



Q4
Fiscal 2017

Financial Results

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TRANSCAT[®]
Trust in every measure

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Fourth Quarter and Full Fiscal 2017 Execution

Record Consolidated Results

Record revenue: Q4 up 17% to \$38.5 million
Full year up 18% to 143.9 million

Annual operating income increased 26% to \$7.9 million;
margin expanded 30 bps

Record net income of \$4.5 million, or \$0.64 per diluted share

Service Segment

High single-digit organic growth; Robust pipeline and backlog heading into FY 2018

32 consecutive quarters of YOY revenue growth

Integrating acquisitions and expect to capture additional operational synergies to drive margin expansion

Distribution Segment

Diversification strategy drives double-digit sales growth in both periods

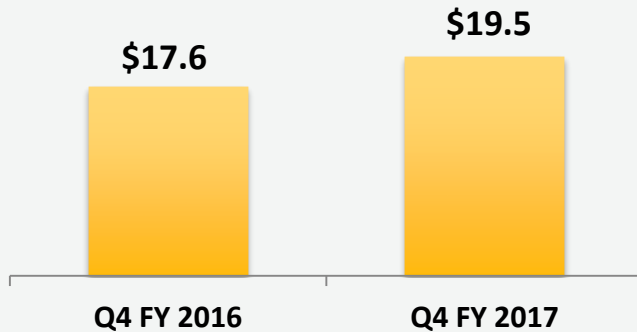
Incremental sales from acquisition of Excalibur Engineering

Organic growth: Increased demand from core end-user customers
Alternative energy and improving US industrial markets

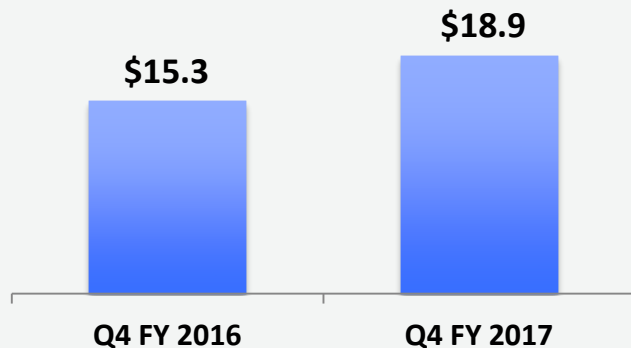
Record Revenue

(\$ in millions)

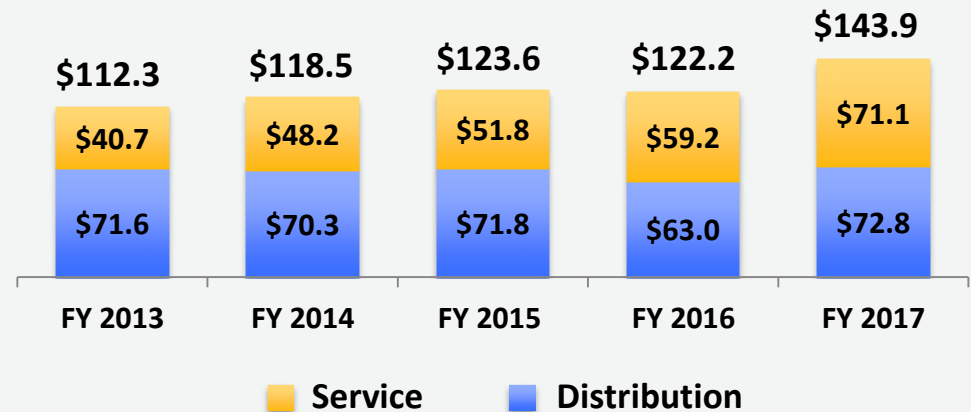
Q4 Service Segment



Q4 Distribution Segment



Consolidated – Annual



- Solid organic revenue growth and acquisitions drove both segments
- Service segment continues to deliver
 - 20% growth over FY 2016
 - 15% 4-year CAGR*

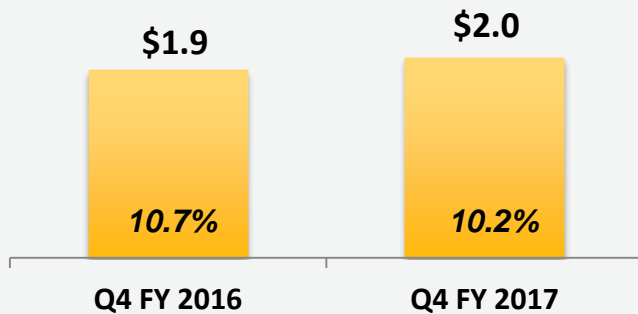
*FY 2013 – FY 2017

All figures are rounded to the nearest million. Therefore totals shown in graphs may not equal the sum of the segments.

Operating Income and Margin

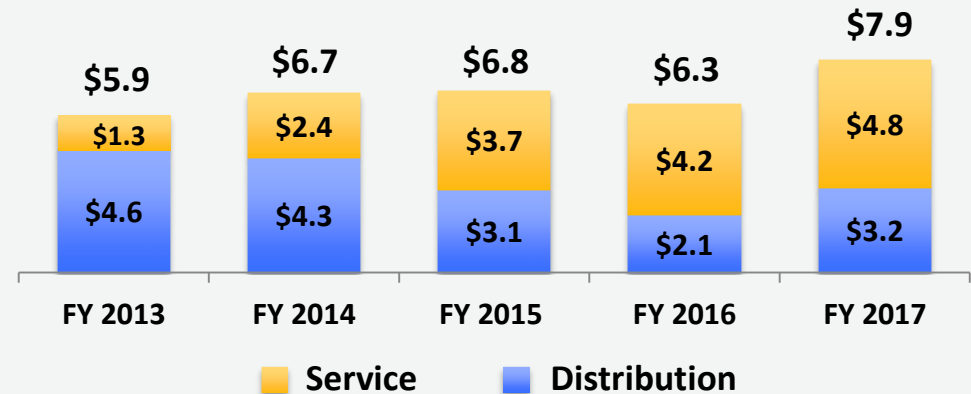
(\$ in millions)

Q4 Service Segment

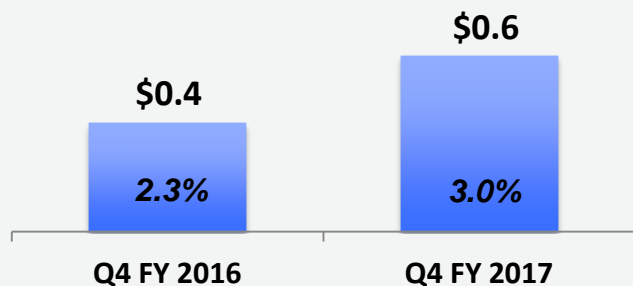


Consolidated – Annual

8%
CAGR*



Q4 Distribution Segment



- Annual consolidated operating income up 26%
- Q4 Distribution margin up on higher volume, cost controls, and reduced internal G&A expense allocation of \$0.1 million
- Q4 Service margin down due to increased G&A allocation (70 bps impact)

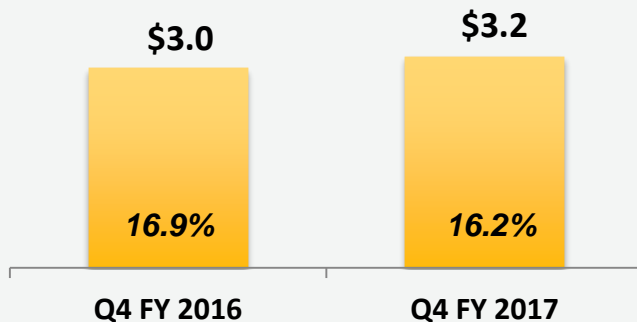
*FY 2013 – FY 2017

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Adjusted EBITDA* and Margin

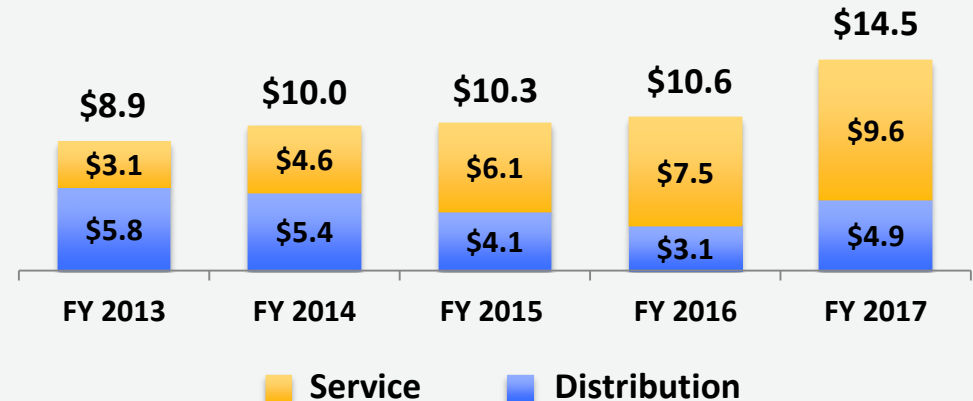
(\$ in millions)

Q4 Service Segment

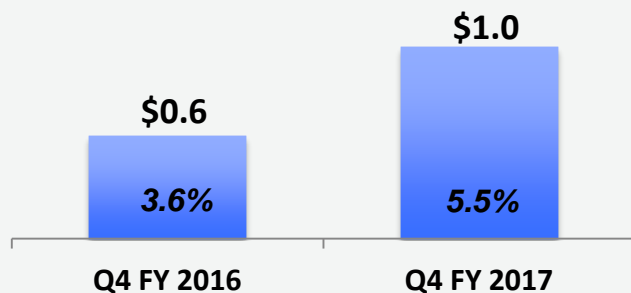


Consolidated – Annual

13%
CAGR*



Q4 Distribution Segment



- Total annual Adjusted EBITDA* up 38%; margin expanded 150 bps to 10.1%
 - Service up 28%
 - Distribution up 60%
- 33% 4-year CAGR for Service segment**
 - Validates strong operating leverage

* See supplemental slides for a description of this non-GAAP financial measure, for Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA.

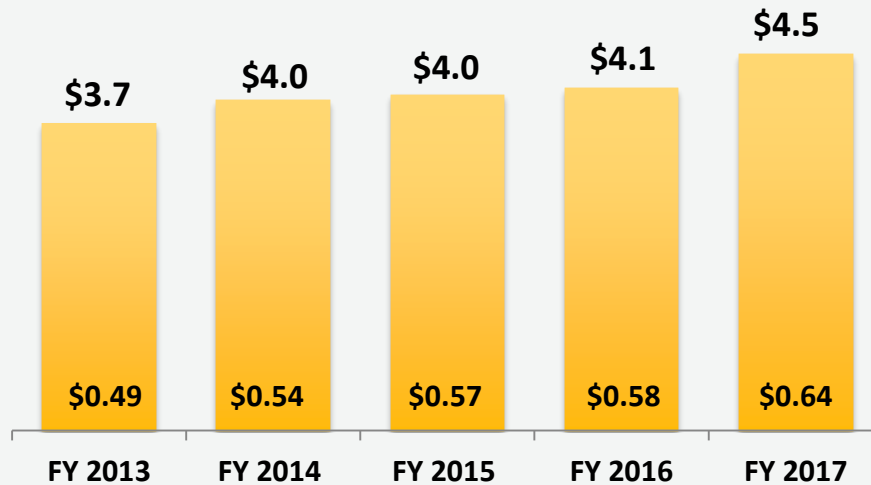
** FY 2013 – FY 2017

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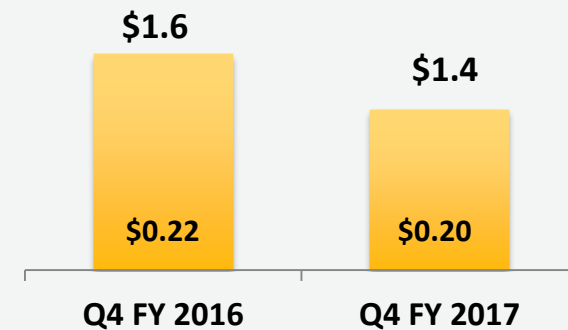
Net Income & Diluted EPS

(\$ in millions)

Annual



Quarterly



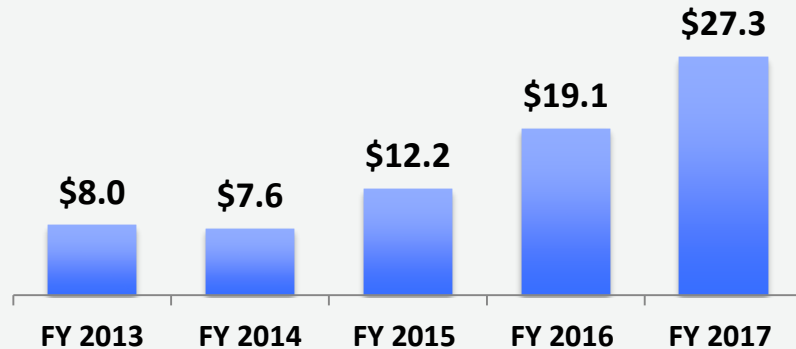
- 5% CAGR for net income (FY 2013 – FY 2017)
- Higher effective tax rate in Q4 17 due to changes in the availability of federal and state R&D tax credits
- Expect tax rate to range between 34% and 36% in fiscal 2018*

* FY 2018 tax rate expectation provided as of May 16, 2017

Financial Flexibility Supports Growth Strategy

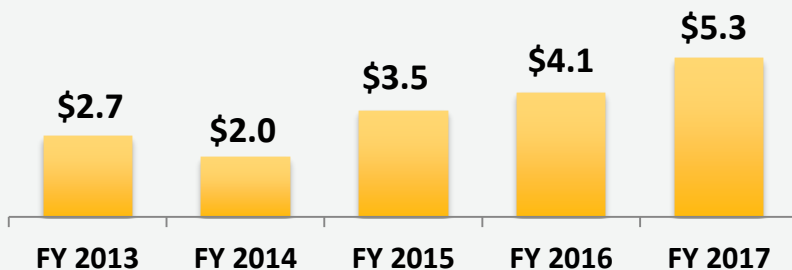
(\$ in millions)

Total Debt

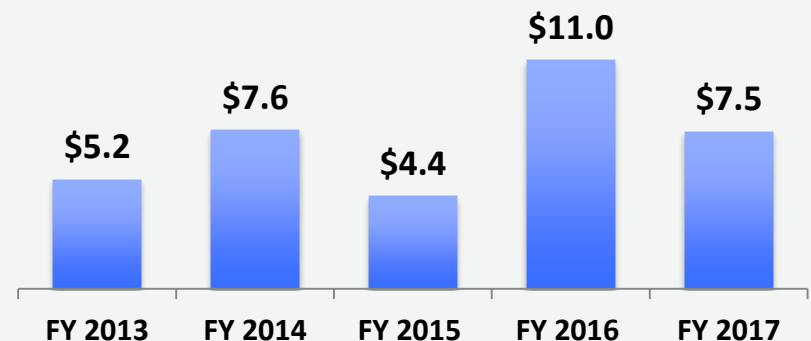


- Strong cash generation
- \$11.4 million available from credit facility as of March 25, 2017
- Total debt to TTM Adjusted EBITDA 1.88x at year-end FY17
- FY17 CapEx: Assets for growing rental business & expanded Service capability

Capital Expenditures



Cash Flow from Operations



FY 2018 Outlook* -- Strong Momentum

- Continued emphasis on improving Operational Excellence
 - Improve customer experiences, expand organic growth potential, and strengthen our acquisition integration process
- Fortifying structure with technology, people and processes
- Expect solid organic growth in the Service segment
- Optimistic Distribution segment performance will continue
- Remain selective and disciplined in acquisition and investment approach
- CapEx spend of \$6.0 million to \$6.5 million
 - Incremental spending planned for IT infrastructure to drive operational excellence and for customer-opportunity driven Service capabilities
 - Maintenance and replacement CapEx of \$1.0 million to \$1.5 million

* Outlook provided as of May 16, 2017

Upcoming Investor Relations Calendar

| | |
|------------|---|
| May 18 | IDEAS East Coast Conference (Boston) |
| June 15-16 | Marcum MicroCap Conference (NYC) |
| July 24 | Q1 FY18 Earnings Release (call on 7/25) |
| Aug 30-31 | IDEAS Midwest Conference (Chicago) |
| Sept 13 | Annual Meeting |



Supplemental Information

Adjusted EBITDA Reconciliation

(\$ in thousands)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|-------------------------------|-----------------|------------------|------------------|------------------|------------------|
| Net Income | \$ 3,704 | \$ 3,984 | \$ 4,026 | \$ 4,124 | \$ 4,522 |
| + Interest | 117 | 130 | 234 | 247 | 719 |
| + Other Expense / (Income) | 111 | 129 | 111 | 48 | 51 |
| + Tax Provision | <u>2,014</u> | <u>2,462</u> | <u>2,397</u> | <u>1,883</u> | <u>2,642</u> |
| Operating Income | \$ 5,946 | \$ 6,705 | \$ 6,768 | \$ 6,302 | \$ 7,934 |
| + Depreciation & Amortization | 2,702 | 2,945 | 3,090 | 3,946 | 6,184 |
| + Other (Expense) / Income | (111) | (129) | (111) | (48) | (51) |
| + Noncash Stock Comp | <u>343</u> | <u>527</u> | <u>507</u> | <u>359</u> | <u>453</u> |
| Adjusted EBITDA | \$ 8,880 | \$ 10,048 | \$ 10,254 | \$ 10,559 | \$ 14,520 |

In addition to reporting net income, a U.S. generally accepted accounting principle (“GAAP”) measure, we present Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, and non-cash stock compensation expense), which is a non-GAAP measure. We believe Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and others to evaluate and compare the performance of its core operations from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, and stock-based compensation expense, which is not always commensurate with the reporting period in which it is included. As such, we use Adjusted EBITDA as a measure of performance when evaluating our business segments and as a basis for planning and forecasting. Adjusted EBITDA is not a measure of financial performance under GAAP and is not calculated through the application of GAAP. As such, it should not be considered as a substitute or alternative for the GAAP measure of net income and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. Adjusted EBITDA, as presented, may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

Segment Adjusted EBITDA Reconciliation

(\$ in thousands)

| | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
|---------------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Service Operating Income (loss) | \$ 1,311 | \$ 2,379 | \$ 3,693 | \$ 4,155 | \$ 4,769 |
| +Depreciation & Amortization | 1,740 | 2,144 | 2,362 | 3,216 | 4,660 |
| +Other (Expense) / Income | (84) | (141) | (138) | (64) | (55) |
| +Noncash Stock Comp | 150 | 230 | 224 | 171 | 217 |
| Service Adjusted EBITDA | <u>\$ 3,117</u> | <u>\$ 4,612</u> | <u>\$ 6,141</u> | <u>\$ 7,478</u> | <u>\$ 9,591</u> |
| | | | | | |
| Distribution Operating Income | \$ 4,635 | \$ 4,326 | \$ 3,075 | \$ 2,147 | \$ 3,165 |
| +Depreciation & Amortization | 962 | 801 | 728 | 730 | 1,524 |
| +Other (Expense) / Income | (27) | 12 | 27 | 16 | 4 |
| +Noncash Stock Comp | 193 | 297 | 283 | 188 | 236 |
| Distribution Adjusted EBITDA | <u>\$ 5,763</u> | <u>\$ 5,436</u> | <u>\$ 4,113</u> | <u>\$ 3,081</u> | <u>\$ 4,929</u> |
| | | | | | |
| Service | \$ 3,117 | \$ 4,612 | \$ 6,141 | \$ 7,478 | \$ 9,591 |
| Distribution | \$ 5,763 | \$ 5,436 | \$ 4,113 | \$ 3,081 | \$ 4,929 |
| Total Adjusted EBITDA | <u>\$ 8,880</u> | <u>\$ 10,048</u> | <u>\$ 10,254</u> | <u>\$ 10,559</u> | <u>\$ 14,520</u> |

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