northland Capital Markets

Company Update

07/16/2025

Market Perform

Price: $82.57
Price Target: $85.00

Industry

Industrial Technology and Services

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Stock Data

52-Week Range	$67.56/ $147.12
Avg. Daily Volume	123,053
Market Cap. (MM)	$769
Shares Out. (MM)	9.3
Float	97.4%
Cash Per Share	$0.16
Debt-to-Capital	16.8%
Book Value Per Share	$30.79
Dividend Yield	0.00%
Shares Short	455,845
Insider Ownership	2.6%
Institutional Ownership	99.2%
FY End	Mar

Source: Factset

Revenue Estimates ($M)

	2025	2026	2027
1Q	66.7A	72.4E	76.7E
2Q	67.8A	74.7E	79.8E
3Q	66.7A	75.4E	80.5E
4Q	77.1A	80.6E	86.1E
FY	278.4A	303.0E	322.9E
P/S	2.8x	2.5x	2.4x

Adjusted EBITDA ($M)

	2025	2026	2027
1Q	9.9A	8.9E	8.9E
2Q	9.1A	10.2E	110.2E
3Q	7.0A	8.7E	8.6E
4Q	13.7A	11.1E	12.0E
FY	39.7A	38.9E	39.8E

Excludes Stock Comp.

Transcat (TRNS)

Comfortable with 1Q26 and FY26 Estmates

Summary

We are reiterating our MP rating and $85 price target. We are comfortable with our 1Q26 and FY26 estimates. We continue to see the company's shares as fairly valued.

Key Points

- We are comfortable with our 1Q26 estimates. We forecast 1Q26 total sales of $72.4 million, pro forma EPS of $0.42, and adjusted EBITDA of $10.0 million. Our estimates align with consensus which call for sales, pro forma EPS and EBITDA of $72.3 million, $0.40, and $9.5 million, respectively. Our sense is that NEXA, which is now Transcat Solutions, has stabilized. This business began struggling in 3Q25 and has been a tremendous drag on organic growth since. We should see improving organic growth metrics with this business stabilized and expect a period of above trend growth as we lap the recent tough quarters.
- We are also comfortable with our FY26 estimates. We see FY26 sales, pro forma EPS, and adjusted EBITDA of $303.0 million, $2.00 million, and $43.2 million. Our FY26 estimates align with consensus. The consensus revenue forecast sits at $302.6 million. The consensus pro forma EPS estimate sits at $1.88 million. The consensus EBITDA estimate stands at $41.9 million. The stabilization of Transcat Solutions drives our confidence. The fact that the company plans to hold an analyst day next month bolsters our confidence further.
- We are maintaining our $85 price target. Our DCF model requires a 7.0% terminal growth rate to drive an $85 valuation, which seems more than fair. TRNS shares trade at 20.1x consensus FY26 EBITDA estimate and 42x the consensus FY26 adjusted EPS estimate. Again, we see these multiples as more than fair.

Company Description

TRNS is one of North America's largest accredited calibration and compliance service providers. The company is focused on providing calibration services and products to highly regulated industries, particularly the life science industry, which includes pharmaceutical, biotechnology, medical device, and other FDA-regulated businesses. TRNS is also focused on FAA regulated businesses, including aerospace and defense. These targeted industries are generally regulatorily required to recalibrate their production equipment annually, at a minimum. This requirement results in a predictable recession resistant services revenue stream. These two end markets drive approximately two-thirds of TRNS's services revenue.

Valuation

Our price target is based on a five year DCF forecast that assumes a market return of 9.0% and a terminal growth rate of 7.0%. It also assumes continue margin expansion and successful inorganic growth.

Risks to the achievement of price target

There are several risks associated with an investment in TRNS. Key risks include acquisition growth, labor constraints, access to capital and Nexa growth. Each of these issues are discussed below.

Acquisition Growth – Strategic acquisition is a significant aspect of the company's growth strategy. A large portion of the calibration market is comprised of small local service providers. TRNS has been able to consistently augment its high single digit organic growth with bolt-on acquisitions to push aggregate growth into the low-to-mid double digits. The inability to continue this activity could result in forward sales and earnings coming in below expectations. Further, a competitor, Trescal, is also an active acquirer of calibration service providers. Competition for targets could increase acquisition multiples and erode the accretive nature of these tuck-in acquisitions which could also result in a reduction in forward earnings expectations.

Labor Constraints – It requires a highly skilled technician to perform calibration services. A shortage of qualified technicians could limit the company's ability to grow. Currently, the bulk of TRNS's technicians come from the military and already have a base-level of training. Recently, TRNS launched a "Build a Tech" training program to expand its technician workforce. It takes three to six months to train a technician to be component at the low end of service offerings and years to become a truly good service technician. An inability to hire or to train qualified technicians could limit the company's growth prospects and thus share appreciation.

Access to Capital – The company's acquisition strategy requires regular access to capital markets. Historically, management has demonstrated a disciplined approach to acquisitions whereby they have not overpaid and the ROIC has consistently exceeded TRNS's WACC. There is no guarantee this track record will continue. Further, the aspect of corporate strategy often requires access to capital and there is no guarantee that future access to the capital markets will be available or be available on terms required to ensure continued positive economic returns from acquisitions. An inability to continue to augment growth through acquisition could lower growth prospects and share appreciation.

Nexa Enterprise Asset Management – The 2021 acquisition of Nexa gave TRNS a complementary suite of services that included enabling the company's customers to optimize their calibration equipment ownership through inventory management, scheduled maintenance, and repair. The synergies between the businesses have accelerated Nexa's growth and added to TRNS's bottom line. Nexa also gave TRNS a foothold in Europe, which represents a significant new growth opportunity. If the company fails to capitalize on this opportunity, forward growth could fail to meet expectations.

Analyst Certification

I, Ted Jackson, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Important disclosures

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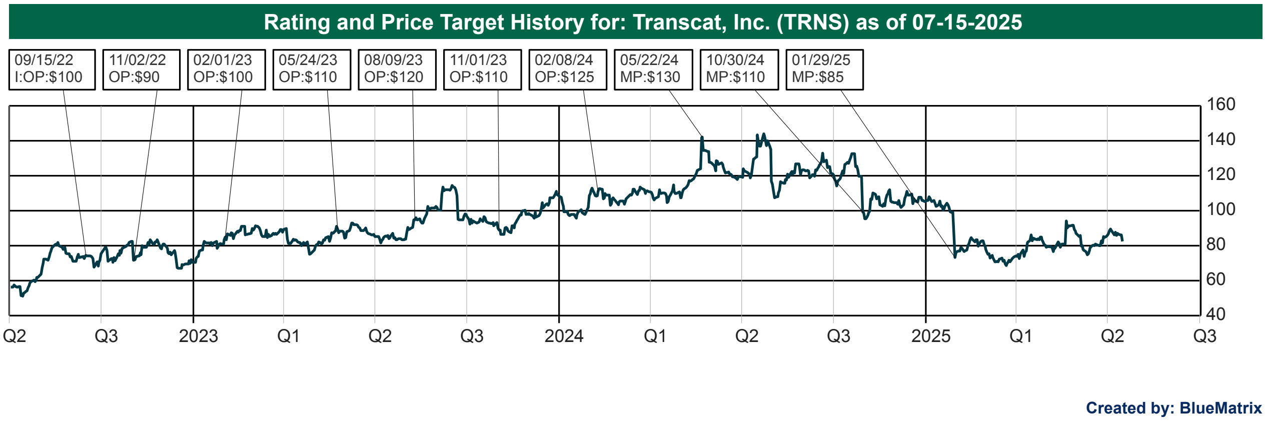

Explanation of Ratings:

Outperform (BUY) – Outperform the S&P 500 by at least 10%.
Market Perform (HOLD) – Perform within 10% above or below the S&P 500.
Underperform (SELL) – Underperform the S&P 500 by at least 10%.

Rating Distribution Breakdown as of 07/16/2025

			IB Serv./ Past 12Mos.	
Rating Category	Count	Percent	Count	Percent
Buy [OP]	158	78.22%	29	18.35%
Hold [MP]	44	21.78%	5	11.36%
Sell [UP]	0	0.00%	0	0.00%

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Northland Securities makes a market in the subject company's security: TRNS

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