



Transcat, Inc.

Second Quarter Fiscal Year 2026 Financial Results Call

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

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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

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Max Michaelis, *Lake Street Capital Markets*

Edward Jackson, *Northland Securities, Inc.*

Martin Yang, *Oppenheimer & Co., Inc.*

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

Operator

Greetings, and welcome to the Transcat, Inc. Second Quarter Fiscal Year 2026 Financial Results Call.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, John Howe, Senior Director of Financial Planning and Analysis. Thank you, John. You may begin.

John Howe

Thank you, Operator, and good afternoon, 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 Financial Officer, Tom Barbato.

We will begin the call with some prepared remarks, and then we will open the call for questions. Our earnings release crossed the wire after markets close this afternoon. Both the earnings release and the slides that we will reference during our prepared remarks can be found on our website, 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. 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 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

Okay, thank you, John.

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

Transcat delivered strong performance again in our second quarter of fiscal 2026. The key to Transcat's ongoing success is the consistent execution of our unique strategy, which includes the diversity of our product and service portfolio. As a reminder, there are four key elements to our strategy, organic Service growth, inherent operating leverage in our Service platform, strategic acquisitions, and growth in our highly

profitable Rental channel. The combination of all four create a unique and proven resiliency in our business model, which can be seen clearly in the first half of our fiscal 2026 year.

Then second quarter, despite continued economic uncertainty and volatility, consolidated revenue increased 21% to \$83 millions. Stable calibration revenue driven by customer retention, strong performances by our two recent acquisitions, Martin Calibration and Essco Calibration, and significant growth in our Rental channel drove double digit revenue growth in both our Service and Distribution segments.

In addition, in the second quarter, consolidated gross profit grew 26% and gross margins expanded 120 basis points. Our differentiated strategy also enabled Adjusted EBITDA growth of 37% with 160 basis points of margin expansion.

Amidst macroeconomic uncertainty and continued headwinds, the team did an excellent job finding ways to win, grow and position the Company for sustainable long-term growth throughout both segments.

Turning to the Service results in the second quarter. Service revenue increased 20% and recorded its 66 straight quarter of year-over-year growth. Early results of our most recent acquisition, Essco Calibration, have been very strong. As expected, Essco is a perfect fit, and as we like to say, right down the fairway for Transcat.

Essco, like the Martin Calibration acquisition earlier in the fiscal year, demonstrates our ability to attract and acquire highly sought after calibration companies that expand our capabilities, geographic footprint, leadership and most importantly, our ability to deliver long-term organic Service growth.

Transcat's reputation as the strategic acquirer of choice in the calibration industry continues to be an important differentiator. We firmly believe our methodology and culture around integration and synergy capture is second to none. The acquisitions of both Essco and Martin have made Transcat a very difficult Company to compete with.

Turning to Distribution in the second quarter, Distribution revenue grew 24% from high demand, especially in our Rental channel. Gross margin expanded 530 basis points versus prior year, driven primarily by an increase in the mix of higher Margin Rental revenue within the Distribution segment.

The strength of our balance sheet continues to support Transcat's proven growth strategy. Our new syndicated credit facility nearly doubles Transcat's resources to execute on proven acquisition and growth strategies, automation and many new AI programs in the works. We expect AI to generate new data streams and associated insights that will benefit both sales and operations. From productivity to capacity planning, from marketing to customer retention, we are engaged in a new level of data management and delivery.

Overall, we are pleased with our second quarter performance, which, like the first quarter, remained strong despite continued economic headwinds.

With that I will turn things over to Tom for a more detailed look at our second quarter financial results.

Thomas Barbato

Thanks Lee.

I will start on Slide 5 of the earnings deck, which provides details regarding our revenue on a consolidated basis and by segment for the second quarter of fiscal 2026. Second quarter consolidated revenue of \$82.3 million was up 21% versus prior year as both segments grew double digits.

Looking at it by segment, Service revenue grew 20%, despite continued economic volatility. Distribution, revenue of \$29.4 million grew 24% primarily due to the strong performance from the higher-margin Rental business.

Turning to Slide 6, our consolidated gross profit for the second quarter of \$26.8 million was up 26% from prior year. Service gross profit increased 17% versus prior year. We continue to leverage higher levels of technician productivity and our differentiated value proposition. That said, Service margins continue to be pressured by lower than historic levels of organic growth, as well as lower year-over-year Transcat Solutions revenue.

Distribution segment gross profit of \$9.8 million was up 48% with 530 basis points of gross margin expansion, driven primarily from the performance in our Rental channel.

Turning to Slide 7, Q2 net income of \$1.3 million decreased \$2 million versus the prior year driven by higher interest expense and increased tax rate within the quarter. Q2 net income was negatively impacted by both onetime expenses related to the Company's CEO succession plan and a higher effective income tax rate. The income tax rate was impacted by higher than anticipated excluded compensation expenses also tied to the CEO succession plan.

Diluted earnings per share came in at \$0.14. We expect additional onetime CEO succession costs and a similar resulting impact on the Company's effective tax rate in the second half of fiscal 2026. We report adjusted diluted earnings per share as well, to normalize for the impact of upfront and ongoing acquisition related costs. Q2 adjusted diluted earnings per share was \$0.44. A reconciliation of diluted earnings per share to adjusted diluted earnings per share can be found in the supplemental schedules attached to this presentation.

Flipping to Slide 8, where we show our consolidated 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 for one-time deal-related transaction costs as well as increased levels of non-cash expenses that will hit our income statement from acquisition purchase accounting.

Second quarter consolidated Adjusted EBITDA of \$12.1 million increased 37% from the same quarter in the prior year with 160 basis points of margin expansion. Please note that the segment non-GAAP results are now labeled adjusted operating income, but the calculation did not change. 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 9, operating cash flow is up 5% versus the prior year and CapEx is in line with expectations and continues to be centered around Service segment capabilities, Rental pool assets, technology and future growth projects.

Slide 10 highlights our strong balance sheet. At quarter end, we had total debt of \$111.9 million, \$38.1 million available for borrowing under the secured revolving credit facility, and a leverage ratio of 2.25x. We were pleased to close the Essco Calibration deal in the second quarter. Essco was a coveted calibration company that is highly synergistic and fulfills all our strategic acquisition drivers. Our expanding Adjusted EBITDA margin will drive a lower leverage ratio in subsequent quarters.

Lastly, our Form 10-Q will be filed November 5, after the market closes.

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

Lee D. Rudow

Thank you, Tom.

As I mentioned earlier, our diversified portfolio of products and services, along with a strong financial profile, has generated consistent results over an extended period of time and through various economic cycles. This should not be understated as our business model continues to demonstrate its resiliency. In addition, we will continue to leverage technology as a competitive advantage by investing in state-of-the-art capabilities, systems, processes and AI, all of which drive sustainable growth and efficiencies into our business model. This is the Transcat way.

As previously discussed, we expect a return to high-single digit organic Service growth in the second half of fiscal 2026. In addition, we would expect margin expansion as we return to more historic rates of organic growth.

We have a strong acquisition pipeline to support an increase in our geographic footprint, capabilities and overall market share. Where it makes sense, we will continue to expand our addressable markets through acquisition. Our leadership team, across multiple levels of the organization continues to get stronger, and is a major contributor to our ability to continue to deliver sustainable, long-term value for our Shareholders.

With that Operator we can open the call up for questions.

Operator

Thank you. At this time, if you would like to ask a question, please press the star and one on your telephone keypad. You may withdraw your question by pressing star two. Once again, to ask a question, please press the star and one on your telephone keypad.

We'll take our first question from Greg Palm with Craig-Hallum. Please go ahead. Your line is open.

Gregory Palm

Hi. Good afternoon. Thanks for taking the questions. I wanted to start with just in terms of the quarter, Distribution was, I think, the highlight again. Maybe a two-parter, but number one, what's driving the Rental's acceleration? I do not know if it's—how much is market-related versus Company-specific that you're doing to drive incremental sales? Are you able to give us kind of the mix of what was Rentals in the quarter as a percent of Distribution?

Thomas Barbato

Yes. Greg, it's Tom. How are you doing? I think when we talk about Rentals, I think there's two things driving the growth there. I think one is—and we've talked about this before. I mean, we acquired Axiom Test Equipment about two years ago, and we made a conscious effort to focus last year on really accelerating the integration of that business. I think part of what we're seeing is that integrated team is performing at a very high level, I'll just say winning more opportunities that are presented to them, and really helping to drive some of the growth we're seeing.

I think there is some rent versus buy impact to the results as well, given some of the macroeconomic challenges that exist. But I think this one is heavily weighted towards execution on our part and the benefits of the integration work we did last year. I think year-over-year, the Becnel Rental business is also performing very well on a year-over-year basis, and we're seeing consistent demand there as well.

Gregory Palm

What kind of visibility levels do you have for the second half of that business, because obviously the revenue growth in the first half, from a number standpoint, is pretty incredible?

Thomas Barbato

Yes. I think we started seeing—in the second half of last year, we started seeing some of the benefits of better performance, better execution post-integration. I think it's not a reasonable expectation to think that we're going to continue to see the growth rates we saw in the first half of the year. But I'm still expecting reasonable margin expansion, not to the tune of—on a year-to-date basis, we're seeing north of 500 basis points of margin expansion year-over-year. I think we'll continue to see margin expansion, probably something more in the 250 to 300 basis points. But you should expect to continue to see good performance.

Gregory Palm

Okay. Then on the Service side, I think by my math, still kind of low single-digit organic decline. What gives you the confidence to sit here today and still say, yes, we're going to return to high single-digit organic in the back half of the year? Because it strikes me going from a low-single digit decline to a high-single digit, that's a pretty big move, pretty big uptick.

Lee D. Rudow

I'll take this one. Greg. This is Lee. If you factor out solutions, we like to look at it both ways. The growth was probably in the 1%, 2% range. We're going to call that pretty stable given this environment. We have no real issues on the retention. The customers that we have today continue to do business with us as they have in the past. Where we've struggled a little bit in this fiscal year has been on closing new business and starting new business.

I think the economy is such that the longer time to close has become more normal. The incremental cost for our customers to change vendors at this particular time with some of the uncertainty has been a challenge. But the reason why we're still quoting in the high-single digit range is because a number of accounts have been won recently and will come to fruition. We expect revenue as we drive through the third quarter into the fourth.

I think there's enough there that we have fairly good sight lines into more growth than we've experienced in the first half, which by the way, is what we've been guiding to softly for the last several quarters. This is what we thought would happen, and it's not too far off from our original expectations.

Gregory Palm

Okay. Understood. That's it for me. Best of luck. Thanks.

Lee D. Rudow

Okay. Thanks, Greg.

Operator

Thank you. Our next question comes from Max Michaelis with Lake Street Capital Markets. Please go ahead. Your line is open.

Max Michaelis

Hey, guys. Thanks for taking my questions. Congrats on the quarter. Maybe just a question towards Essco. Maybe looking back 90 days since you guys acquired them on the 5 of August. Maybe are there some things with that acquisition that have become more of a positive than you originally thought? Then maybe, on the other hand some negatives that you or maybe some obstacles you've run in with the Essco acquisition as well.

Lee D. Rudow

Yes. This is Lee, Max. Very few obstacles. We, in addition to acquiring the company, we acquired a really good management team. They understand their business. That business has done really well. We do not really count in our organic growth numbers when our acquisitions grow in the first year, but we have had really impressive growth from Essco. Actually, we have from Martin as well. Both those companies are in a double-digit range for growth since we acquired them and I expect that to continue.

As far as negatives, I really can't think of any. There are always some challenges just trying to get to know people. Most of the planning sessions have gone well. Our sales are integrated almost day one without any real issues whatsoever that have at least come to my attention. I think it has been as smooth as we have experienced. I think you are going to get that with the better quality companies. We saw it with Martin. We are seeing it again. That's almost commonplace, and it's part of you get what you pay for. We have been pleased, really pleased.

Max Michaelis

Yes. I guess kind of go back to sort of the question Greg had just with the back half of the second half of the year with Service returning to organic growth. You talked about some economic uncertainty—barring any economic uncertainty, further obstacles. What is that? How would you define that, this economic uncertainty stalling you guys from growing in the second half of the year? Just getting a gauge on what is—what we should be looking for, I guess, to model out the second half of the year for Service growth?

Thomas Barbato

I think what we're alluding to, Max, is maybe more of what we've seen in the first half of the year. A lot of uncertainty around tariff levels and where things are going from an interest rate environment standpoint. I think it's got some of our customers reacting a little slower than what we normally see. I think with recent news, we're expecting that to improve some. It just seems like in this environment we're operating in, things are subject to change at any point in time.

Max Michaelis

Have you seen customer sales cycles shrink since maybe three, four months ago up until now?

Lee D. Rudow

I don't think the sales cycle has shrunk. I think we've—for the last half a year to three-quarters of a year, we've had consistent delays for customers who originally expressed, "Yes, we're going to go with Transcat. We like the value proposition. Here's when we're going to make the change." Then it seems to get delayed and delayed again. I've seen this before. It's not uncommon. It's why we try not to focus quarter-to-quarter. Try to look at the bigger picture of who we are, where we're headed, where we've been in terms of a Service Company.

We love the position we're in. But you're going to have economic cycles like this that are just going to be a little bit softer than you like. But our revenue and retention relative to—our revenue relative to retention has been solid. We've made two terrific acquisitions in the space, 20% growth in Services. This is what you want. To do it in an economic environment like this, I think, says a lot about our Company, which I tried to allude to in the script.

We're right on target. I consider this really good performance given some of the headwinds we have. We'll see how it all plays out. We are seeing sight lines. We are seeing signs of customers actually giving us the go on new orders. That's where the confidence is coming from in the back half.

Max Michaelis

Awesome. Thanks, guys. Great quarter.

Lee D. Rudow

Okay. Thanks Max.

Operator

Thank you. Our next question comes from Ted Jackson with Northland Securities. Please go ahead. Your line is open.

Edward Jackson

Thanks very much. I want to just—it's not really a question, but it is a question. But just with regards to Rental, the Rental business has been going really well. You keep it buried in Distribution. What's going to get you to break that out? Why I ask is, it's becoming a pretty important piece of business, and it's an important piece of your CapEx. If I'm not mistaken, I don't think you break your Rental CapEx out. The CapEx is substantially larger than it was before. You're clearly investing, it seems, in your Rental assets. At what point do we get to where you're going to start showing a little more about that so we can get a better handle on the return you're getting off that investment rather than deciding it just be growth driver on the top? That's my first question.

Thomas Barbato

Yes. Hey, Ted. It's Tom. One of the beauties of the Rental business, and part of the way that we got this business started, is that to a large extent, we're renting equipment that we would otherwise sell through the Distribution channel. There was a low cost of entry. We could take something off the Distribution shelf and put it on the Rental shelf. If there was a customer that was willing to pay to rent it, we would be able to do that in a seamless way. The beauty in having that flexibility and being able to execute that and grow that business from nothing to something is also internally, there's a lot of, I'll just say, blurred lines in terms of, we have the same people supporting in our warehouse.

It's the same people supporting Distribution and supporting Rental. We're working with the same vendors. There's a lot of overlap between those businesses. It's not easy to necessarily break it apart. I think at some point in time, we may be there. Currently, it's operated as one business internally from a resource standpoint, so on and so forth.

I think when we talk about CapEx, I would just think in the context of about a third of our CapEx budget is allocated towards Rentals. When we talk about Rentals, you got to think about CapEx from a net standpoint, because anytime you have an effective Rental business, you also have to have a way to identify slow-moving equipment and have a use program to churn that equipment out, generate cash, and reinvest it in assets that do have demand. I would just say on a net basis, it's about a third of our CapEx budget.

Edward Jackson

What is it in terms of a piece of your PP&E? It would not be in your inventory. It would be in your...

Thomas Barbato

I don't have that number off the top of my head, but I could follow up with you.

Edward Jackson

Okay. I mean, you get where I'm going with it. It's turning into an important business driver. I just think there needs to be some more metrics around it. That's all. The next question is on the solutions business. It's been—now we have all these new headwinds. Prior to the election and everything that's taking place, it's been a drag for the business for quite a bit of time. You've signaled in the past that it's come to a point where it's stabilized. Can you give a little more color? When you look at that solutions business for the third quarter, what was it relative to the second quarter? How did it come in? What was it relative to the prior year period? How is it performing vis-à-vis your expectations when you went into the quarter?

Lee D. Rudow

Yes. This is Lee, Ted. I think it's in line. I'll say it's within pretty close range of our expectations. We wanted the business to be stable, meaning it had gotten to a certain point. There was a significant drop-off. Now we're not seeing drop-offs anywhere near what we saw back a year ago. That's what we're shooting for. From a sequential standpoint, if you look from Q1 to Q2, you did see stability, which is what we expected, what we guided towards. If you look year-over-year, you still see declines. I'm going to say and characterize them within the range of what we thought were the possible expectations.

That business, it's an important business because, in time and over time, it will help us drive organic Service growth. We like it for that reason. But we would expect, once we get to the place where we think the business can go, its growth rate should be similar or than our normal—than what our typical overall growth rates are for calibration services. We'll see. Right now, it's close. I would say it's in range of the expectations that we set a year ago.

Edward Jackson

If let's just say it was flat sequentially and it just trends flat—I'm not saying that's your expectation or anything, but if it did that, at what point would you—would it stop being a drag with regards to growth metrics and the top line?

Lee D. Rudow

Yes. If it was a flat business then it's a business that—we're going to maintain a flat business, it's going to be for one reason only, and that is that it's a means to an end, and it drives calibration business for us. Therefore, it's a channel that we see value in. We don't see it today as a flat business in the long term. I think once we get it stabilized and get everything lined up the way we think we're capable of doing that should be a growth business.

Edward Jackson

No, no. I prefaced my questions with that. I'm just—where I'm driving to is, to be honest, is at what point does it stop being a drag with regards to top line growth? That's really what I'm coming at with it, given where you're at if you'd stabilize it.

Lee D. Rudow

Yes. Very soon. As we get through this fiscal year and the back half of the year that's exactly what we would expect. We shouldn't be talking about the solutions business like we've talked about it for the last year as we get through third and fourth quarter. This is the time when we saw the declines. This is when we thought we'd get stabilized. We're close. I think yes that conversation is going to be over in the next quarter or two.

Edward Jackson

Okay. Then the last thing with regards to your transitions and stuff and the added expenses, impacts on tax and stuff that's not in your pro forma calculus for earnings at all. It's still flowing through the bottom line in your pro forma calculus, or is that being removed?

Thomas Barbato

It's adjusted out for the Adjusted EBITDA number. It's adjusted out for the adjusted EPS number per the reconciliation.

Edward Jackson

Okay. I just wanted to make sure that—yes, so that, what is it, \$0.44 of adjusted earnings that has—that we've moved. That's what I was asking.

Thomas Barbato

That's correct.

Edward Jackson

All right. Hey, thanks very much. I'll step out of line.

Thomas Barbato

Thanks, Ted.

Lee D. Rudow

Take care.

Operator

Thank you. Our next question comes from Martin Yang with Oppenheimer. Please go ahead. Your line is open.

Martin Yang

Hi. Thank you for taking my question. I want to make sure I understand the different growth dynamics between newly acquired Essco and Martin and then your other Service business. Other Service businesses overall have organic growth rate at low single digits. You also mentioned Essco and Martin still on double-digit growth. What created such different growth profiles? Anything you can do to bridge to?

Lee D. Rudow

Okay. I guess the question is, why are those businesses doing well?

Martin Yang

Yes, better than the rest of your Service.

Lee D. Rudow

Right. There's probably a couple of reasons that I would point towards Martin. First and foremost, it really depends, for example, Essco is in the New England area, which is their strength. There are certain life science customers that are doing very, very well. We do a lot of research. We churn a lot of data to figure out which customers are growing, which ones are descending, which ones have troubles, which ones are building plants, which ones are not.

We knew in due diligence that their portfolio of customers was a really strong portfolio. We expected them to grow. Some of the ones that we have are just a little bit different. We have some of the same customers, but in some cases, they are different. Part of what made Essco, Essco is the strength of their customer base and their trajectory of growth. That has not come to us—that's not surprising to us.

Really, the same thing with Martin too. In the particular region that they are in, which is Minneapolis, the life science companies that are there and the med device primarily that are there are companies that are performing really well. As you go around the country, we have 34 commercial labs. I would say 80% of our—don't hold me to this number, but a large percentage of our commercial labs are growing. We just have different pockets in different regions for different reasons where we have some headwinds. That's normal.

We bought those companies for a reason, and we expected them to grow even with these headwinds. They are doing that. They are meeting our expectation.

Martin Yang

Got it. Another question on the next quarter. Part of the Martin's performance will be characterized as organic growth come next quarter, correct?

Lee D. Rudow

That's correct.

Thomas Barbato

The end of the quarter, yes.

Martin Yang

Yes. Are you able to quantify how much that can contribute to your organic growth target?

Thomas Barbato

I would just say, Martin, it's \$25 million on a base of—on a full year, on a base of \$225 million or \$230 million of Service revenue. It kind of gets diluted because it's 10% of the total. Yes, I don't know how else to characterize it. I don't have a specific.

Martin Yang

Would you expect Martin and Essco to sustain their double-digit growth?

Thomas Barbato

I think we expect them to continue to perform well. But I'm not sure how comfortable I am saying that they're continuing to perform double-digit growth, because every year you do that, the base gets larger. At some point, what Lee just said about their customer base, we could see some slowdowns there. We expect them to continue to perform well. I'm just not sure we could say that they're going to continue to perform in the double-digit range.

Martin Yang

Understood. Thank you, Tom. Thank you, Lee.

Lee D. Rudow

Thank you. Thanks, Martin.

Operator

Thank you. We do have a follow-up from Greg Palm with Craig-Hallum. Please go ahead. Your line is open.

Gregory Palm

Yes. Thanks. Just a couple of follow-ups. On Distribution, I feel like every year, it almost sort of builds throughout the year. I guess my question is from a seasonality standpoint, do you expect anything different this year? Is there anything, any reason why you would have maybe higher than normal first-half revenues? I don't know if that's just timing or what you sort of see right now based on visibility levels. Just curious how you think Distribution plays out more specifically in the second half.

Lee D. Rudow

You're right. I think we're going to see it continue to be strong. Typically, third quarter's a strong quarter historically for Distribution. When we look at—we look at pulse, so pulse for us would be things like daily quotes and activity levels and so on and so forth. The pulse for Distribution continues to be strong into third quarter, which is what we expected. I don't see anything right now on the radar, and I'll defer to Tom as well, that would lead me to believe there's a drop-off coming from the strong performance we've had.

Thomas Barbato

Certainly not a drop-off. But I think, as I mentioned earlier, I think, when we talk about Rentals and some of the benefits that we're seeing from the execution and as a result of our integration, we started to see some meaningful acceleration and growth towards the back half of last year. I think as we look ahead to the second half of this year, I don't think we're certainly not going to see things reverse. I think the growth will moderate a little bit. That's why I'm also not expecting 500-plus basis points of margin expansion. I think something, as I mentioned earlier, 250 to 300 is probably more reasonable on slightly lower growth.

Gregory Palm

Yes. Okay. Fair enough. Then I was wondering if you could comment at all on the competitive landscape in the Service segment with a couple of things going on. I don't know how that sort of relates to your expectations of accelerated organic Service growth, but just curious to get your thoughts there.

Lee D. Rudow

When you look at the competitive landscape, there's a group of traditional customers that we've always competed against. You're talking to SIMCO's, the Tektronix's, the Trescal's. From the information that we gather from the marketplace, in at least a couple of cases those companies are struggling a bit with these particular headwinds that we have. There are reasons for that.

Over the longer term, Transcat has been so committed to the calibration market. We've invested year in and year out, not only in our people and our training, but the assets we put in, capabilities, the types of acquisitions we make. The competitors that I just referred to have not done that. They haven't acquired companies and increased capabilities. They have not put a lot of capital into their businesses. When you hit—look, this is my opinion and from the information that I have. When you come up against headwinds, we're much better suited to withstand them than that group of competitors. I think we've done an excellent job doing that. I'm very proud, actually, of the organization. Yes, maybe our organic growth is in a flat or low-single digit range. I think relative to others that are traditional...

Thomas Barbato

Much well—better diversified.

Lee D. Rudow

Better positioned, better diversified. I used the word diversified a couple of times in my script for that very, very reason, Greg. Now we also compete these days with a new—there's a new group of competitors. There's some private equity in our business space who have sort of consolidated several, in some cases, smaller companies. But again, longer term, if you don't integrate those companies and you can't take advantage of the synergies, particularly the growth synergies, I think you're going to end up with the same scenario.

If you invest the way we invest, you integrate the way we integrate, acquire the types of companies we acquire, I think we're going to continue to fare well with the old competition, which I described, and the new competition, which is more PE-backed. I like the position we're in. It doesn't mean we're not going to face headwinds like everybody else. I just think we're going to fare better and in the longer term, we're going to be better positioned. We've proven that over time, and I think we're proving it right now.

Gregory Palm

Yes. Okay. Makes sense. All right. Appreciate the color. Thanks.

Lee D. Rudow

No problem.

Thomas Barbato

Thanks, Greg.

Operator

Thank you. This will conclude our Q&A session. I will now turn the call back to John Howe.

John Howe

Thank you all for joining us on the call today.

We have a number of upcoming conferences in the month of November. On November 11, we will be attending the Baird 2025 Global Industrial Conference in Chicago. On November 17, we will be attending the Raymond James Sonoma Small Cap Summit in Sonoma, California. Finally, on November 19, we will be attending the Stephens Annual Investor Conference in Nashville, Tennessee.

For those attending the conferences, we look forward to seeing you there. Otherwise, feel free to reach out to us at any time. Thanks again for your interest in Transcat.

Operator

Thank you. This does conclude today's program. Thank you for your participation. You may disconnect at any time.