



**Transcat, Inc.**

**Fourth Quarter and Full Fiscal Year 2025 Financial Results  
Conference Call**

**May 20, 2025**

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

**Thomas Barbato**, *Chief Financial Officer*

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

**Michael West**, *Chief Operating Officer*

## 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*

**Ted Jackson**, *Northland Securities*

**Scott Buck**, *H.C. Wainwright*

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

### Operator

Greetings. Welcome to Transcat Inc.'s Fourth Quarter and Full Fiscal Year 2025 Financial Results Call.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Tom Barbato, Chief Financial Officer. Thank you, Tom. You may begin.

### Thomas Barbato

Thank you, Sherry, 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, Mike West. 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 market 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 cautionary 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 Rudow**

Thank you, Tom.

Good morning, everyone, and thank you for joining us on the call today.

Fiscal 2025 consolidated revenue was up 7% to \$278.4 million, on continued consistent demand for both our services and products. Service revenue grew 7% to \$181.4 million, driven by strength in our core calibration business. Distribution revenue grew 8% to \$97 million, on continued growth in our rental platform. Operating cash flow for the full fiscal 2025 year was a record \$38.6 million, a year-over-year increase of 18%.

Additionally, on December 9, we acquired the coveted Martin Calibration, the largest acquisition in Transcat's history. Martin is a very profitable, well-run company, with over \$25 million of mostly calibration service revenue. The Martin deal is highly synergistic and fulfills all three of our strategic acquisition drivers, including: geographic expansion into the Minneapolis and Chicago regions of the Midwest; expanded capabilities and expertise, particularly on the dimensional and mechanical measuring side of the business; and, finally, two bolt-on opportunities where we can leverage our current infrastructure in Southern California and Phoenix, Arizona.

Turning to the fourth quarter results for our Service segment, Transcat's calibration services business continues to perform well and benefit from high levels of regulation and recurring revenue streams. In the fourth quarter, calibration services achieved double-digit revenue growth of 11%, of which organic growth was in the high-single-digit range when normalized for the fifty-third week and excluding Solutions. We reported a Service gross margin of 36.2% in the fourth quarter, which expanded 50 basis points, versus the prior year. Margin expansion was driven by organic revenue growth and the associated inherent leverage in our calibration lab operating model, along with increased productivity from continued automation and process improvement.

Turning to the fourth quarter results for our Distribution segment, Distribution revenue grew 4%, driven by growth in the rental channel. It's important to note our associated e-commerce platform continues to be an important component to lead generation for the Service segment. Transcat's Distribution platform, including rentals, uniquely positions the Company to achieve its consistent, organic Service growth. Barriers to entry in this respect have defended, and we expect will continue to defend, both our unique value proposition and strong brand across both operating segments.

With that, I'll turn things over to Tom for a more detailed look at our Q4 and full year financial performance.

**Thomas Barbato**

Thanks, Lee.

I'll start on Slide 4 of the earnings deck, which provides detail regarding our revenue on a consolidated basis and by segment for the fourth quarter and full year.

Fourth quarter consolidated revenue of \$77.1 million was up 9%, versus the prior year, on Service segment strength and growth in our Distribution segment.

Looking at it by segment, Service revenue grew 11% to \$52 million, which included \$6.8 million from acquisitions in the quarter. As Lee mentioned, growth was driven by strong performance in our calibration business, and Service organic revenue growth was in the high-single-digit range when normalized for the fifty-third week and excluding Transcat Solutions.

Turning to Distribution, revenue of \$25.1 million was up 4%, versus the prior year. We continue to see growth in the rental channel.

Finally, on a full-year basis, total consolidated revenue was \$278.4 million, an increase of 7%, compared to the prior fiscal year. Our Service segment saw continued demand in our calibration business, resulting in year-over-year growth of 7%. On a full-year basis, Service revenue benefited by \$10.4 million resulting from acquisitions. Distribution segment revenue grew 8%, driven by rentals.

Turning to Slide 5, our consolidated gross profit for the fourth quarter of \$25.9 was up 8% from the prior year, and our gross margin declined 30 basis points. Service gross margin expanded 50 basis points to 36.2%. The Service margin increase further demonstrated the inherent leverage in our business model, as well as our ability to leverage higher levels of automation and technician productivity. The Distribution segment gross margin of 28.2% was down 210 basis points.

For the full year, our consolidated gross profit increased 7% to \$89.5 million, and our gross margin declined 20 basis points to 32.1%. Our Service gross margin was 33.4%, which represented a decrease of 30 basis points, compared to the prior year. Distribution segment gross margin of 29.7% was up 20 basis points, as the segment benefited from the growth in the higher margin rental channel.

Turning to Slide 6, Q4 net income of \$4.5 million decreased from \$6.9 million in the prior year, and our diluted earnings per share decreased to \$0.48 from \$0.77. The prior year net income included a non-cash profit increase of \$2.4 million for the amended NEXA Earn-Out agreement. We report adjusted diluted earnings per share, as well, to normalize for the impact of upfront and ongoing acquisition-related costs. Q4 adjusted diluted earnings per share was \$0.64. Lastly, full year net income increased 6% to \$14.5 million.

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 best measures 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 the increased levels of non-cash expense that will hit our income statement from acquisition purchase accounting.

With that in mind, fourth quarter consolidated Adjusted EBITDA of \$12.7 million was up 9% from the same quarter in the prior year, driven by growth of 16% in the Service segment. Q4 EBITDA margin of 16.5% was consistent with last year. Full year EBITDA of \$39.7 million, which was up 3% compared to

the prior year, driven by strength in the calibration business. 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 free cash flow of \$25.4 million improved 31%, versus the prior year. Full year capital expenditures were consistent with the prior year and continue to be centered around Service segment capabilities, rental pool assets, technology and future growth projects. The spend was in line with expectations. For fiscal year 2026, we expect our net CapEx to be in the range of \$14 million to \$16 million.

Slide 9 highlights our strong balance sheet. At year end, we had total net debt of \$31 million, with a leverage ratio of 0.7x. We had \$49 million available from our credit facility at quarter end.

Lastly, we expect to file our 10-K on May 27.

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

**Lee Rudow**

Thanks, Tom.

Those of you who follow Transcat know we have consistently delivered strong results through various economic cycles over the past decade-and-a-half. We have a proven track record of delivering profitable growth and being disciplined capital allocators. Our strategy is differentiated, and our leadership team is poised to execute our plan and to drive excellent performance.

While the macroeconomic backdrop, including tariffs, have become more uncertain since the beginning of the year, over time, Transcat's business, particularly our calibration services channel, has been resilient, as it continues to benefit from recurring revenue streams and highly regulated markets. Put simply, in the past, the business holds up well. It holds up well because our organic growth typically returns to growth levels more in line with the historical high-single-digit growth range as macro trends normalize.

As we look at the landscape for strategic, accretive acquisitions, we are excited by our current pipeline and our opportunity to drive both synergistic growth opportunities and strengthen our foundation for future growth. As I mentioned, we are particularly excited with the recent Martin acquisition, which is both sizeable and right down the fairway for Transcat. The early Martin integration activities are going very well, and ahead of schedule.

We continue to believe the Service segment has a substantial runway for growth, both organically and through acquisition. Our Solutions business is making slow-and-steady progress towards the short-term goals we communicated over the last couple of quarters. We are now actively operating the proven Transcat sales playbook in the solutions channel, and as we integrate the solutions channel into our overall Service platform, expectations are for improved results, stabilization and, ultimately, growth, which will contribute to our overall organic Service goals.

I'll close by saying that our leadership team has never been stronger. Across the organization, we've invested in recruiting and developing a higher level of leadership in sales, technology and operations, all commensurate with our ambitious long-term expectation for Transcat. It all starts with strong leadership and culture. In our business space, we believe our leadership team is second to none. We intend to leverage these strengths as we create, communicate and execute our strategy and vision for the future, a future we feel is incredibly exciting.

With that, Operator, you can open the call for questions.

**Operator**

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment while we poll for questions.

Our first question is from Greg Palm with Craig-Hallum Capital Group. Please proceed.

**Greg Palm**

Yes, good morning. Thanks for taking the questions, and congrats on the results.

**Lee Rudow**

Thanks, Greg.

**Thomas Barbato**

Thanks, Greg.

**Greg Palm**

Can we maybe just start with, in terms of the cadence, thinking about—thinking back to December and some of the timing issues you had, and back in late January, you talked about a big bounce-back in January. How did the rest of the quarter flow, and I guess, more importantly, over the last, call it, four, five, six weeks, any change versus what you saw back in February and March?

**Lee Rudow**

I would characterize the fourth quarter—February, March, I would just include in my characterization—as good, solid, kind of what we expected. We probably saw some of the pent-up demand from the December timeframe, that I think you're referring to, make its way into the fourth quarter, and that helped contribute to the high-single-digit organic growth. I don't think we saw it all, and I think that will play out over time. That's kind of an interesting thing, I mean, given the backdrop we have and some of the volatility. This work has to be done, and we're going to do it, but there is some flexibility in the short term for customers to kind of wiggle around certain dates and extend intervals when necessary. I think it all plays out as we'll get the work, but from a quarter-to-quarter or month-to-month basis, it's hard to predict, particularly with the volatility. We're pleased with the high-single-digit growth, we think there's probably more over time, but it'll take a couple of quarters to get past the current volatility before we probably see it all.

**Greg Palm**

Got it, that's fair. I remember last quarter, in the Service business, specifically, you talked about that there were several big opportunities looming out there. Did any of those close, or is that kind of what you're referring to in terms of still opportunities and things are shifting around timing-wise, etc.?

**Lee Rudow**

Yes. We have a healthy pipeline currently of new opportunities we're working on. We've had a number of new wins contributing to what we think will be momentum primarily—or particularly in the back half of the year, as we look out at some of the potentiality of it. But, yes, I think—again, I've said this for many, many years—it's difficult to look at any business, it's difficult to look at our business, every 90 days and get a full picture. It's a regulated market, the recurring revenue streams. If you do the work well and you're customers are satisfied, you'll get the work back most of the time. If you look beyond quarter-to-quarter and look at the whole year, we would expect to hit our targets of high-single-digit growth as we exit this year and go into next. How soon we get there, and the volatility in the first quarter, these are things that are very difficult to determine given the current economic backdrop, but I'm not—we don't have any concerns when we look beyond that.

**Greg Palm**

Fair enough, okay. Then, just on Distribution, I'm just curious, just given some of the tariff announcements, from a procurement standpoint, just remind us where that sits. Maybe more importantly, are you seeing any changes in behavior from customers, are you seeing more demand or more interest in rentals versus buying outright? I'm just curious to see what you're seeing in that segment, as well.

**Lee Rudow**

Right now, if I look at the current environment we're working in, Distribution has held up really well, and what I mean by that is we're getting a fair amount of orders and volume in, but it's hard to determine even a little bit of an uptick. It's hard to determine whether people are getting ahead of some tariffs, so some momentum is—that's the impetus for some of the momentum. We always used to say that the Distribution business was a leading indicator. When the business was slow, that might tell you something about the economy. When you're doing well, it tells you something else. In this environment, where you've got the tariff discussion going on, I think sort of all bets are off. I think the uptick and the solid results that we're seeing kind of currently may be a leading indicator, but may also just be a reaction to tariffs. I think we're going to need more time before we determine how that business is going to play out this year, and what the current kind of steadiness means, I don't know, but not overly thinking it, because there's just too much volatility, but right now, we're doing okay.

**Greg Palm**

But to be clear, when you were talking about uptick, are you talking, like, current quarter, quarter to date, or are you putting (multiple speakers).

**Lee Rudow**

Yes, I'm just saying currently—the current read is Distribution is holding up well.

**Greg Palm**

Yes, okay. All right, I will leave it there. Thanks.

**Lee Rudow**

Thanks, Greg.

**Thomas Barbato**

Thanks, Greg.



**Operator**

Our next question is from Ted Jackson with Northland Securities. Please proceed.

**Ted Jackson**

Great. Thanks for taking my questions.

**Lee Rudow**

Thanks, Ted.

**Thomas Barbato**

Hi, Ted.

**Ted Jackson**

My first question. You did a really nice job with regards to expense control on the OpEx side, and I was curious, what were the levers you pulled in there, and how would we think about those line items as we put together our estimates for '26.

**Thomas Barbato**

Yes, I think, obviously, it's something that we focus on regularly, Ted, and always trying to make sure that are costs are aligned with the levels of revenue we're seeing, also aligned with some of what we're seeing from the economic backdrop here, right? Some of it is delayed hires, some of it is just good cost management, and we'll continue to do that. On the hiring front, you can only do that for so long, right, because we want to make sure that we have the right teams in place to deliver our long-term plan. But we'll continue to focus on costs, we'll continue to make good decisions. As we go into this year, I would expect some nominal increases. There will be some items that return, I'll just say, to more normal levels, right? As an example, based on our performance last year, we didn't pay incentives at the level that we normally would, but we would expect this year, with our expectations that we would see an uptick in some of those lines. But, where we can, be focused on cost savings, and being very cost-conscious, we absolutely will.

**Ted Jackson**

It was impressive. Next question, I'm going to go back to what Greg was dancing around with. I listened to the prepared remarks and the commentary that's in your slide deck, and the discussion with regards to expectation of high-single-digit growth for Services, with the caveat that once the macro-environment normalizes. Is that just boilerplate and we're just being conservative, because as you've been rolling through the spring, have you seen some disruptions, maybe, turmoil within the business that gives you pause, where you—you've actually seen essentially rolled into April, and now we're in May. The last few months, we've seen things just be a little more turbulent and maybe you're thinking about how you're going to lay out that growth that you're expecting, that things will calm down and you're going to see, maybe, a stronger back part of the fiscal year than the front part of the fiscal year, all things being (inaudible).

**Lee Rudow**



Yes, this is Lee. Of course, and I think a lot of what you said, I would agree with, and the way you said it. I think the bigger overall—yes, there's short-term volatility, short-term disruption. There are some customers that are going to delay some work and will push out into the second quarter from the first, or even into the third or the fourth. That's going to happen, this is a pretty unusual environment. But what we're focused on, and we've always been focused on, is our value proposition and the way we approach the market, and the quality of our services that we offer, and it's very, very strong. In fact, I would say that entering this year and through the year, our ability to sell calibration services, to satisfy our customers, the type of data we're getting from our technology, the type of structuring we're doing on how we approach the customer, these are all getting better. There's process improvement opportunities we've been talking about. We don't just say that because it's sort of boilerplate, we say it because we're focused on it, and I expect this Company to get better and to be better, and to have stronger sales in the future than even in the past.

Now, all bets are off for the next quarter or two, and I'm not going to, you know, pretend that I know every possible outcome, but I will tell you with high-level confidence that the things we're doing are the right things for the business, our value proposition is second to none. I like what we're doing on the leadership front, I like what we're doing on the sales front, the pipelines look good, and I expect this business to perform well once we get over some of the volatility.

Yes, nothing has changed, and if anything has changed, I see a bright future that could get better, and I'll just leave it at that. I'm not going to put numbers around it. I just like the direction we're going, and I like who we are and what we're doing. I look out much further than the next quarter or two and I like what I see.

#### **Ted Jackson**

I'd be concerned if you didn't look longer than a quarter or two. I'm going to ask one more question. I do have more, but I'm going to let other people ask, and then if they don't get asked, I'll circle back in. The next question is just on Transcat Solutions or the NEXA business. It's been an area that you've been repairing, rebuilding, if you would. Could you talk a little bit about where things stand with that portion of your world and how to think about it for the next (inaudible)?

#### **Lee Rudow**

Yes, sure, I will, and there were two goals with NEXA coming off some of the problems. You know, we call it Solutions now, and the change from NEXA Solutions is important, because it's a change in how we view the business. There's two pieces to it. One is sales. We have integrated—we are integrating. We've put a lot of work into making sure that every salesperson in this Company understands the value proposition around Solutions and that every salesperson is capitalizing on the opportunities they encounter relative to the Solutions channel, and that was not in place before. It doesn't happen overnight, but I think we get better every day. I'm fairly pleased with the progress we've made in terms of the recognition of how to sell, when to sell and why to sell Solutions. I would not have said that a year ago, I don't think I would have said it six months ago, but I like the progress we've made.

On the Operations front, we see total integration, where Solutions not only stands on its own two feet as a channel, a small channel, but that it's a means to an end. It's a means to an end—we say a lot here at Transcat internally, all roads lead to calibration. When we're in front of a customer and we're trying to solve problems for them on their database, on their reliability, if you will, looking at their intervals, it all leads to a calibration discussion. We see it as a means to an end, Solutions, in and of itself, and it's an important distinction. Sales understands this, Operations understands this. This is an important part of making Transcat a better company. I'm pleased with the progress. We'll continue to stabilize it and, eventually, the growth that we see in that area will contribute to our overall organic growth in Service.

**Ted Jackson**

Okay. I'm going to step aside; I may jump back in later. Thanks.

**Lee Rudow**

Thanks, Ted.

**Operator**

Our next question is from Scott Buck with H.C. Wainwright. Please proceed.

**Scott Buck**

Hi, good morning, guys. Thanks for taking my questions. Lee, I'm curious. You've been integrating automation now for a few quarters. How much juice is there left to squeeze out of that?

**Lee Rudow**

It's a great question. We started probably what, three, four years ago, we said we were in the first inning. I appreciate the question, I think it's an important one. We have made so much progress, I'm really proud of the team, and it contributed to some of the margin improvement, without question. I would characterize where we are, Scott, today is around the fourth or fifth inning. I feel like we're in the midpoint. Maybe not quite, maybe just under the midpoint, so maybe fourth inning is probably better than fifth. We've got a lot of work to do, it's arduous, it's slow, it's hard, but when you do it and you get it done, it's coding, you've got it, it theoretically lasts forever, and you move on to the next one. We've invested a lot of time and effort and money. I think it's a differentiator for us. When we talk about getting consistently into mid-high-single-digits, and beyond that, it's a big, important component of that progress.

Yes, let's call it the fourth inning, with one out, how about that?

**Scott Buck**

That's helpful, and great to hear there's some more room there. Second, can you remind us, in a more challenging macroenvironment, the mechanics of Distribution? Do you see customers put off sales, so the rental route instead, to save some of their own CapEx, or what are the mechanics on that side of the business in a more challenging macroenvironment?

**Lee Rudow**

I think the short answer is, yes, you do see that. We're not seeing it right now, and I think the reason may be, and this is not a definitive answer, but our gut tells us we're not seeing it right now—because we all know this is a challenging environment, so why isn't Distribution feeling more pressure? We think it might be people trying to get ahead of tariffs, so people ordering equipment at price levels that they anticipate are lower than they're going to be in the near future. Even though the mid-term outlook on Distribution may not be as favorable, just in theory, we're not seeing that, because I think the macros driven by tariffs are different than macros driven by more of a long-term, recession-oriented environment. I think that's the reason, but we're not seeing it, because normally you would expect Distribution sales to be at the front, the tip of the spear, and to be declining and to feel some headwinds, that we're not feeling today, but that we might feel as soon as we get over the tariff hump, where the orders have been placed, higher costs

are hitting the market, and then you will see Distribution maybe later in the year. But this is speculation, this is what we're thinking.

**Scott Buck**

Great. That makes a ton of sense. Then, last one, Lee. The business clearly looks fairly different than it did three or four years ago. Has the M&A criteria changed at all, just given the scale and scope of the business today versus maybe 2020 or 2021?

**Lee Rudow**

I think we have—we spend a lot of time on our M&A plan. There's hundreds of small companies—you know, it's still a fragmented industry. In general, much of the narrative is the same. There's more PE involvement in our space. We're a public company. Transcat has had outstanding performance for a really long time, really consistent, we've got a great model, and, of course, PE is attracted to that. We've seen more private equity scoop up some small companies, but in almost every case—and there's a few exceptions, but not many—it's companies that we took a pass on, for good reason, from our perspective. There are companies being acquired and the field, the pond, is getting a little bit smaller, but I still think there's a lot of work to be done on the more desirable regionals, like Martin, for example, and there's still enough fragmentation that we have a plan, and we should be able to execute.

I think it's, yes, it's changed a little bit—everything changes—but not to some extent where I would say our acquisition plan has changed, or our outlook or expectations to get important synergistic deals done. I still see a pretty good opportunity for that.

**Scott Buck**

Great. I appreciate the added color, guys, and congrats on the quarter.

**Lee Rudow**

All right, Scott. Thanks for the questions.

**Thomas Barbato**

Thank you, Scott.

**Operator**

Our next question is a follow-up from Ted Jackson with Northland Securities. Please proceed.

**Ted Jackson**

Great, thanks again. I've got two follow-ups, the first going into the Distribution and rental, and maybe if you could give a little more color on what you're seeing within the rental market. I know you don't break it out in terms of the size, but will it continue to take a bigger chunk of the line item as we go forward? Then, now that it's become such a more important part of your business, how do you see rental performing in a more challenged macro-economic environment? I would think that, you know, it's kind of a—it could be something that could do well, and maybe we'd see the equipment distribution side maybe be weaker, but perhaps the rental a bit stronger? That's my first question.

**Thomas Barbato**

Yes, and I think, Ted, it kind of gets back to Lee's comment earlier, is that in a time of uncertainty, like this, we would have expected a pullback in core Distribution and maybe rentals to pick up the pace because of restrictions on CapEx. But we haven't seen that pullback in Distribution yet. I think we are seeing a little bit of an uptick in rentals, and we would expect that the longer things remain in this uncertain environment, that that would be a benefit. But we've had, and we continue to have, expectations for the rental business to grow in line with our historical trends on the Services business, high-single-digits, and we're making the investments that we need to ensure that growth will continue, not only making investments in our asset pool, but also making investments in people to help enable that.

**Ted Jackson**

But, in some ways, (inaudible) generally a better margin revenue stream than actual Distribution, it could be a case where, even though you might see some softness in Distribution, you might pick it up at the gross profit level with the mix shift towards rentals. Is that a fair way to think about it?

**Thomas Barbato**

For sure, for sure, and I think as we look forward, assuming that it plays out the way you described, Ted, then I think we'll definitely be in a position where we can—or we should be in a position, I should say, where we can just consistently see Distribution margins north of 30%.

**Ted Jackson**

Then, my last question was actually one that's hopefully a little bit more fun, but I liked the commentary with regards to the impact of automation improving some of your margin structure. I know that you made that acquisition in Ireland, it was something that we used to talk about quite a bit, (inaudible) too much. Maybe a little discussion about what are some of the things you've done on the automation front that have allowed you to drive a better return on your business, and where you see that going, very open-ended. Thanks.

**Lee Rudow**

I think there's two parts to automation. One is the technical side, and that is just coding, taking a known standard with electronic outputs and writing code, so it can talk to the unit under test, is how we would describe it internally. That's just blocking-and-tackling on the coding front, I don't think there's any magic to it. It's identifying where the opportunities are, and then it's getting what are the resources, how much capital are you going to allocate towards this initiative. You know, we're a public company, so everything's balanced, right? You want to go up and to the right, you can't—you just have to balance expectations and funding for even important initiatives, like automation. We're doing that.

Then, the back half of it is, okay, now you've got this code written, Ted, what are you going to do with it, and how are you going to execute? Part of the execution is getting the code written, so you have automation, but probably equal to, or more important, is getting it into your 33 operations throughout primarily North America, and, of course, we have an opportunity alive in Ireland, as well. But getting that code disseminated and every technician in every place to be using it, because once they recognize the value of this, right—in theory, you could be doing two calibrations at once and you get some multiplier.

I think you write the code, you determine where that opportunity exists, and then you've got to get that code disseminated and into your operation on a consistent basis. The incentives have to be in place to do that, the leadership has to be in place to do that, the day-to-day management has to be in place, and

when you do it, and to the degree that you do it well, you will see margin gain. It's kind of two different stories going on at the same time.

**Ted Jackson**

Okay. Thanks very much, guys.

**Lee Rudow**

I appreciate the questions.

**Thomas Barbato**

Thanks, Ted.

**Operator**

There are no further questions at this time. I would like to turn the call back over to Lee for closing comments.

**Lee Rudow**

Okay. Thank you, all, for joining us on the call today, we appreciate it.

We will be attending the upcoming twenty-second Annual Craig-Hallum Institutional Investor Conference, which is in Minneapolis, on the twenty-eighth, so we hope to see you there. We appreciate everyone's continued interest in Transcat, and feel free to check in with us, really, any time. We look forward to talking to you guys again after the first quarter. Thanks again for participating.

**Operator**

Thank you. This will conclude today's conference, you may disconnect your lines at this time, and we thank you for your participation.