

Q1
Fiscal 2021

Financial Results

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This presentation includes some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The Company has provided a discussion of these non-GAAP financial measures and reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Q1 FY21 Execution

Consolidated Results

Exceeded expectations: generated \$1.0M in operating income
Gross margin expanded 50 basis points, despite 8% decline in revenue
Achieved net income of \$0.8 million, or \$0.11 per diluted share
Generated \$4.0M in cash from operations
TTE (which we refer to as “pipettes.com”) performance and integration going well



Service Segment

All 42 labs remained open to meet the demands of our customers
45 straight quarters of quarter-over-quarter revenue growth, even with COVID-19 pandemic (Revenue +2.5%)
Strong demand from Life Sciences market
Gross margin expanded 240 basis points to 26.4% driven by sustainable improvements from ongoing productivity initiatives



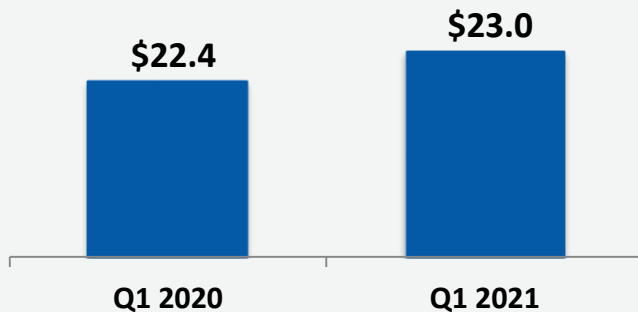
Distribution Segment

Revenue and margins impacted by COVID-19 pandemic
Reduced demand from oil and gas related industries and many manufacturing sectors
Rental revenue of \$1.0M in the quarter

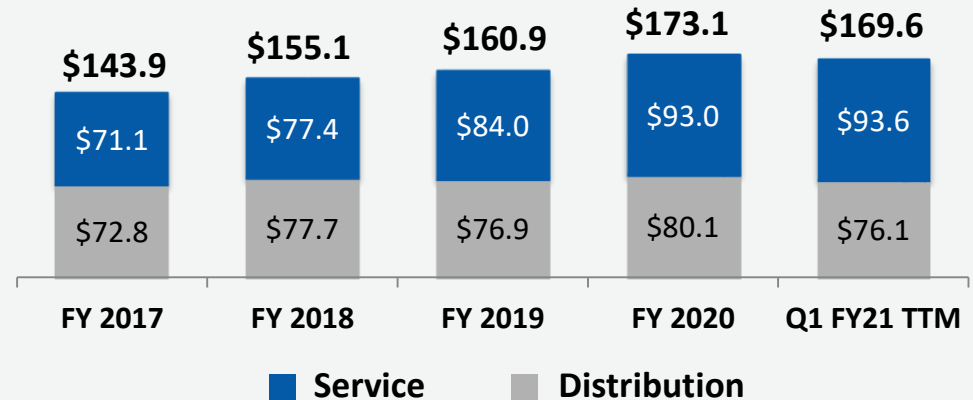
Revenue

(\$ in millions)

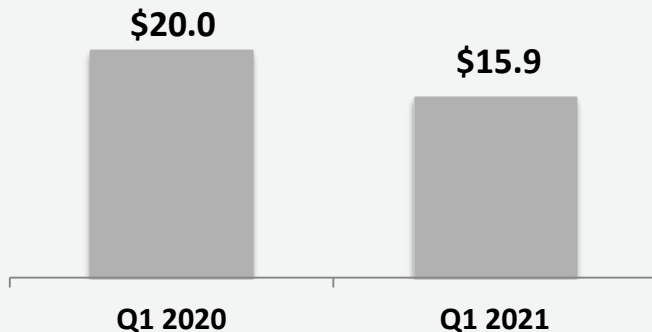
Q1 Service Segment



Consolidated – Annual



Q1 Distribution Segment



Pipettes.com contributed \$1.6M to consolidated revenue (\$1.1M Service & \$0.5M Distribution)

Service segment:

- Growth of new business and increased demand from the Life Sciences market
- Segment revenue growth for 45th straight quarter

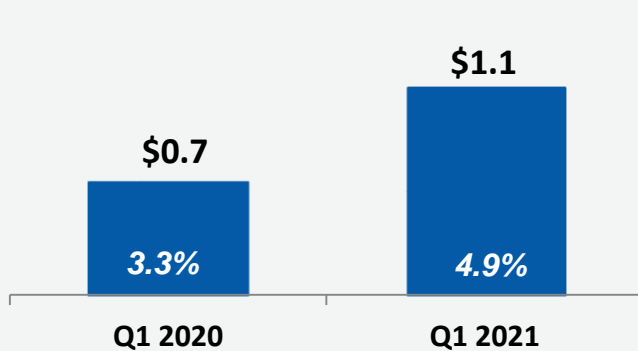
Distribution directly impacted by the COVID-19 pandemic

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

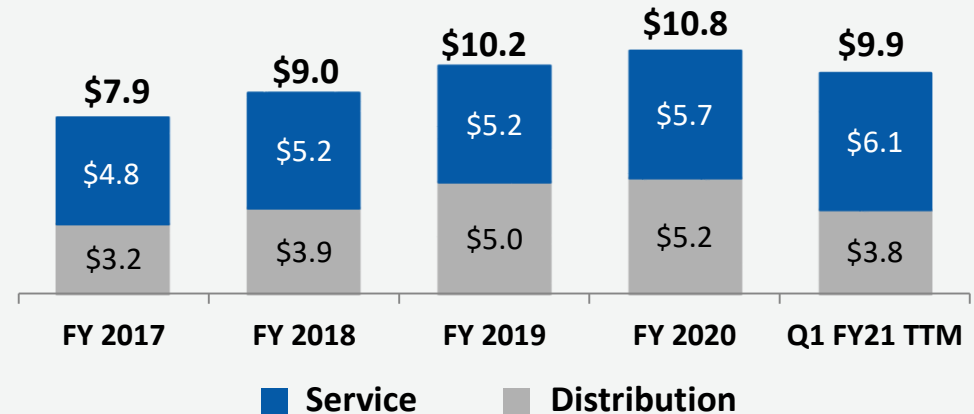
Operating Income

(\$ in millions)

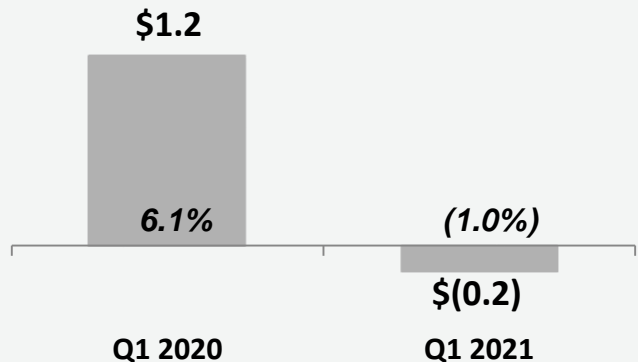
Q1 Service Segment



Consolidated – Annual



Q1 Distribution Segment

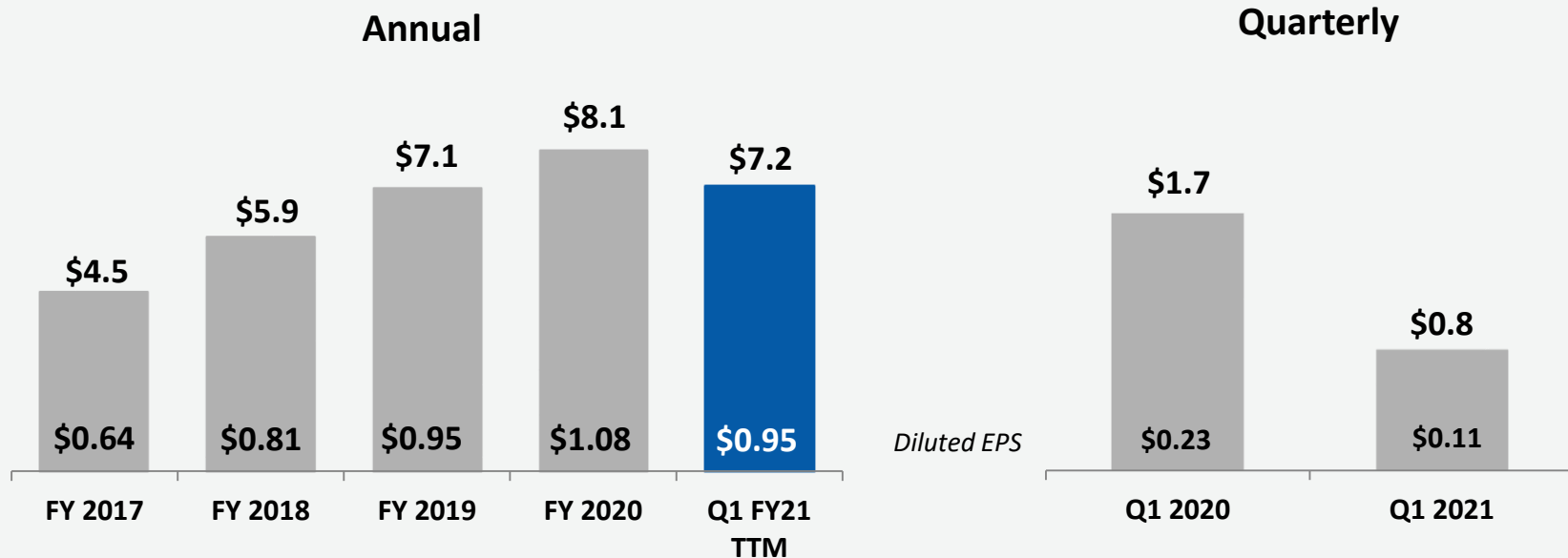


- Productivity improvements in the Service segment drove gross margin 240 basis points
- Operating expenses increased \$0.4 million, or 4.3%, including incremental expenses related to pipettes.com and approximately \$0.4 million of severance expense
- Distribution impacted by lower volumes, mix and reduced vendor co-operative advertising and rebate programs

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

Net Income & Diluted EPS

(\$ in millions, except EPS)



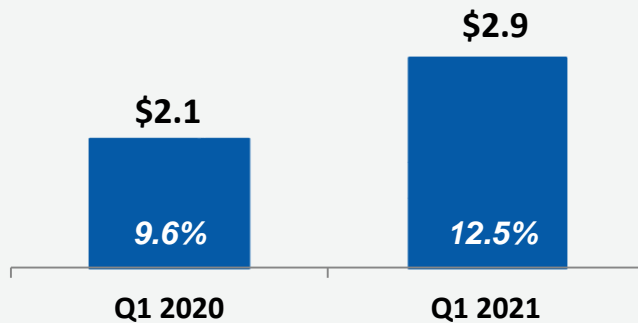
- Q1 FY21 included a discrete tax benefit due to tax accounting associated with share-based awards and stock option activity
- Expected tax rate to range between 20% and 21% for full fiscal year 2021*
(includes Federal, various state, and Canadian income taxes and increased discrete tax accounting windfall associated with share-based payment and stock option activity)

* FY 2021 tax rate expectations provided as of July 21, 2020

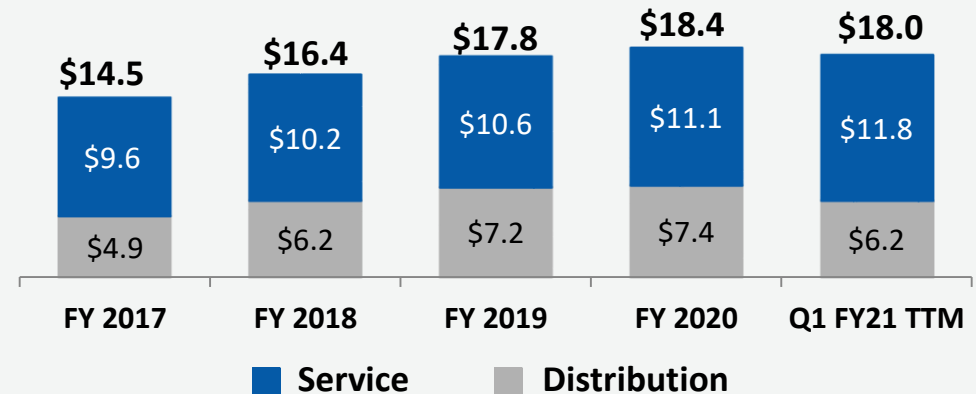
Adjusted EBITDA* and Margin

(\$ in millions)

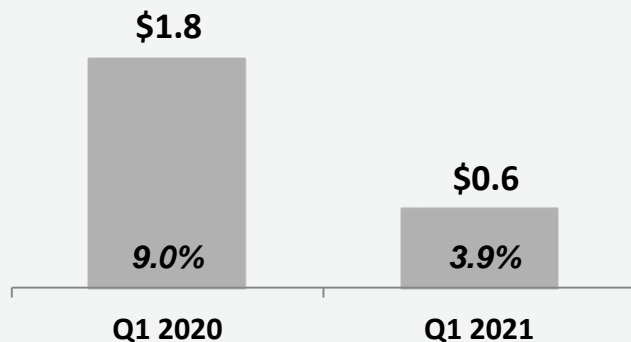
Q1 Service Segment



Consolidated – Annual



Q1 Distribution Segment



- Continued to generate cash in this challenging environment
- Service segment performance validates strategy
- \$0.4 of severance charges related to technology advancements that will reduce on-going operating costs

* See supplemental slides for a description of this non-GAAP financial measure, for Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA. All figures are rounded to the nearest million. Therefore totals shown in graphs may not equal the sum of the segments.

Flexible Balance Sheet Supports Growth Strategy

(\$ in millions)

CAPITALIZATION		
<i>Note: Components may not add to totals due to rounding</i>	June 27, 2020	March 28, 2020
Cash and cash equivalents	\$ 0.4	\$ 0.5
Total debt	28.5	30.3
Total net debt	28.2	29.8
Shareholders' equity	67.5	67.1
Total capitalization	\$ 96.0	\$ 97.5
Debt/total capitalization	29.7%	31.1%
Net debt/net total capitalization	29.5%	30.8%

No current or expected liquidity issues

\$23.6M available from credit facility as of June 27, 2020

Paid down \$1.8M of debt in Q1

1.50x leverage ratio at quarter-end
(Total debt to TTM Adjusted EBITDA*)

Amended revolving credit facility (May 18, 2020)

- \$10.0M increase in borrowing capacity
- Financial covenant modifications

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

Cash Flow

(\$ in millions)

Note: Components may not add to totals due to rounding	Three Months Ended	
	June 27, 2020	June 29, 2019
Net cash provided by operations	\$ 4.0	\$ 0.9
Capital expenditures (CapEx)	(1.3)	(1.4)
Operating free cash flow (FCF)	\$ 2.7	\$ (0.5)

\$27.3M in working capital at quarter end

Inventory remained stable in Q1

Accounts receivable decreased \$3.1 million

Capital investments were focused on technology and Service segment capabilities, and for rental pool assets.

Focused capital plan: Anticipated CapEx range for FY21 of \$5.0 million to \$5.5 million, inclusive of expected maintenance at \$1.0 to \$1.5 million*

* FY 2021 CapEx expectation provided on July 21, 2020

FY 2021 Outlook*

- Believe we are in strong position to navigate this challenging environment
- Believe highly-regulated Life Science and other critical industries will continue to provide a degree of resilience
- Distribution segment sales more susceptible to current economic conditions
- Continuing to make incremental technology investments in line with our strategic plan
- Expect to generate cash under various possible scenarios
- Solid pipeline of Life Sciences opportunities
- Expect increased level of acquisition opportunities to surface; Acquisitions remain a key element of strategic growth plan

Q2 FY 2021 Expectations

Service: Expect revenue to grow modestly versus last fiscal year’s second quarter, with an improved gross margin

Distribution: Expect sales will remain relatively unchanged sequentially

Consolidated operating income: Expect to be in the range of \$2 million

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13705865*
- Telephone replay available through **Wednesday, July 29, 2020**
- Webcast / Presentation / Replay available at <http://www.transcat.com/investor-relations/>
- Transcript, when available, at <http://www.transcat.com/investor-relations/>



Supplemental Information

Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Q1 FY21 TTM</u>
Net Income	\$ 4,522	\$ 5,922	\$ 7,145	\$ 8,067	\$ 7,147
+ Interest Expense	719	1,018	903	934	914
+ Other Expense / (Income)	51	60	91	186	164
+ Tax Provision	<u>2,642</u>	<u>2,026</u>	<u>2,090</u>	<u>1,663</u>	<u>1,631</u>
Operating Income	\$ 7,934	\$ 9,026	\$ 10,229	\$ 10,850	\$ 9,856
+ Depreciation & Amortization	6,184	5,991	6,361	6,658	6,907
+ Restructuring Expense	-	-	-	-	360
+ Other (Expense) / Income	(51)	(60)	(91)	15	(163)
+ Noncash Stock Compensation	<u>453</u>	<u>1,411</u>	<u>1,327</u>	<u>884</u>	<u>993</u>
Adjusted EBITDA	\$ 14,520	\$ 16,368	\$ 17,826	\$ 18,407	\$ 17,953

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

Segment Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Q1 FY21 TTM</u>
Service Operating Income	\$ 4,769	\$ 5,158	\$ 5,202	\$ 5,672	\$ 6,063
+Depreciation & Amortization	4,660	4,397	4,754	4,929	5,103
+Restructuring Expense	-	-	-	-	193
+Other (Expense) / Income	(55)	(61)	(69)	(20)	(112)
+Noncash Stock Compensation	217	706	702	470	520
Service Adjusted EBITDA	<u>\$ 9,591</u>	<u>\$ 10,200</u>	<u>\$ 10,589</u>	<u>\$ 11,051</u>	<u>\$ 11,767</u>
Distribution Operating Income	\$ 3,165	\$ 3,868	\$ 5,027	\$ 5,178	\$ 3,793
+Depreciation & Amortization	1,524	1,594	1,607	1,729	1,805
+Restructuring Expense	-	-	-	-	167
+Other (Expense) / Income	4	1	(22)	35	(52)
+Noncash Stock Compensation	236	705	625	414	473
Distribution Adjusted EBITDA	<u>\$ 4,929</u>	<u>\$ 6,168</u>	<u>\$ 7,237</u>	<u>\$ 7,356</u>	<u>\$ 6,186</u>
Service	\$ 9,591	\$ 10,200	\$ 10,589	\$ 11,051	\$ 11,767
Distribution	<u>4,929</u>	<u>6,168</u>	<u>7,237</u>	<u>7,356</u>	<u>6,186</u>
Total Adjusted EBITDA	<u>\$ 14,520</u>	<u>\$ 16,368</u>	<u>\$ 17,826</u>	<u>\$ 18,407</u>	<u>\$ 17,953</u>

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