



**Transcat, Inc.**

**First Quarter Fiscal Year 2024 Financial Results**

**August 1, 2023**

## C O R P O R A T E   P A R T I C I P A N T S

**Tom L. Barbato**, *Chief Financial Officer*

**Lee D. Rudow**, *President and Chief Executive Officer*

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## C O N F E R E N C E   C A L L   P A R T I C I P A N T S

**Greg Palm**, *Craig-Hallum Capital Group*

**Gerry Sweeney**, *Roth Capital*

**Ted Jackson**, *Northland Securities*

## P R E S E N T A T I O N

### Operator

Greetings and welcome to the Transcat First Quarter Fiscal Year 2024 Financial Results.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

(Operator Instructions)

As reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Tom Barbato, CFO. Please, sir, you may begin.

### Tom L. Barbato

Thank you, Operator, and good morning, everyone.

We appreciate your time and your interest in Transcat. With me here on the call today is our President and CEO, Lee Rudow; and our Chief Operating Officer, Mark Doheny.

We will begin the call with some prepared remarks, and then we'll open up the call for questions. Our earnings release crossed the wire after markets closed yesterday. Both the earnings release and the slides that we will reference during our prepared remarks can be found on our website, [transcat.com](http://transcat.com), in the Investor Relations section.

If you would, please refer to Slide 2. As you are aware, we may make forward-looking statements during the formal presentation and Q&A portion of this teleconference. These statements apply to future events, which are subject to risks and uncertainties as well as other factors that could cause the actual results to differ materially from where we are today. These factors are outlined in the news release as well as in the documents filed by the Company with the SEC. You can find those on our website where we regularly post information about the Company as well as on the SEC's website at [sec.gov](https://www.sec.gov).

We undertake no obligation to publicly update or correct any of the forward-looking statements contained in this call, whether as a result of new information, future events or otherwise, except as required by law. Please review our forward-looking statements in conjunction with these precautionary factors.

Additionally, during today's call, we will discuss certain non-GAAP measures which we believe will be useful in evaluating our performance. You should not consider the presentation of this information—additional information in isolation or as a substitute for results prepared in accordance with GAAP. We've provided reconciliations of non-GAAP to compared GAAP measures in the tables accompanying the earnings release.

With that, I'll turn the call over to Lee.

**Lee D. Rudow**

Thank you, Tom. Good morning, everyone. Thank you for joining us on the call today.

I'd like to start with Transcat's overall performance in the first quarter of fiscal 2024. We delivered better-than-expected revenue margins and earnings across our entire business portfolio. Consolidated revenue was up 11% to \$61 million, driven by strong demand from our unique suite of diverse complementary services including calibration, pipettes, instrument rentals and NEXA's cost control and compliance services.

Consolidated gross margin expanded 160 basis points to 30.9% and was driven by margin expansion in both our Service and Distribution segments. Adjusted EBITDA, a key metric for us, given our successful acquisition strategy, grew 16% to \$8.5 million and expanded 60 basis points over prior year.

Turning to our Service segment. First quarter service revenue totaled \$40 million, up 18% from prior year. Organic growth was up 11% as we continue to benefit from recurring revenue streams in highly regulated markets, our unique and differentiated value proposition and growth synergies between our combined business channels. The service growth in the first quarter represents our 57th consecutive quarter of year-over-year growth that's every quarter year-over-year for a little over 14 years.

We also reported a service gross margin of 32.5%, which represents a 50 basis point increase over prior year. The margin expansion, which exceeded our expectations was a result of double-digit organic growth combined with increased productivity in our lab operations. Lab operations continue to drive automation and continuous process improvement throughout our traditional and client-based lab network.

Moving to Distribution. First quarter gross margins expanded 270 basis points from prior year, driven in part by 15% growth in the high-margin rental business. We continue to see strong demand for our rental offering, which is an important differentiator as it enhances Transcat's ability to offer solutions to challenges our customers face. Our Distribution segment, including our rental channel, continues to foster organic service growth by generating a significant number of leads and strengthening our overall value proposition.

Looking at the entire business portfolio in the first quarter fiscal 2024, we benefited from our differentiated value proposition that is resonating throughout our expanded addressable markets. We also demonstrated

the inherent operating leverage in our service business as we generated strong incremental gross margins from our double-digit organic service growth.

The NEXA business continues to see good growth benefiting from synergies with Transcat's core calibration business. The pipeline of synergistic opportunities is compounding at an impressive rate. While the traditional calibration service market continues to be fragmented, we're seeing similar market attributes in the spaces where NEXA competes.

Early in July, we were able to capitalize on the opportunity to acquire SteriQual who specializes in instrument commissioning, qualification and validation services to pharmaceutical, medical device and diagnostic manufacturers. SteriQual also provides process engineering, quality assurance and project management to recent clients like Thermo Fisher, Pfizer, Lonza, Charles River Labs and others. We view the acquisition of SteriQual as another important differentiator as NEXA delivers our single-source solution platform, which complements Transcat's calibration services.

At the start of the first quarter, we also acquired the bolt-on acquisition of St. Louis-based TIC Metrology Services. The newly acquired calibration operation will be integrated with our current lab in St. Louis within the next year, and we anticipate the operation will support solid revenue growth and the realization of various cost synergies as we consolidate the labs into one.

Overall, our balance sheet remains strong and our current leverage ratio is 1.5 times. We've done an excellent job managing our working capital. And in the first quarter, we generated \$7.5 million of free cash flow. Over the course of fiscal 2024, we expect to continue to deploy capital to margin and revenue-enhancing initiatives along with the execution of our ongoing acquisition and integration strategy.

With that, I'll turn things over to Tom for a more detailed look at the financials for the first quarter.

**Tom L. Barbato**

Thanks, Lee.

I'll start on Slide 4 of the earnings deck posted on our website, which provides detail regarding our revenue on a consolidated basis and by segment for the first quarter of fiscal 2024.

First quarter consolidated revenue of \$60.6 million was up 11% versus the prior year on the service segment, strength and solid revenue performance in our distribution business. Looking at it by segment, service revenue growth remained very strong at 18%, with 11% of the growth coming organically and the other 7% from acquisition. As Lee mentioned, demand in our service business remained strong in the quarter.

Turning to Distribution. Revenue of \$20.7 million was consistent with prior year. Within the Distribution segment, we continue to see excellent performance in the high-margin rental business.

Turning to Slide 5. Our consolidated gross profit for the first quarter of \$18.7 million was up 17% from the prior year, and our gross margin expanded 160 basis points to 30.9% in the first quarter. Service gross margin expanded 50 basis points. The service margin increase further demonstrated our ability to leverage higher levels of technician productivity and our differentiated value proposition, which continues to drive high levels of demand. Distribution segment gross margin of 27.7% was up 270 basis points, driven by strong performance in the previously mentioned rental business.

Turning to Slide 6. Q1 net income of \$2.9 million decreased 4% from prior year, and our diluted earnings per share came in at \$0.38. Net income was negatively impacted by a shift in stock-based tax benefits from

Q1 of last year to Q2 of this year as well as higher interest expense. The combined year-over-year impact of these two items was \$0.11 per share. We report adjusted diluted earnings per share as well to normalize for the impacts of upfront and ongoing acquisition-related costs. Q1 adjusted diluting—diluted earnings per share was \$0.52.

Flipping to Slide 7, where we show our Adjusted EBITDA and Adjusted EBITDA margin. We use Adjusted EBITDA, which is non-GAAP, to gauge the performance of our business because we believe it is the best measure of our operating performance and ability to generate cash. As we continue to execute on our acquisition strategy, this metric becomes even more important to highlight as it does adjust (inaudible) deal-related transaction costs as well as the increased levels of noncash expenses that will hit our income statement from acquisition purchase accounting.

With that in mind, first quarter consolidated Adjusted EBITDA of \$8.5 million was up 16% from the same quarter in the prior year, and Adjusted EBITDA margin expanded 60 basis points. Both segments had Adjusted EBITDA growth compared to last year. As always, a reconciliation of Adjusted EBITDA to operating income and net income can be found in the supplemental section of this presentation.

Moving to Slide 8. Operating cash flow was \$7.5 million in the first quarter, which was up significantly year-over-year. Q1 capital expenditures were \$400,000 higher than prior year and continue to be centered around Service segment capabilities, technology, including automation and future growth projects.

At quarter end, we had a total net debt of \$46.2 million with a leverage ratio of 1.5x. We had \$37.5 million available from our credit facility. As previously announced, we acquired SteriQual for \$4.25 million just after the end of the first quarter, paid 100% in the Company stock.

Lastly, we expect to file our Form 10-Q on August 2 after the market closes.

With that, I'll turn it back to you, Lee.

**Lee D. Rudow**

Okay. Thanks, Tom.

I'll wrap things up by pointing out that Transcat has continued our track record of consistent performance over many, many years and over various economic cycles. We generated profitable growth and has proven to be a very resilient business model. Perhaps most important, we've assembled a very skilled leadership team, which we believe is the ultimate competitive advantage.

As we look forward, we expect to deliver strong performance throughout the balance of fiscal 2024. We expect organic service growth in the high single-digit to low double-digit range, and the gross margins will continue to increase over time. We will continue to execute our acquisition strategy to add capabilities and expertise, expand our geographic footprint into important regional markets and to bolt-on opportunities that leverage our current lab infrastructure.

From both an organic and acquisitive perspective, our focus will remain on our diverse strategic channels, including calibration, pipettes, instrument rentals and NEXA's suite of cost control and compliance services. As in the past, we will leverage the highly regulated markets where the cost of failure is high and our unique value proposition resonates the most.

Our go-to-market strategy remains the same that is to demonstrate to our demanding regulated customer base that Transcat can be trusted as their risk-mitigating service partner. We do this by leveraging our core competencies, which allows them to focus on theirs. In other words, we win together.

As we work our way through the second quarter of fiscal 2024, our acquisition pipeline remains strong and our initiatives designed to drive organic service growth and margin improvement continue to gain traction. Effective allocation of capital has always been a hallmark of Transcat and at the heart of our growth strategy. We expect our balance sheet to remain strong and supportive as we drive sustainable, long-term shareholder value. We like the trajectory of our business and the leadership team calling shots. In many ways, as we discuss internally amongst our leadership team, we feel like we're just getting started.

With that, Operator, please open the line for questions.

**Operator**

Thank you. We will now conduct a question-and-answer session.

(Operator Instructions)

Our first question comes from Greg Palm with Craig-Hallum Capital Group. Please go ahead.

**Greg Palm**

Awesome. Thanks. Congrats on the great results, everyone.

**Lee D. Rudow**

Hey, thanks, Greg.

**Tom L. Barbato**

Thanks, Greg.

**Greg Palm**

I want to just maybe start with the quarter. It wasn't that long ago, what, a couple of months ago since you gave an update; you nicely exceeded expectations. But more surprisingly, you raised the outlook for the full year; so, at least on the service side for organic growth. I'm just curious, did you see an uptick in June specifically? Or what are you seeing in July that makes you confident that one quarter out of the gates, you raise the outlook for the year?

**Lee D. Rudow**

Okay, yes. Greg, I appreciate where that question is coming from. We talk a lot about it internally, as you can imagine. It's really quite simple. We've had three consecutive quarters of double-digit growth. We like the pulse going into second quarter or at least we're almost halfway through second quarter. When we just look at our pipelines and look at the business activity, in general, we think the pulse supports being in the range that we stated. So not a major change, more of a subtle one, but I think appropriately timed.

**Greg Palm**

Yes, makes sense. Any specific end markets or areas that are maybe outperforming relative to what your expectations were a couple of months ago?

**Lee D. Rudow**

I wouldn't point to anything specific other than to say the—we like the way some of the synergies are working between NEXA and Transcat. I think these two businesses continue to complement one another. By complement, I'm referring to the business activity levels that are on the increase as a result of working together versus working separately or in—before the acquisition. I think that's gained some traction and momentum probably as much or more than anything.

**Greg Palm**

Okay. Then just shifting gears to distribution. What really caught us surprise in a positive way was the gross margin there. I guess it's somewhat a byproduct of strength in rental. Any way you can give us a sense of what rentals growth was and maybe ballpark where rentals is in terms of mix as a part of distribution overall?

**Tom L. Barbato**

Yes, Greg. It's Tom. I'll take that one. I would just—I would characterize the rental growth is stronger than—it's at a higher level than what we're seeing on the service side for the rental standalone business. It continues to perform well with—as we've said in the past, the margins are significantly favorable to the overall distribution business.

I'll also point out that we have been able to continue to do some advanced buys, which continue to benefit the margins overall on the distribution side as well. It's not only the rentals, but we see that moderating as we get into the second half of the year as well.

**Greg Palm**

Okay. But just to be clear, that margin in distribution specifically was, I don't know if it was a record, but certainly one of the best that we've seen since we've been tracking the Company. I'm assuming that's not a normalized rate going forward, but maybe you can help us figure out what the normalized run rate is, just given rentals is a bigger part of the mix? Because I think we used to think of it as a low to mid-20s. But obviously, you had a good year in fiscal '23 and really an outsized result here in fiscal Q1.

**Lee D. Rudow**

I was going to say one thing real quick. What you're seeing on the margin side is intentional from our perspective. We've done a lot of focus on allocating dollars to where we'd like to see the mix—where we would like to see the growth mix come from. As long as we continue to invest in the higher margin mix over time and it becomes concentrated more over time, we may see this business pick up from more of the low margins, low 20s to the high 20s over time.

I think we're seeing some of that transpire as we speak in this past quarter, but I don't think it's an anomaly. I think as the mix changes by design and we allocate capital towards higher-margin channels, you're going to see that continue to increase. Tom, do you see it any differently?

**Tom L. Barbato**

No. I think the other thing I'll just add is that we're making a conscious decision to shed some of the lower end margin business, the traditional distribution business as well. The growth in rentals is giving us the opportunity to step away from some of that less desirable business.

**Lee D. Rudow**



We're in a nice position to do that now, Greg, versus a couple of years ago.

**Greg Palm**

Yes, understood. All right. Well, congrats again. Best of luck. Thanks.

**Lee D. Rudow**

Take care.

**Operator**

Our next question comes from Gerry Sweeney with ROTH Capital Partners LLC. Please go ahead.

**Gerry Sweeney**

Hey, good morning, Lee and Tom. Thanks for taking my call.

**Lee D. Rudow**

Hey, good morning.

**Gerry Sweeney**

I wanted to spend just a little bit of time on NEXA and strategy isn't the right word, but maybe I want to see if you could talk a little bit more about the opportunity behind NEXA and that entire market? I'm not sure market size, opportunity, acquisitions. It's been a great purchase for you. Obviously, you're following it up with SteriQual. But just wanted to get a better feel for what really lies out there on that side of the business.

**Lee D. Rudow**

Right. Well, first, just to take one small step back to describe the different models. On the traditional Transcat side, we do calibration services. On the NEXA side, they don't perform calibration services at all, but they do everything around that, around the calibration process in the calibration ecosystem. We use the words cost control and compliance because most of their work is done in large life science companies where they're doing CMMS work where the data is being consolidated from one system to a next, where they're looking at ways to be more efficient, to lower their costs over time through anything from efficiencies of usage of the instruments, uptime, reliability, could be interval adjustments involved.

They essentially improve calibration programs. We do the calibration work, and so you can see the natural complementary nature between the two. We can bring them into our clients, which we have over 30,000, when we see an opportunity to—where cost is a factor, efficiency is a factor. They can bring us into opportunities when they see a problem at one of their clients because the calibration of vendors performing effectively.

There's just a natural good fit and when we go together, sit at the same table, and this is probably the biggest point, Gerry, and we're pitching our value prop to a customer together, it is really effective. It's difficult to compete against us when we—when all the stars align in that way. That's where we're seeing the growth both from an organic Transcat perspective and also from a NEXA perspective. It's just working well and we think it's going to continue.

**Gerry Sweeney**



I certainly get that and I apologize, maybe it wasn't 100% clear. But I was curious how big of a market maybe that cost control and outsourcing efficiency market that is NEXA. How big is that opportunity?

**Lee D. Rudow**

That's something we're working on to try to come up with a range that would be meaningful to our shareholders. I'm not going to be able to give you that size of the market other than—today, other than to say it's significantly larger than just calibration. The calibration world is a \$1.5 billion to \$2 billion market in North America. It's going to be significantly larger than that because their business is driven well.

In a sense, now that SteriQual in particular is part of the NEXA value prop, you get commissioning, you get startups in plants and so on and so forth. As capital spend to build facilities around the country—and there are certain estimates about life science capital spend that we take a close look at. But while they—that market is getting bigger and bigger for us as we expand the services within that ecosystem. We'll try to work on a figure, but I will say it significantly could be 10x larger in that range from the traditional calibration business. They'll help us gain share and then we'll gain share inherently by the nature of their business and the channels that they serve.

**Gerry Sweeney**

Yes. Suffice to say it dramatically expands your addressable market and while you're pretty small nascent in that market, a lot of runway, lots of synergies and strengthens both sides of the house?

**Lee D. Rudow**

Yes, we think so. Then we're doing business in Ireland as well, but the nature of their business is it's not that difficult on their side of the equation to scale their business. Even beyond Ireland, we've done some work, I think we said last quarter, in Belgium and Germany because you have the same customer as another facility in Europe in a different country, it's not a big leap to service them, to do an on-site visit, go back to Ireland, do 80% of the work behind the computer, so to speak, and periodic visits. It's, unlike calibration, which we will scale and have scaled, it's a little bit easier as you cross border. That's another attribute of the business that we like.

**Gerry Sweeney**

Got it. How is the market fragmented or similar to what the calibration market is? Calibration, there's a couple of larger players and a bunch of small players. But how does the market look from that perspective?

**Lee D. Rudow**

Well, we're learning more and more about the market as each quarter goes by, but my answer to that question is we think so. Part of the script in this particular release was to say that we're discovering as we do our development work on the acquisition side that it is fragmented. It may be equal to or even more fragmented than the calibration business. It lends itself to those acquisitions and integration opportunities that we see with traditional Transcat. We like that, and that's why we mentioned it in the earnings script.

**Gerry Sweeney**

Got it. One last question. I think this is all positive. This is what I'm just trying to get by the way. Maybe I should notice, but what does the margin profile look like in this business? You actually talked about it's

easier to leverage. It sounds like there are some either margin components or at least leverage opportunities on the NEXA side. Maybe just (multiple speakers)?

**Tom L. Barbato**

It's Tom. What we've said in the past, right, is that the gross margins for NEXA are generally higher than they are for the overall services business. We'll leave it at that.

**Gerry Sweeney**

Okay, got it. Okay. Thanks a lot. Appreciate it.

**Lee D. Rudow**

You're welcome.

**Operator**

Our next question comes from Ted Jackson with Northland Securities. Please go ahead.

**Ted Jackson**

Good morning, guys. Congrats on the quarter.

**Lee D. Rudow**

Good morning, Ted.

**Tom L. Barbato**

Hey, Ted.

**Ted Jackson**

Just, I'm going to keep it to two questions and let things go forward. One is I want to talk a little bit about the customer-based labs. In the first half of the calendar year, we know there was some discussion about some impact with margin with regards to some of that new stuff coming online. I'm curious what we could expect to see with regards to an operating margin in the back half of this calendar year as we roll through and that moves behind, and then tied into that is what the pipeline looks like with regards to new opportunities there? Then I've got a follow-up.

**Lee D. Rudow**

Okay. Yes, I get it. Yes, CBLs, we have won a handful of CBLs early in the year or at the latter stages of last year and as is typical when you land a CBL, the first couple of quarters tend to have a bit of a drag on service gross margins just for reasons that make a lot of sense. Your new staff, the lay of the land, learning the processes of the lab that you're operating. There is definitely a couple of quarters where you're not at peak efficiency. That tends to correct itself routinely over time.

I think when you look at some of the margin expansion in the first quarter, we didn't necessarily anticipate coming out of fourth quarter, some of it - I can't put a number on it; I don't think any of the guys there can - but some of it definitely is a byproduct of getting up and running the CBLs over a quarter or two since they

started. There's always going to be that factor. We know how to overcome it in a relatively short period of time, but it's—the margin drag does exist at the outset. Yes, we've made some progress there.

As far as the pipeline, which is the second part of your question, the pipeline is pretty solid. It's as solid as it's ever been. I think from a CBL perspective, from a client-based lab perspective, I think that continues to be a product of the difficulty the market has signing technicians. Even our customers that would normally run an in-house lab, when they struggle to find technicians, it's not like we don't struggle, but they struggle in a different way. They don't have a technician school, Transcat University, that we set up. They don't have the networks that we have.

Quite frankly, there's no way in the world when they hire three technicians a year and we hire hundreds or 100 technicians a year, that they're going to be as proficient in it. We've got the techs. We've got the backup. We can move people around like we always have. That adds a lot of value to these client-based labs who could at any given time be struggling. I think that those types of labor type environments is always going to be a good thing for us growing our CBL business, our client-based lab business, and that's playing out this year as well.

**Ted Jackson**

Right. Let me move on to my next which is going around NEXA and the M&A pipeline. The last time we spoke, it was clear that the pipeline for opportunities with M&A was robust and that there was a fair amount of discussion around opportunities within M&A on accentuating, adding to the NEXA portfolio, and then lo and behold, you made your first acquisition on that front. What's the pipeline look like in general? How does it look like with regards to the consulting services when you look into that area on the consulting side, which I'm a little bit more interested in, where do you see the opportunities and then where do you feel like would be the areas within your NEXA business that you'd want to bolster?

**Lee D. Rudow**

Well, I think we look at some of our growth—strategic growth opportunities across calibration. We'd say this for pipettes, rentals, we'd say for NEXA as well. We're always looking for acquisition opportunities that meet our stringent criteria. We're very disciplined. You don't have a track record like we do in terms of success versus lack of success unless you're very disciplined at the outset in upfront. We remain disciplined in that way. We've got a great process and a great team that does this sort of work.

Just having said that as a foundational comment, we are looking at the NEXA space, the cost control and compliance services space because we think it is a good fit. SteriQual is an example of that. I feel pretty comfortable saying SteriQual won't be the last acquisition we ever made by the NEXA, although the Transcat way is let's walk before we run. We want to prove this out. Let's make sure that it fits as well as we think it's going to fit and that their leadership team can integrate this as well as we plan on integrating. I like to see things proven.

I get the question; yes, there will be more acquisitions likely in this space. We would expect that. But we're not going to rush it until the opportunity hits us that we think fits and that our leadership team has proven that on that side of the equation, they can do well with acquisitions. I have every reason to believe and every confidence that they will, but it's just a Transcat way to prove it before we jump in too far. I want to make that comment.

But again, that's the same way with all of our acquisitions. Our pipeline is diverse because we want to be able to support all these areas, and it just made sense. SteriQual is the next one up that fit and there will be others in time.

**Ted Jackson**

Thanks. Can I just sneak in one quick last one, which is around the distribution side of the business? You clearly are seeing some really big growth in the rental side of the equation there. Probably as you mentioned answering the prior question on the equipment actual sales side, you're exiting some of the lowering stuff where there is low margins, a lot of competition and stuff. Nothing of a secret there. How should we think about in an aggregate going forward?

In the past, we've always viewed it as call it a GDP growth line-item but as you're retooling that business and walking away from things that you should walk away from, things where there's really not much of a profit margin in it and the juice isn't worth the squeeze, does that change that calculus in terms of how we should think about the longer-term growth for distribution?

**Lee D. Rudow**

I'm not sure I would characterize it exactly the way you did in that. We're not directly exiting the distribution business. I think it's (multiple speakers).

**Ted Jackson**

It's more...

**Lee D. Rudow**

No, I totally get it. I'm thinking more in line with allocation of future incremental capital. As we have capital spend and we look at, well, we've got the service business over here with recurring revenue streams and driven by regulation, we've got the NEXA business with cost control and how that plays between some of our other channels. We've got rentals, which is like a bridge to everything. When we look at how we allocate capital, it's just that that core distribution allocation is decreasing as a percentage on a go-forward basis.

By the way, it has for the last five years. We've had investors over time that say, can you double the size of your distribution business? Can you make it \$150 million? We said, well, we could, but we won't because that's not our strategy. As we go forward, think about, we like the rentals mix more than the old line distribution mix because the margins are better and it has more of a recurring nature to it by customer.

We've incrementally spent more dollars and that's been for the last three, four, five years running. That's how we got these margins. That's why they're sustainable. This is not an overnight thing. This is something that's evolved over the last half a decade, and it continues to pick up momentum. That's how I characterize it. If we continue, if you draw the line out and continue that pattern of allocation, you're going to see similar growth results, I think, in that margin over time and that profile over time.

Tom, would you describe it that way, or Mark?

**Tom L. Barbato**

Yes. I think ultimately the—Ted started with the question of is a GDP-like growth rate? What we should expect going forward? I would just say, yes. Again, there's—we expect to continue to perform well here. The only caution I would say is that we have been getting some of a—some benefit from these advanced buys that we've been doing. I think that's the piece of it that will moderate as we get into the second half of the year and change the trajectory on the margins a little bit. But still, I think we're talking about a mid-20s margin business versus a low-20s margin business that we had three or four years ago.

**Lee D. Rudow**

It's more sustainable.

**Tom L. Barbato**

It's more sustainable, yes.

**Ted Jackson**

Okay, yes. Tom, I did catch that comment with regards to the advanced buy. But thanks for reiterating, and again, congrats on the quarter.

**Lee D. Rudow**

Thanks, Ted. Thank you.

**Operator**

There are no further questions at this time. I would like to turn the floor back over to Lee Rudow for closing comments. Please go ahead.

**Lee D. Rudow**

Well, thank you, all, for joining us on the call today. We certainly appreciate your continued interest in Transcat. We will be participating at the Oppenheimer Conference, which is on the 26<sup>th</sup>—oh, excuse me, which is the 26th annual tech conference for them on August 9. We'll be participating. Feel free to call on us there or join us. If not, feel free to check in with us at any time. We look forward to speaking with everybody again at the end of next quarter. Again, thanks for participating.

**Operator**

This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation and have a good day.