2023 include:

- Net sales for the second quarter of fiscal 2024 were $45,076, up $6,933, or 18% compared with $38,143 for the second quarter of fiscal 2023. This increase over the prior year was primarily due to sales to the defense industry, which increased $10,263 versus the prior year period primarily due to an improved mix of higher margin defense projects, increased direct labor, better execution, the timing of material receipts, and improved pricing. Net sales for the quarter also benefited from continued growth in commercial aftermarket sales of approximately $4,500 in comparison to the prior year period, which is included in our refining and chemical/petrochemical markets. Partially offsetting this increase were a $1,439 decline in chemical/petrochemical and a $1,531 decline in space sales primarily due to the timing of projects, as well as the loss of Virgin Orbit Holdings, Inc. ("Virgin Orbit") as a customer in April 2023 due to its Chapter 11 bankruptcy.
- In connection with the acquisition of BN, we entered into a Performance Bonus Agreement to provide employees of BN with a supplemental performance-based award based on the achievement of BN performance objectives for fiscal years ending March 31, 2024, 2025, and 2026 which can range between $2,000 to $4,000 per year (the "BN Performance Bonus"). During the second quarter of fiscal 2024, we recorded $802 related to the BN Performance Bonus.
- Net income and income per diluted share for the second quarter of fiscal 2024 were $411 and $0.04, respectively, compared with net loss and loss per diluted share of $196 and $0.02, respectively, for the second quarter of fiscal 2023. Adjusted net income and adjusted net income per diluted share for the second quarter of fiscal 2024 were $1,371 and $0.13, respectively, compared with adjusted net income and adjusted net income per diluted share of $325 and $0.03, respectively, for the second quarter of fiscal 2023. See "Non-GAAP Measures" below for a reconciliation of adjusted net income and adjusted net income per diluted share to the comparable GAAP amount.
- In the second quarter of fiscal year 2024, we shipped the last of the first article units related to the Columbia Class submarine and Ford Class carrier programs. While we expect to continue to have first article programs in our backlog as we win new programs and applications, the amount as a percentage of total backlog should be reduced moving forward. During fiscal 2022, we chose to make significant investments to ensure we could deliver these and previous units on schedule and these investments were the main source of the losses incurred that year.
- Orders booked in the second quarter of fiscal 2024 decreased to $36,464 compared with $91,511 in the second quarter of fiscal 2023. This decrease was primarily in the defense market and is due to the timing of orders from major defense

customers. Additionally orders in the refining market were down slightly due to reduced orders from Asia due to timing and the slow recovery in China from the Covid-19 pandemic. For more information on this key performance indicator see "Orders and Backlog" below.

•Backlog was $313,343 at September 30, 2023, compared with $301,734 at March 31, 2023. This increase was primarily driven by growth in our defense and chemical/petrochemical markets. For more information on this key performance indicator see "Orders and Backlog" below.

•Cash and cash equivalents at September 30, 2023 were $25,800, compared with $18,257 at March 31, 2023. This increase was primarily due to cash provided by operating activities of $11,898, partially offset by net repayment of debt of $1,020 and $3,312 of capital expenditures as we continue to invest in longer-term growth opportunities. Cash flow from operations was primarily driven by cash net income and an increase in customer deposits from major defense customers.

•Following the end of the second quarter of fiscal 2024, on October 13, 2023, we entered into a new, five-year $50,000 revolving credit facility with Wells Fargo Bank, National Association ("Wells Fargo") of which $35,000 is immediately available. We used the proceeds from the facility and cash on hand to pay down the remaining $11,500 balance of our term loan and the $725 exit fee from our previous lending agreement amendments. The new facility will reduce current borrowing rates by approximately 25 basis points to SOFR plus 1.25%, has a maximum total leverage ratio of 3.5 to 1, and provides us greater financial flexibility to execute on our strategy for growth.

•Following the end of the second quarter of fiscal 2024, we announced that we received approximately $110 million in total orders in October 2023, which were primarily related to follow-on orders for critical U.S. Navy programs. These defense orders are expected to be recognized in revenue beginning in the fourth quarter of fiscal 2025 through early fiscal 2030.

Cautionary Note Regarding Forward-Looking Statements

This report on Form 10-Q (the "Form 10-Q") and other documents we file with the Securities and Exchange Commission ("SEC") include 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. All statements other than statements of historical fact are forward-looking statements for purposes of this Form 10-K. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results implied by the forward-looking statements. Forward-looking statements are indicated by words such as "anticipate," "believe," "continue," "could," "estimate," "can," "may," "intend," "expect," "plan," "goal," "predict," "project," "outlook," "potential," "should," "will," and similar words and expressions.

Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause our actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements including, but not limited to, those described in the "Risk Factors" section in Item 1A of our Annual Report on Form 10-K for fiscal 2023 and elsewhere in the reports we file with the SEC. Undue reliance should not be placed on our forward-looking statements. New risks and uncertainties arise from time to time and we cannot predict these events or how they may affect us and cause actual results to differ materially from those expressed or implied by our forward-looking statements. Therefore, you should not rely on our forward-looking statements as predictions of future events. When considering these risks, uncertainties and assumptions, you should keep in mind the cautionary statements contained in this report and any documents incorporated herein by reference. You should read this document and the documents that we reference in this Quarterly Report on Form 10-Q (the "Form 10-Q") completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

All forward-looking statements included in this Form 10-Q are made only as of the date indicated or as of the date of this Form 10-Q. Except as required by law, we undertake no obligation to update or announce any revisions to forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.

Current Market Conditions

Demand for our equipment and systems for the defense industry is expected to remain strong and continue to expand, based on defense budget plans, accelerated ship build schedules due to geopolitical tensions, the projected build schedule of submarines, aircraft carriers and undersea propulsion and power systems and the solutions we provide. In addition to U.S. Navy applications, we also provide specialty pumps, turbines, compressors and controllers for various fluid and thermal management systems used in Department of Defense radar, laser, electronics and power systems. We have built a leading position, and in some instances, a sole source position, for certain systems and equipment for the defense industry.

Our traditional energy markets are undergoing significant transition. While we expect that fossil fuels will continue to be an important component in the global energy industry for many years to come, there are significant changes in the priorities for capital investments by our customers and the regions in which those investments are being made. We expect that the systemic changes in the energy markets, which are influenced by the increasing use by consumers of alternative fuels, will lead to demand growth for fossil-based fuels that is less than the global growth rate. The timing and catalyst for a recovery in this market remains uncertain. Accordingly, we believe that in the near term the quantity of projects available for us to compete for will remain low and that new project pricing will remain challenging.

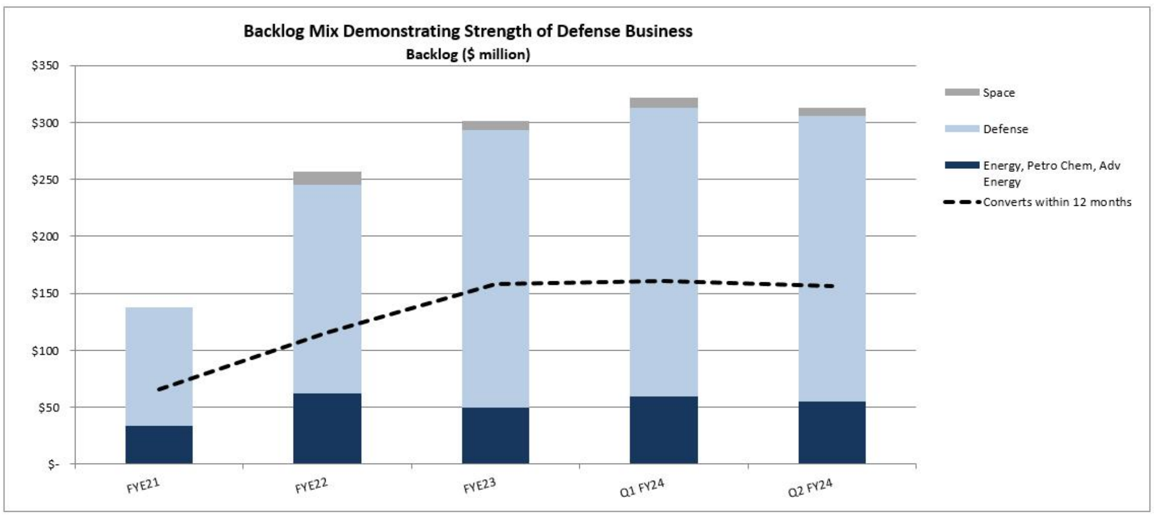
Of note, over the last few years we have experienced an increase in our energy and chemical aftermarket orders, primarily from the domestic market. Aftermarket orders have historically been a leading indicator of future capital investment by our customers in their facilities for upgrades and expansions. However, if a capital investment upturn were to occur, we do not expect the next cycle to be as robust as years past due to the factors discussed above.

The alternative and clean energy opportunities for our heat transfer, power production and fluid transfer systems are expected to continue to grow. We assist in designing, developing and producing equipment for hydrogen production, distribution and fueling systems, concentrated solar power and storage, small modular nuclear systems and geothermal power generation with lithium extraction. We are positioning the Company to be a more significant contributor as these markets continue to develop.

We believe that chemical and petrochemical capital investment will continue to decouple from energy investment. Over the long term, we expect that population growth, an expanding global middle class, and an increasing desire for improved quality of life and access to consumer products will drive increased demand for industrial goods within the plastics and resins value chain along with fertilizers and related products. As such, we expect investment in new global chemical and petrochemical capacity will improve and drive growth in demand for our products and services.

Our turbomachinery, pumps and cryogenic products and market access provide revenue and growth potential in the commercial space/aerospace markets. The commercial space market has grown and evolved rapidly, and we provide rocket engine turbo pump systems and components for many of the launch providers for satellites. We expect that in the long term extended space exploration will become more prevalent, and we anticipate that our thermal/fluid management and environmental control and life support system turbomachinery will play important roles. We are also participating in future aerospace power and propulsion system development through supply of fluid and thermal management systems components. Small power dense systems are imperative for these applications and we believe our technology and expertise will enable us to achieve sales growth in this market as well. Sales and orders to the space industry are variable in nature and many of our customers, who are key players in the industry, have yet to achieve profitability and may be unable to continue operations without additional funding, similar to what occurred to Virgin Orbit. Thus, future revenue and growth in this market can be uncertain and may negatively impact our business.

As illustrated below, we have succeeded over the last several years with our strategy to increase our participation in the defense market as opportunities in our legacy refining and petrochemical markets diminished. The defense market comprised 80% of our total backlog at September 30, 2023.



*Note: "FYE" refers to fiscal year ended March 31

Results of Operations

To better understand the significant factors that influenced our performance during the periods presented, the following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and the notes to our Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q.

The following table summarizes our results of operations for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Net sales	$ 45,076	$ 38,143	$ 92,645	$ 74,218
Gross profit	$ 7,191	$ 5,280	$ 18,168	$ 12,024
Gross profit margin	16 %	14 %	20 %	16 %
SG&A expenses [1]	$ 6,388	$ 5,332	$ 13,681	$ 11,091
SG&A as a percent of sales	14 %	14 %	15 %	15 %
Net income (loss)	$ 411	$ (196)	$ 3,051	$ 480
Income (loss) per diluted share	$ 0.04	$ (0.02)	$ 0.28	$ 0.05

(1)Selling, general and administrative expenses are referred to as "SG&A".

The following tables provide our net sales by product line and geographic region including the percentage of total and change in comparison to the prior year for each category and period presented:

	Three Months Ended September 30,				Change		Six Months Ended September 30,				Change	
Market	2023	%	2022	%	$	%	2023	%	2022	%	$	%
Refining	$ 7,289	16%	$ 7,568	20%	$ (279)	-4%	$14,156	15%	$15,443	21%	$ (1,287)	-8%
Chemical/Petrochemical	4,365	10%	5,804	15%	(1,439)	-25%	10,406	11%	11,679	16%	(1,273)	-11%
Space	2,775	6%	4,306	11%	(1,531)	-36%	7,597	8%	10,768	15%	(3,171)	-29%
Defense	25,118	56%	14,855	39%	10,263	69%	47,935	52%	24,655	33%	23,280	94%
Other	5,529	12%	5,610	15%	(81)	-1%	12,551	14%	11,673	16%	878	8%
Net sales	$45,076	100%	$38,143	100%	$ 6,933	18%	$92,645	100%	$74,218	100%	$18,427	25%
Geographic Region												
United States	$38,604	86%	$30,325	80%	$ 8,279	27%	$76,745	83%	$58,494	79%	$18,251	31%
International	6,472	14%	7,818	20%	(1,346)	-17%	15,900	17%	15,724	21%	176	1%
Net sales	$45,076	100%	$38,143	100%	$ 6,933	18%	$92,645	100%	$74,218	100%	$18,427	25%

The Second Quarter and First Six Months of Fiscal 2024 Compared with the Second Quarter and First Six Months of Fiscal 2023

Net sales for the second quarter of fiscal 2024 were $45,076, up $6,933, or 18% compared with $38,143 for the second quarter of fiscal 2023. This increase over the prior year was primarily due to sales to the defense industry, which increased $10,263 versus the prior year period primarily due to an improved mix of higher margin defense projects, increased direct labor, better execution, the timing of material receipts, and improved pricing. Net sales for the quarter also benefited from continued growth in commercial aftermarket of approximately $4,500 in comparison to the prior year period, which is included in our refining and chemical/petrochemical markets. Partially offsetting this increase were a $1,439 decline in chemical/petrochemical sales and a $1,531 decline in space sales primarily due to the timing of projects, as well as the loss of Virgin Orbit as a customer in April 2023 due to its Chapter 11 bankruptcy.

Domestic sales as a percentage of aggregate sales were 86% in the second quarter of fiscal 2024 compared with 80% in the second quarter of fiscal 2023, reflecting the increase in our defense industry businesses, which is U.S. based. Sales in the three months ended September 30, 2023 were 56% to the defense industry compared to 39% for the comparable quarter in fiscal 2023. Fluctuation in sales among markets, products and geographic locations varies, sometimes significantly, from quarter-to-quarter based on timing and magnitude of projects but overall reflects our strategic shift towards the defense industry.

Net sales for the first six months of fiscal 2024 were $92,645, an increase of $18,427 or 25% from the first six months of fiscal 2023 and were primarily in the defense market. Additionally, our sales continued to benefit from our diversified revenue base including strong growth of approximately $7,625 in commercial aftermarket sales which is included in our refining and chemical/petrochemical markets. Partially offsetting this increase was a $3,171 decline in space sales primarily due to the timing of projects, as well as the loss of Virgin Orbit as a customer in April 2023 due to its Chapter 11 bankruptcy. Sales in the six months ended September 30, 2023 were

52% for the defense industry compared with 33% for the defense industry in the comparable period in fiscal 2023 and reflects our strategic shift towards the defense industry. See also "Current Market Conditions," above. For additional information on anticipated future sales and our markets, see "Orders and Backlog" below.

Gross profit margin for the second quarter of fiscal 2024 was 16%, compared with 14% for the second quarter of fiscal 2023. Gross profit for the second quarter of fiscal 2024 increased $1,911, or 36%, compared with fiscal 2023, to $7,191. These increases reflected the increase in sales discussed above as well as an improved mix of sales related to higher margin defense and commercial aftermarket, as well as better execution and pricing on defense contracts, partially offset by higher incentive compensation in comparison with the prior year.

Gross profit margin for the first six months of fiscal 2024 was 20%, compared with 16% for the first six months of fiscal 2023. Gross profit for the first six months of fiscal 2024 increased $6,144 compared with fiscal 2023, to $18,168. These increases reflected the increase in sales discussed above as well as an improved mix of sales related to higher margin defense and commercial aftermarket sales, as well as better execution and pricing on defense contracts, partially offset by higher incentive compensation in comparison with the prior year.

SG&A expense including amortization for the second quarter of fiscal 2024 was $6,388 compared to $5,332 for the second quarter of fiscal 2023. Approximately $800 of this increase was due to the BN Performance Bonus. The remainder of the increase in SG&A expense primarily relates to cost increases due to inflation, as well as increased professional services of approximately $200 due to increasing complexity in our business associated with growth and our international operations. As a percentage of net sales, SG&A expense in the second quarter of fiscal 2024 remained consistent at 14% compared with the same period of fiscal 2023.

SG&A expense including amortization for the first six months of fiscal 2024 was $13,681, up $2,590 compared with $11,091 for the first six months of fiscal 2023. Approximately $1,600 of this increase was due to the BN Performance Bonus. The remainder of the increase in SG&A expense primarily relates to cost increases due to inflation, as well as increased professional services of approximately $350 due to increasing complexity in our business associated with growth and our international operations. As a percentage of net sales, SG&A expense in the first six months of fiscal 2024 remained consistent at 15% compared with the same period of fiscal 2023.

Net interest expense for the second quarter of fiscal 2024 was $55 compared to $246 in the second quarter of fiscal 2023. This decrease was due to lower net debt levels, partially offset by an increase in interest rates since the second quarter of fiscal 2023.

Net interest expense for the first six months of fiscal 2024 was $240 compared to $403 in the first six months of fiscal 2023. This decrease was due to lower net debt levels, partially offset by an increase in interest rates since the second quarter of fiscal 2023.

Our effective tax rate in the second quarter of fiscal 2024 was 37%, compared with 17% in the second quarter of fiscal 2023. Our effective tax rate for the first six months of fiscal 2024 was 25%, compared with 27% for the first six months of fiscal 2023. Our effective tax rate can vary significantly from period to period depending on the level of pre-tax income, the amount of income derived from our higher tax rate foreign subsidiaries, as well as the timing of discrete tax items, primarily related to the vesting of restricted stock awards. For fiscal 2024 we expect our full year effective tax rate to be 22% to 23%.

The net result of the above is that net income and income per diluted share for the second quarter of fiscal 2024 were $411 and $0.04, respectively, compared with a loss of $196 and $0.02, respectively, for the second quarter of fiscal 2023. Adjusted net income and adjusted net income per diluted share for the second quarter of fiscal 2024 were $1,371 and $0.13, respectively, compared with net income of $325 and $0.03, respectively, for the second quarter of fiscal 2023.

Net income and income per diluted share for the first six months of fiscal 2024 were $3,051 and $0.28, respectively, compared with net income of $480 and $0.05, respectively, for the first six months of fiscal 2023. Adjusted net income and adjusted net income per diluted share for the first six months of fiscal 2024 were $4,945 and $0.46, respectively, compared with net income of $1,654 and $0.16, respectively, for the first six months of fiscal 2023. See "Non-GAAP Measures" below for a reconciliation of adjusted net income and adjusted net income per diluted share to the comparable GAAP amount.

Non-GAAP Measures

Adjusted earnings before net interest expense, income taxes, depreciation and amortization ("EBITDA"), adjusted net income, and adjusted net income per diluted share are provided for information purposes only and are not measures of financial performance under accounting principles generally accepted in the U.S. ("GAAP"). Management believes the presentation of these financial measures reflecting non-GAAP adjustments provides important supplemental information to investors and other users of our financial statements in evaluating the operating results of the Company. In particular, those charges and credits that are not directly related to operating performance, and that are not a helpful measure of the performance of our underlying business particularly in light of their unpredictable nature. These non-GAAP disclosures have limitations as analytical tools, should not be viewed as a substitute for net income or net income per diluted share determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. In addition, supplemental presentation should not be construed as an inference that our future results will be unaffected by similar adjustments to net income or net income per diluted share determined in accordance with GAAP. Adjusted EBITDA, adjusted net income and adjusted net income per diluted share are key metrics used by management and our board of directors to assess the Company's financial and operating performance and adjusted EBITDA is a basis for a portion of management's performance-based compensation.

Adjusted EBITDA excludes charges for depreciation, amortization, interest expense, taxes, other acquisition related expenses, the BN Performance Bonus, and other unusual/nonrecurring expenses. Adjusted net income and adjusted net income per diluted share excludes intangible amortization, the BN Performance Bonus, other costs related to the acquisition, and other unusual/nonrecurring expenses.

A reconciliation of adjusted EBITDA, adjusted net income and adjusted net income per diluted share to net income (loss) in accordance with GAAP is as follows:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
Net income (loss)	**$ 411**	**$ (196)**	**$ 3,051**	**$ 480**
Acquisition & integration costs	-	-	-	54
BN Performance Bonus	802	-	1,569	-
Debt amendment costs	-	41	-	194
Net interest expense	55	246	240	403
Income taxes	243	(40)	1,009	175
Depreciation & amortization	1,201	1,487	2,440	2,962
Adjusted EBITDA	**$ 2,712**	**$ 1,538**	**$ 8,309**	**$ 4,268**
Adjusted EBITDA as a % of revenue	*6.0 %*	*4.0 %*	*9.0 %*	*5.8 %*

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2023	**2022**	**2023**	**2022**
Net income (loss)	**$ 411**	**$ (196)**	**$ 3,051**	**$ 480**
Acquisition & integration costs	-	-	-	54
Amortization of intangible assets	445	619	891	1,238
BN Performance Bonus	802	-	1,569	-
Debt amendment costs	-	41	-	194
Normalize tax rate[1]	(287)	(139)	(566)	(312)
Adjusted net income	**$ 1,371**	**$ 325**	**$ 4,945**	**$ 1,654**
GAAP net income (loss) per diluted share	**$ 0.04**	**$ (0.02)**	**$ 0.28**	**$ 0.05**
Adjusted net income per diluted share	**$ 0.13**	**$ 0.03**	**$ 0.46**	**$ 0.16**
Diluted weighted average common shares outstanding	10,810	10,617	10,761	10,618

[1] Applies a normalized tax rate to non-GAAP adjustments, which are pre-tax, based upon the statutory tax rate of 23%.

Liquidity and Capital Resources

The following discussion should be read in conjunction with our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows:

	September 30, 2023	March 31, 2023
Cash and cash equivalents	$ 25,800	$ 18,257
Working capital [(1)]	26,275	23,904
Working capital ratio[(1)]	1.3	1.3

(1) Working capital equals current assets minus current liabilities. Working capital ratio equals current assets divided by current liabilities.

Net cash provided by operating activities for the first six months of fiscal 2024 was $11,898 compared with $398 of cash used for the first six months of fiscal 2023. The cash provided by operations during the first six months of fiscal 2024 was higher than the comparable prior year period primarily as a result of higher cash net income and a reduction in working capital as a result of the change in payment terms related to a large defense customer during the quarter and increased customer deposits.

Capital expenditures for fiscal 2024 are expected to be approximately $12,000 to $13,500 and include approximately $5,500 related to the expansion of production capabilities at our Batavia facility, which is being funded by one of our defense customers. Fiscal 2024 capital expenditures are expected to be primarily for machinery and equipment, as well as for buildings and leasehold improvements to fund our growth and productivity improvement initiatives. The majority of our planned capital expenditures are discretionary. We estimate that our maintenance capital spend is approximately $2,000 per year.

Cash and cash equivalents were $25,800 at September 30, 2023 compared with $18,257 at March 31, 2023, up $7,543 primarily due to cash provided by operations, offset by capital expenditures and debt repayments. At September 30, 2023, approximately $7,000 of our cash and cash equivalents was used to secure our letters of credit and approximately $2,100 of our cash was held by foreign subsidiaries.

On October 13, 2023, we terminated the revolving credit facility and repaid our term loan with Bank of America, and entered into a new five-year revolving credit facility with Wells Fargo that provides a $35,000 line of credit, including letters of credit and bank guarantees, expandable up to $50,000 upon our satisfying specified covenants (the "New Revolving Credit Facility"). The additional $15,000 will automatically be available upon (i) our achieving a minimum consolidated EBITDA, as defined in the agreement, of $15,000, computed on a trailing twelve month basis, for three consecutive quarters and (ii) a minimum liquidity (consisting of cash and borrowing availability under the New Revolving Credit Facility) of at least $7,500. In addition to the $25,000 letters of credit available to be issued pursuant to the New Revolving Credit Facility, we may request the issuance of cash secured letters of credit in an aggregate amount of up to $7,500.

The New Revolving Credit Facility contains customary terms and conditions, including representations and warranties and affirmative and negative covenants, as well as financial covenants for the benefit of Wells Fargo, which require us to maintain (i) a consolidated total leverage ratio not to exceed 3.50:1.00 and (ii) a consolidated fixed charge coverage ratio of at least 1.20:1.00, in both cases computed in accordance with the definitions and requirements specified in the New Revolving Credit Facility.

Borrowings under the New Revolving Credit Facility bear interest at a rate equal to, at our option, either (i) a forward-looking term rate based on the secured overnight financing rate ("SOFR") for the applicable interest period, subject to a floor of 0.0% per annum or (ii) a base rate determined by reference to the highest of (a) the rate of interest per annum publicly announced by Wells Fargo as its prime rate, (b) the federal funds rate plus 0.50% per annum and (c) one-month term SOFR plus 1.00% per annum, subject to a floor of 1.00% per annum, plus, in each case, an applicable margin. The applicable margins range between (i) 1.25% per annum and 2.50% per annum in the case of any term SOFR loan and (ii) 0.25% per annum and 1.50% per annum in the case of any base rate loan, in each case based upon our then-current consolidated total leverage ratio; provided, however, for a period of one year following the closing date, the applicable margin shall be set at 1.25% per annum in the case of any term SOFR loan and 0.25% per annum in the case of any base rate loan.

We will incur a quarterly commitment fee on the unused portion of the New Revolving Credit Facility during the applicable quarter at a per annum rate also determined by reference to our then-current consolidated total leverage ratio, which fee ranges between 0.10% per annum and 0.20% per annum; provided, however, for a period of one year following the closing date, the quarterly commitment fee will be set at 0.10% per annum. Any outstanding letters of credit that are cash secured will bear a fee equal to the daily amount available to be drawn under such letters of credit multiplied by 0.65% per annum. Any outstanding letters of credit issued under the New Revolving Credit Facility will bear a fee equal to the daily amount drawn under such letters of credit multiplied by the applicable margin for term SOFR loans.

In connection with the termination of our prior revolving credit facility, we repaid the $725 exit fee and recognized an extinguishment charge of approximately $650 from our previous lending agreement amendments.

We did not have any off-balance sheet arrangements as of September 30, 2023 and 2022, other than letters of credit incurred in the ordinary course of business.

We believe that cash generated from operations combined with the liquidity provided by our New Revolving Credit Facility will be adequate to meet our cash needs and fund our long-term strategic growth objectives.

Orders and Backlog

In addition to the non-GAAP measures discussed above, management uses the following key performance metrics to analyze and measure the Company's financial performance and results of operations: orders, backlog, and book-to-bill ratio. Management uses orders and backlog as measures of current and future business and financial performance and these may not be comparable with measures provided by other companies. Orders represent written communications received from customers requesting us to provide products and/or services. Backlog is defined as the total dollar value of net orders received for which revenue has not yet been recognized. Management believes tracking orders and backlog are useful as it often times is a leading indicator of future performance. In accordance with industry practice, contracts may include provisions for cancellation, termination, or suspension at the discretion of the customer.

The book-to-bill ratio is an operational measure that management uses to track the growth prospects of the Company. The Company calculates the book-to-bill ratio for a given period as net orders divided by net sales.

Given that each of orders, backlog and book-to-bill ratio is an operational measure and that the Company's methodology for calculating these measures does not meet the definition of a non-GAAP measure, as that term is defined by the SEC, a quantitative reconciliation for each is not required or provided.

The following tables provides our orders by market and geographic region including the percentage of total and change in comparison to the prior year for each category and period presented:

	Three Months Ended September 30,				Change		Six Months Ended September 30,				Change	
Market	2023	%	2022	%	$	%	2023	%	2022	%	$	%
Refining	$ 4,086	11%	$ 8,723	10%	$ (4,637)	-53%	$ 18,406	18%	$ 20,214	15%	$ (1,808)	-9%
Chemical/Petrochemical	4,242	12%	4,608	5%	(366)	-8%	15,105	14%	10,151	8%	4,954	49%
Space	3,049	8%	3,742	4%	(693)	-19%	7,655	7%	11,016	8%	(3,361)	-31%
Defense	20,844	57%	69,598	76%	(48,754)	-70%	53,803	52%	80,915	61%	(27,112)	-34%
Other	4,243	12%	4,840	5%	(597)	-12%	9,428	9%	9,523	7%	(95)	-1%
Total orders	$ 36,464	100%	$ 91,511	100%	$(55,047)	-60%	$104,397	100%	$131,819	100%	$(27,422)	-21%
Geographic Region												
United States	$ 31,959	88%	$ 85,315	93%	$(53,356)	-63%	$ 84,075	81%	$114,612	87%	$(30,537)	-27%
International	4,505	12%	6,196	7%	(1,691)	-27%	20,322	19%	17,207	13%	3,115	18%
Total orders	$ 36,464	100%	$ 91,511	100%	$(55,047)	-60%	$104,397	100%	$131,819	100%	$(27,422)	-21%

Orders booked for the three-month period ended September 30, 2023 were $36,464, a decrease of $55,047 over the comparable period of fiscal 2023. Orders booked for the six-month period ended September 30, 2023 were $104,397, a decrease of $27,422 over the comparable period of fiscal 2023. These decreases were primarily due to the timing of our large defense orders and orders to the refining market. For the six-month period ended September 30, 2023, our book-to-bill ratio was 1.1x. Orders during the first six months of 2024 included the following:

- $9,100 for a vacuum distillation system for a refinery in India.
- $22,000 related to a strategic investment and follow-on orders from a major defense customer. These orders include $13,500 to expand and enhance our Batavia, N.Y. production capabilities, primarily for machinery and equipment, in order to support the U.S. Navy's shipbuilding schedule.

• $19,300 of aftermarket orders to the refining and chemical/petrochemical markets.

• $3,361 decrease in orders to the space industry primarily due to the Virgin Orbit bankruptcy.

We believe the repeat U.S. Navy orders and strategic investment received validates the investments we made, our position as a key supplier to the defense industry and our customer's confidence in our execution. Additionally, we believe the strong aftermarket orders are significant because they historically have been a leading indicator of a cyclical upturn in capital project orders. However, we do not expect the next cycle to be as robust as years past due to the factors discussed above under "Current Market Conditions."

Orders to the U.S. represented 88% of total orders for the second quarter of fiscal 2024 compared to 93% in the second quarter of the prior year. These orders were primarily to the defense market which represented 57% of orders and are U.S. based.

Following the end of the second quarter of fiscal 2024, we announced that we received approximately $110 million in total orders in October 2023, which were primarily related to follow-on orders for critical U.S. Navy programs. These defense orders are expected to be recognized in revenue beginning in the fourth quarter of fiscal 2025 through early fiscal 2030.

The following table provides our backlog by market, including the percentage of total backlog, for each category and period presented:

Market	September 30, 2023	%	September 30, 2022	%	Change $	%
Refining	$ 29,116	9 %	$ 28,502	9 %	$ 614	2 %
Chemical/Petrochemical	13,705	5 %	12,549	5 %	1,156	9 %
Space	7,263	2 %	13,210	4 %	(5,947)	-45 %
Defense	250,732	80 %	248,672	79 %	2,060	1 %
Other	12,527	4 %	10,407	3 %	2,120	20 %
Total backlog	$ 313,343	100 %	$ 313,340	100 %	$ 3	0 %

Backlog was $313,343 at September 30, 2023, which is consistent with the prior year period. We expect to recognize revenue on approximately 50% of the backlog within one year, 25% to 30% in one to two years and the remaining beyond two years. The majority of the orders that are expected to convert beyond twenty-four months are for the defense industry, specifically the U.S. Navy that have a long conversion cycle (generally up to six years). During the second quarter of fiscal 2024, we shipped the last of the first article units related to the Columbia Class submarine and Ford Class carrier programs. While we expect to continue to have first article programs in our backlog as we win new programs and applications, the amount as a percentage of total backlog should be reduced moving forward. During fiscal 2022, we chose to make significant investments to ensure we could deliver these and previous units on schedule and these investments were the main source of the losses incurred that year.

Outlook

We are providing the following fiscal 2024 outlook reflecting our current expectations:

Net Sales	$170 million to $180 million
Gross Profit	18% to 19% of sales
SG&A Expenses[(1)]	15% to 16% of sales
Tax Rate	22% to 23%
Adjusted EBITDA[(2)]	$11.5 million to $13.5 million

[(1)] Includes approximately $2.5 million to $4 million of BN Performance Bonus and ERP conversion costs included in SG&A expense.

[(2)] Excludes approximately $2.5 million to $4 million of BN Performance Bonus and ERP conversion costs included in SG&A expense and approximately $0.7 million of debt extinguishment charges.

See "Cautionary Note Regarding Forward-Looking Statement" and "Non-GAAP Measures" above for additional information about forward-looking statements and non-GAAP measures. We have not reconciled non-GAAP forward-looking Adjusted EBITDA to its most directly comparable GAAP measure, as permitted by Item 10(e)(1)(i)(B) of Regulation S-K. Such reconciliation would require unreasonable efforts to estimate and quantify various necessary GAAP components largely because forecasting or predicting our future operating results is subject to many factors out of our control or not readily predictable.

We have made significant progress with the advancements in our business, which we believe puts us on schedule in achieving our fiscal 2027 goals of greater than $200,000 in revenue (8% to 10% average annualized revenue growth) and Adjusted EBITDA margins in the low to mid-teens.

Our expectations for sales and profitability assume that we will be able to operate our production facilities at planned capacity, have access to our global supply chain including our subcontractors, do not experience significant global health related disruptions, and assumes no further impact from Virgin Orbit or any other unforeseen events.

Contingencies and Commitments

We have been named as a defendant in lawsuits alleging personal injury from exposure to asbestos allegedly contained in or accompanying our products. We are a co-defendant with numerous other defendants in these lawsuits and intend to vigorously defend ourselves against these claims. The claims in our current lawsuits are similar to those made in previous asbestos lawsuits that named us as a defendant. Such previous lawsuits either were dismissed when it was shown that we had not supplied products to the plaintiffs' places of work, or were settled by us for immaterial amounts.

As of September 30, 2023, we are subject to the claims noted above, as well as other legal proceedings and potential claims that have arisen in the ordinary course of business. Although the outcome of the lawsuits, legal proceedings or potential claims to which we are or may become a party cannot be determined and an estimate of the reasonably possible loss or range of loss cannot be made for the majority of the claims, we do not believe that the outcomes, either individually or in the aggregate, will have a material adverse effect on our results of operations, financial position or cash flows.

Critical Accounting Policies, Estimates, and Judgments

Our unaudited condensed consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. We believe that the most critical accounting estimates used in the preparation of our condensed consolidated financial statements relate to labor hour estimates, total cost, and establishment of operational milestones which are used to recognize revenue over time, accounting for contingencies, under which we accrue a loss when it is probable that a liability has been incurred and the amount can be reasonably estimated, accounting for business combinations and intangible assets, and accounting for pensions and other postretirement benefits. For further information, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 "Financial Statements and Supplementary Data" included in our Annual Report on Form 10-K for the year ended March 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The principal market risks (i.e., the risk of loss arising from market changes) to which we are exposed are foreign currency exchange rates, price risk, and interest rate risk.

The assumptions applied in preparing the following qualitative and quantitative disclosures regarding foreign currency exchange rate, price risk and interest rate risk are based upon volatility ranges experienced by us in relevant historical periods, our current knowledge of the marketplace, and our judgment of the probability of future volatility based upon the historical trends and economic conditions of the markets in which we operate.

Foreign Currency

International consolidated sales for the first six months of fiscal 2024 were 17% of total sales compared with 21% for the same period of fiscal 2023. Operating in markets throughout the world exposes us to movements in currency exchange rates. Currency movements can affect sales in several ways, the foremost being our ability to compete for orders against foreign competitors that base their prices on relatively weaker currencies. Business lost due to competition for orders against competitors using a relatively weaker currency cannot be quantified. In addition, cash can be adversely impacted by the conversion of sales made by us in a foreign currency to U.S. dollars. In each of the first six months of fiscal 2024 and fiscal 2023, substantially all sales by us and our wholly-owned subsidiaries, for which we were paid, were denominated in the local currency of the respective subsidiary (U.S. dollars, Chinese RMB or India INR). For the first six months of fiscal 2024, foreign currency exchange rate fluctuations reduced our cash balances by $82 primarily due to the strengthening of the U.S. dollar.

We have limited exposure to foreign currency purchases. In the first six months of fiscal 2024, our purchases in foreign currencies represented approximately 3% of the cost of products sold. At certain times, we may enter into forward foreign currency exchange agreements to hedge our exposure against potential unfavorable changes in foreign currency values on significant sales and purchase contracts negotiated in foreign currencies. Forward foreign currency exchange contracts were not used in the periods being reported in this Form 10-Q and as of September 30, 2023 and March 31, 2023, we held no forward foreign currency contracts.

Price Risk

Operating in a global marketplace requires us to compete with other global manufacturers which, in some instances, benefit from lower production costs and more favorable economic conditions. Although we believe that our customers differentiate our products on the basis of our manufacturing quality, engineering experience, and customer service, among other things, such lower production costs and more favorable economic conditions mean that our competitors are able to offer products similar to ours at lower prices. In extreme market downturns, such as we recently experienced, we typically see depressed price levels. Additionally, we have faced, and may continue to face, significant cost inflation, specifically in labor costs, raw materials, and other supply chain costs due to increased demand for raw materials and resources caused by the broad disruption of the global supply chain, including those associated with the impact of COVID-19. International conflicts or other geopolitical events, including the 2022 Russian invasion of Ukraine and the Israel-Hamas war, may further contribute to increased supply chain costs due to shortages in raw materials, increased costs for transportation and energy, disruptions in supply chains, and heightened inflation. Further escalation of geopolitical tensions may also lead to changes to foreign exchange rates and financial markets, any of which may adversely affect our business and supply chain, and consequently our results of operation. While there could ultimately be a material impact on our operations and liquidity, at the time of this report, the impact could not be determined.

Interest Rate Risk

As a result of the BN acquisition and in order to fund our strategic growth objectives we borrow funds under our various credit agreements that bear interest at a variable rate. As part of our risk management activities, we evaluate the use of interest rate derivatives to add stability to interest expense and to manage our exposure to interest rate movements. As of September 30, 2023, we had $11,500 of variable rate debt outstanding on our revolving credit facility and no interest rate derivatives outstanding. See "Debt" in Note 12 to the Unaudited Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information about our outstanding debt. A hypothetical one percentage point (100 basis points) change in the BSBY rate on the $11,500 of variable rate debt outstanding at September 30, 2023 would have an impact of approximately $115 on our interest expense for fiscal 2024.

Item 4. Controls and Procedures

Conclusion regarding the effectiveness of disclosure controls and procedures

Our President and Chief Executive Officer (our principal executive officer) and Vice President - Finance and Chief Financial Officer (our principal financial officer) each have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, and as of such date, our President and Chief Executive Officer and Vice President - Finance and Chief Financial Officer concluded that our disclosure controls and procedures were effective in all material respects.

Changes in internal control over financial reporting

There has been no change to our internal control over financial reporting during the quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part 1 – Item 1A of the Company's Form 10-K for the fiscal year ended March 31, 2023.

Item 2: Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Dividend Policy

We do not currently pay a cash dividend on our common stock. Any future determination by our board of directors regarding dividends will depend on a variety of factors, including our compliance with the terms of the credit agreement, organic growth and acquisition opportunities, future financial performance, general economic conditions and financial, competitive, regulatory, and other factors, many of which are beyond our control. There can be no guarantee that we will pay dividends in the future.

Item 6. Exhibits

INDEX OF EXHIBITS

(10)	Material Contracts	
+#	10.1	Description of Amendment to the Restricted Stock Unit Agreement by and between the Company and Daniel J. Thoren incorporated herein by reference from Item 5.02 of the Company's Current Report on Form 8-K dated July 25, 2023.
	10.2	Agreement, dated as of October 13, 2023, by and among Graham Corporation and Wells Fargo Bank, National Association is incorporated herein by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 18, 2023.
#	10.3	Amendment No. 1 to the 2020 Graham Corporation Equity Incentive Plan is incorporated herein by reference from Appendix C to the Company's Definitive Proxy Statement on Schedule 14A dated July 10, 2023.
(31)	Rule 13a-14(a)/15d-14(a) Certifications	
+	31.1	Certification of Principal Executive Officer
+	31.2	Certification of Principal Financial Officer
(32)	Section 1350 Certification	
++	32.1	Section 1350 Certifications
(101)	Interactive Data File	
+	101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
+	101.SCH	Inline XBRL Taxonomy Extension Schema Document
+	101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
+	101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
+	101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
+	101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
(104)		Cover Page Interactive Data File embedded within the Inline XBRL document

\+ Exhibit filed with this report
++ Exhibit furnished with this report
\# Management contract or compensation plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAHAM CORPORATION

By: /s/ CHRISTOPHER J. THOME
Christopher J. Thome
Vice President-Finance and
Chief Financial Officer
(On behalf of the Registrant and as Principal Financial Officer)

Date: November 6, 2023

EXHIBIT 31.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER

I, Daniel J. Thoren, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Graham Corporation;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ DANIEL J. THOREN
Daniel J. Thoren
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER

I, Christopher J. Thome, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Graham Corporation;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d–15(f)) for the registrant and have:

(a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ CHRISTOPHER J. THOME
Christopher J. Thome
Vice President-Finance and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DANIEL J. THOREN
Daniel J. Thoren
President and Chief Executive Officer
(Principal Executive Officer)
Date: November 6, 2023

/s/ CHRISTOPHER J. THOME
Christopher J. Thome
Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer)
Date: November 6, 2023

A signed original of this written statement required by Section 906 has been provided to Graham Corporation and will be retained by Graham Corporation and furnished to the Securities and Exchange Commission or its staff upon request.