

# TRANSCAT®

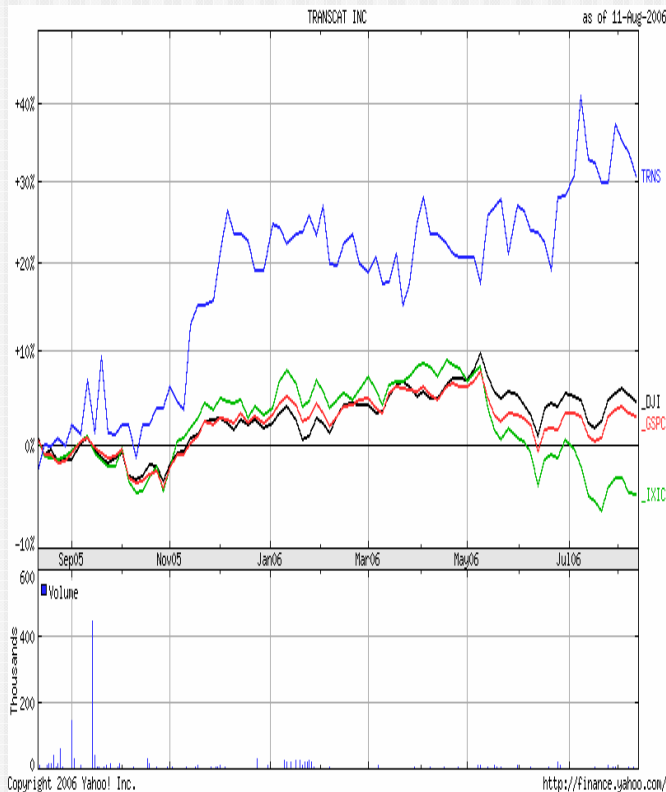
CALIBRATION SERVICES • TEST & MEASUREMENT INSTRUMENTS

## Transcat, Inc.

# Annual Meeting

*August 15, 2006*

**Carl E. Sassano**  
Chairman and  
Chief Executive Officer



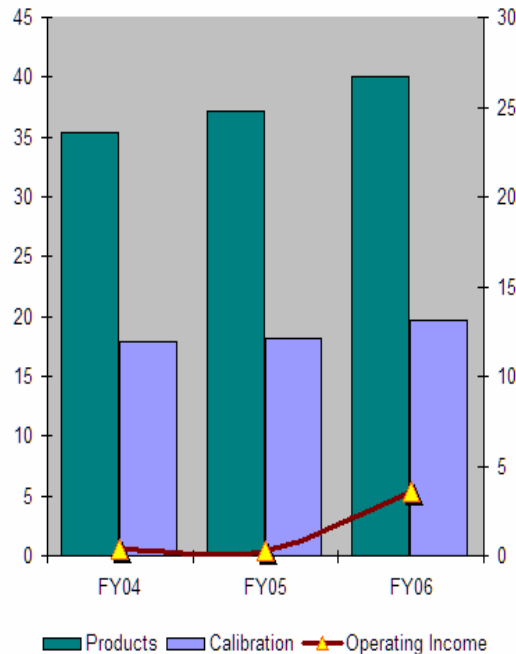
*"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995*  
This presentation contains forward-looking statements, which are subject to various risks and uncertainties. The Company's actual results could differ from those anticipated in such forward-looking statements as a result of numerous factors that may be beyond the Company's control.

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**NASDAQ**  
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Revenues and Operating Income



## Another Year of Strong Returns

In fiscal year 2006, we delivered significant value to our shareholders as pre-tax earnings were more than three times the pre-tax earnings of fiscal year 2005.

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# FY 2006 Financial Highlights

	<u>FY 2006</u>	<u>FY 2005</u>
Distribution Products Sales	<b>\$40.1</b>	\$37.1
Calibration Services Sales	<u>19.7</u>	<u>18.2</u>
Net Sales	<b>60.5</b>	55.3
Gross Profit	<b>15.1</b>	13.9
Selling and Marketing Expenses		
Operating Expenses	<u>13.6</u>	<u>13.0</u>
Operating Income	<u>1.5</u>	<u>.9</u>
Net Income	<u>3.6</u>	<u>.3</u>
Diluted Earnings Per Share	<b>\$ <u>0.50</u></b>	\$ <u>0.04</u>

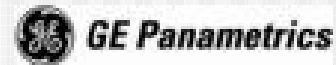
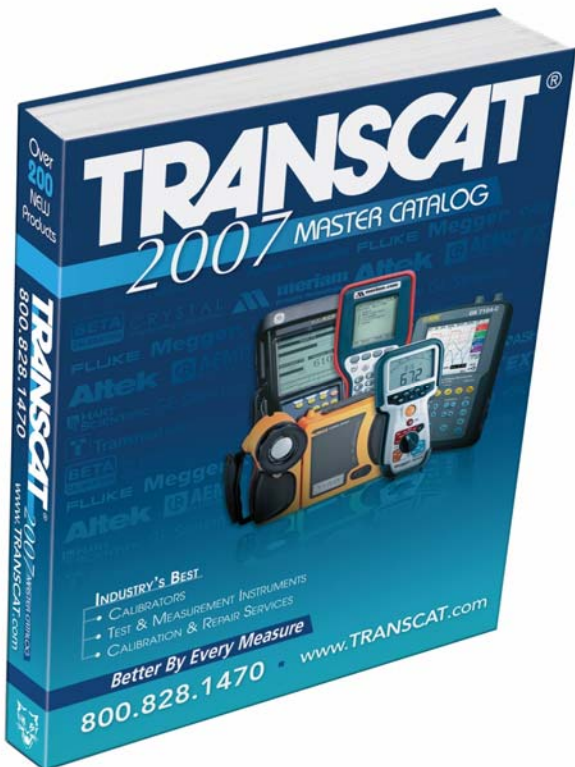
# Focus on Providing Integrated Services for Targeted Industries

- We focus on gaining business and market share in markets where companies value quality systems and/or operate in regulated environments
  - *Focus on the Process, Utility, Pharmaceutical and Electrical industries*
- We build barriers to competitive entry by offering the best products and calibration services and integrating the two to benefit our customers' operations and lower their costs
  - *Our ability to provide test and measurement instruments and calibration services uniquely positions us to become a single source solution for our customers*
- We are focused on integrating our business segments to our customers through marketing and cross selling efforts
  - *During fiscal year 2006, approximately 29% of our customers utilized both our distribution products and calibration services segments of our business*

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## Distribution Products



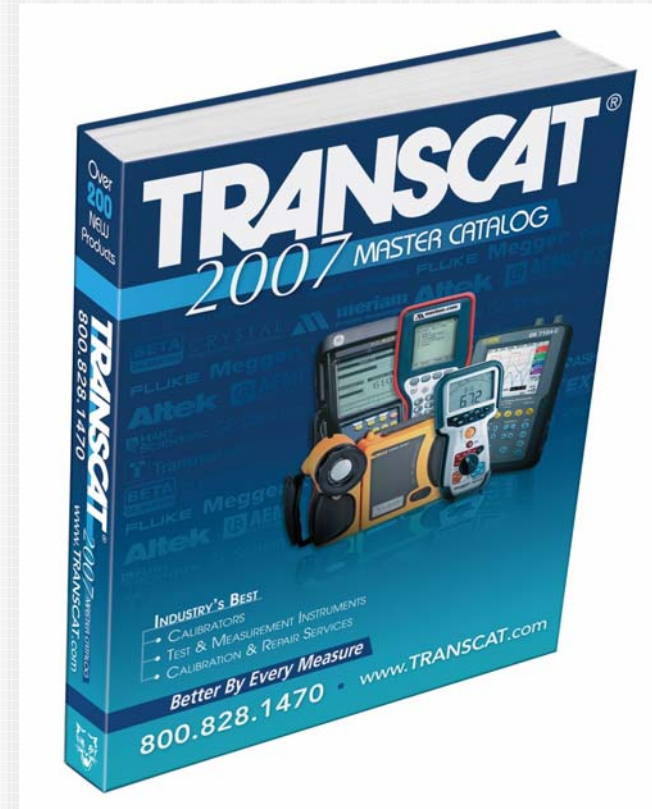
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# Distribution Products: Business & Marketing Strategy

- Carry the best, latest technology and comprehensive range of test and measurement instruments for pharmaceutical, process, utility and electrical industries
- Direct Mail Programs
  - Master Catalog: 55,000 piece drop
  - Supplements: ~300,000 pieces/each
  - Targeted Mailings into Core Markets (Pharmaceutical, Process, Utility and Electrical): up to 50,000 pieces/each
- New Customer Acquisition Strategy
  - Identify potential core market customers through trade publication mailing lists
  - Keep customer for five years or more
    - Frequent “touches”
  - Cross-sell Calibration Services
    - List calibration pricing in all publications
    - Target calibration-only customers for mailings
    - Promoting repair services whenever appropriate
    - Customer Reactivation – touch anyone in our database who has not ordered in the past 18 months

# Distribution Products: Our Flagship Master Catalog

- Bible of the industry
- Always reinvigorating Master Catalog with new products and brands that will meet customers' needs
- 2007 Master Catalog Scorecard
  - 111 new product pages; representing 15% of 2006 Master Catalog
  - 11 new brands
  - Continue to add leading brands that serve our core markets
- 2 supplements mailed in FY 2006
  - 52 page supplements
  - Number of catalogs mailed: 600,000
  - Generated both new prospects and new customers
  - Net sales revenue exceeded our cost
- **Short-Form Mailings**
  - Vendor specific
  - Focus on increasing business from existing customer base



# Distribution Products: World-Class Internet Presence

**TRANSCAT**<sup>®</sup> Better by every measure My Account | My Cart

Home | About Us | Our Online Catalog | Calibration Services | Repair Services | International Customers | Technical References | Contact Us

**Browse For Products**

Shop By Manufacturer...

Shop By Category...

Shop By Keyword...

Product Catalog  Site Content

## The Calibration / Repair Services and Test and Measurement Instrument Specialists

Transcat is the world's leading distributor of callibrators, test and measurement instruments, and high quality Calibration Services. Transcat distributes a variety of instruments including callibrators, deadweight testers, multimeters, insulation testers, power monitors, pressure pumps & gauges, thermometers, and recorders.

**Call Us Toll Free U.S. and Canada**  
**1.800.828.1470**

**INTERNATIONAL**  
 Visit one of Transcat's International locations

**TRANSCAT NEWS**

A weekly publication covering new product announcements, application notes, tips and tricks of the trade, measurement resources and more.

Your Email Address

**OUR ONLINE CATALOG**  
 Test and Calibration Equipment



Browse By Manufacturer:

**Browse by Category**

- ▄ Calibration Instruments
- ▄ Pressure & Flow
- ▄ Temperature & Humidity
- ▄ Electric Test
- ▄ Electronic Test
- ▄ Recorders & Data Acquisition
- ▄ Plant Maintenance & Safety
- ▄ Environmental & Water Quality
- ▄ Phys-D Weights & Measures

**CALIBRATION SERVICES**  
 Experts in Calibration and Repair



**Calibrate with Confidence**

- ▄ About Our Services
- ▄ Service Options
- ▄ Quality System
- ▄ Lab Locations
- ▄ Technical Resources
- ▄ Cal Trak Online
- ▄ Frequently Asked Questions

Cal Trak is our web-based application for checking the status of your calibration.

**LAB LOCATIONS**  
 Houston, TX



**OUR BRANDS**

**FLUKE**

**OUR GUARANTEE:**  
 If you are not completely satisfied with your product or services, just return the purchase within 30 days and receive a full refund.

Home | About Us | Online Catalog | Calibration Services | Repair Services | International Customers | Technical References | Contact Us | Site Map

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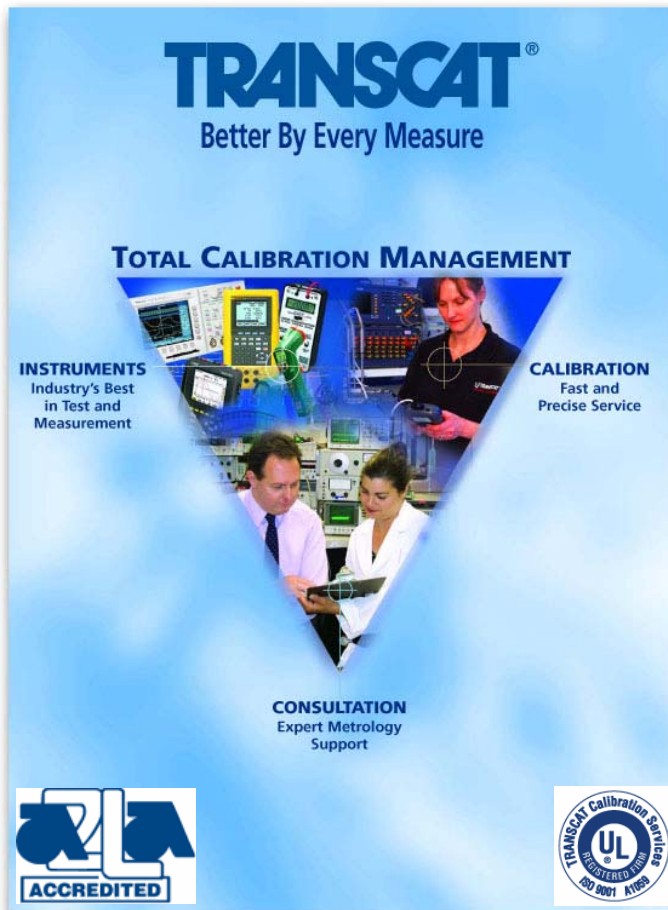
# Distribution Products: Focus on Organic Growth

- Distribution of the industry-recognized Transcat Master Catalog to identify new customers and cross-sell Calibration Services
  - New vendors and products added, as appropriate
- B2B direct mail, supplement catalogs, special promotions (products, accessories, other) and on-line initiatives
- Inside and field sales force/sales engineering consultants
- Transcat's full-service approach will provide customers with customized solutions

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## Calibration Services



**TRANSCAT<sup>®</sup>**  
Better By Every Measure

**TOTAL CALIBRATION MANAGEMENT**

**INSTRUMENTS**  
Industry's Best  
in Test and  
Measurement

**CALIBRATION**  
Fast and  
Precise Service

**CONSULTATION**  
Expert Metrology  
Support

**ACCREDITED**

**UL**  
TRANSCAT Calibration Services  
REGISTERED 1998  
ISO 9001 AY099

We offer our customers expert Calibration and Repair Services for all types of calibration, test and measurement instruments to assure complete compliance to the standards that affect their industries

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# Calibration Services: Business & Marketing Strategy

- Target companies that value quality and expect documentation of work performed
- Identify companies with in-house calibration operations and present benefits of outsourcing to Transcat
  - Generally less expensive as Transcat Calibration Services can provide manpower when needed
- Cross-sell Calibration Services to product customers
- Up-sell initial calibration on new instruments purchased, so ready to use upon arrival at plant
- Integrate Distribution Products & Calibration Services to benefit customers' operations and lower their costs
- Offer Repair Services on instruments that we calibrate

# Calibration Services: Solid Results in FY 06 & FY 07/Q1

- Strategic acquisition program has expanded Calibration Centers of Excellence to twelve.
  - In April, 2005, acquired assets of Hilton Engineering's calibration services facility in San Juan, Puerto Rico
  - In February 2006, acquired N.W. Calibration Inspection, Inc. in Fort Wayne, Indiana
- Primary driver for growth in FY 07 first quarter was the acquisition of N.W. Calibration Inspection, Inc. (NWCI) in Fort Wayne, Indiana.
- Calibration Services growth, excluding NWCI, is short of our expectations and we are making changes in our selling processes to improve our growth rate in this segment.
  - During the fiscal year 2007 first quarter, we continued to invest in expanding the capabilities of our calibration laboratories which had a short term impact on the gross margin.
- As we achieve sales increases in Calibration Services we anticipate that the gross margin will improve as many of the costs supporting the Calibration Services business are relatively fixed.

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## Transcat, Inc.

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**Building Our  
Distribution Products &  
Calibration Services  
Businesses  
in Fiscal 2007**



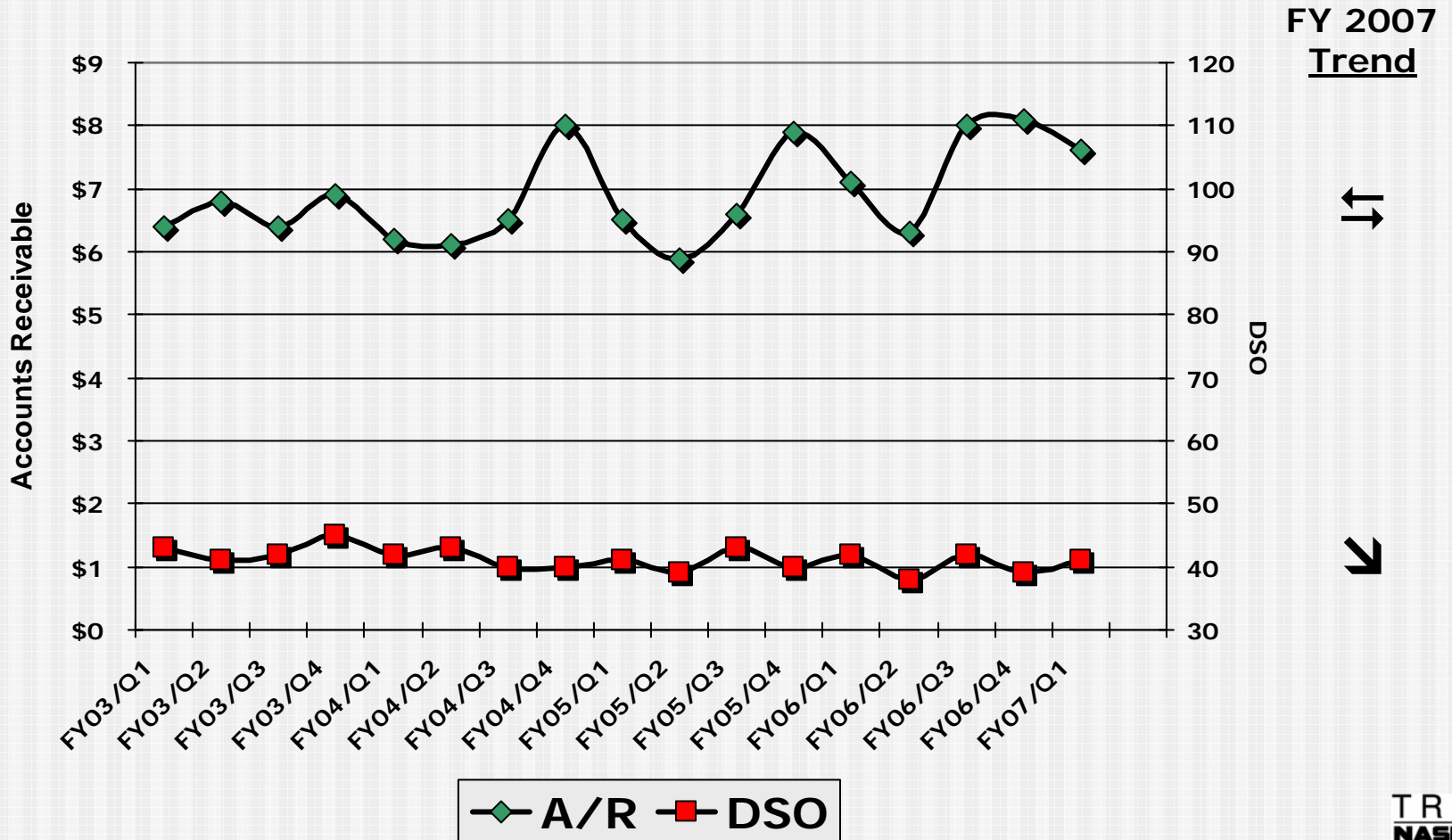
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# FY 2007/Q1 Financial Highlights

	<u>Q1/FY 2007</u>	<u>Q1/FY 2006</u>
Distribution Products Sales	\$ <b>10.6</b>	\$ 9.4
Calibration Services Sales	<u>5.0</u>	<u>4.7</u>
Net Sales	<b>15.5</b>	14.1
Gross Profit	<b>3.9</b>	3.6
Operating Expenses	<u>3.6</u>	<u>3.3</u>
Operating Income	<u>.4</u>	<u>.3</u>
Net Income	<u>.2</u>	<u>.2</u>
Diluted Earnings Per Share	\$ <u><b>0.02</b></u>	\$ <u>0.02</u>

# Accounts Receivable & DSO

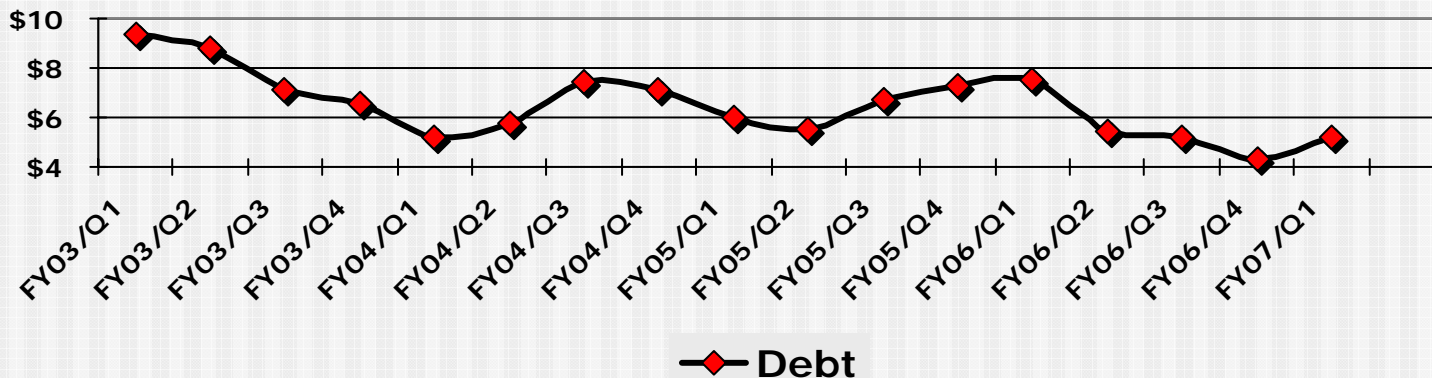
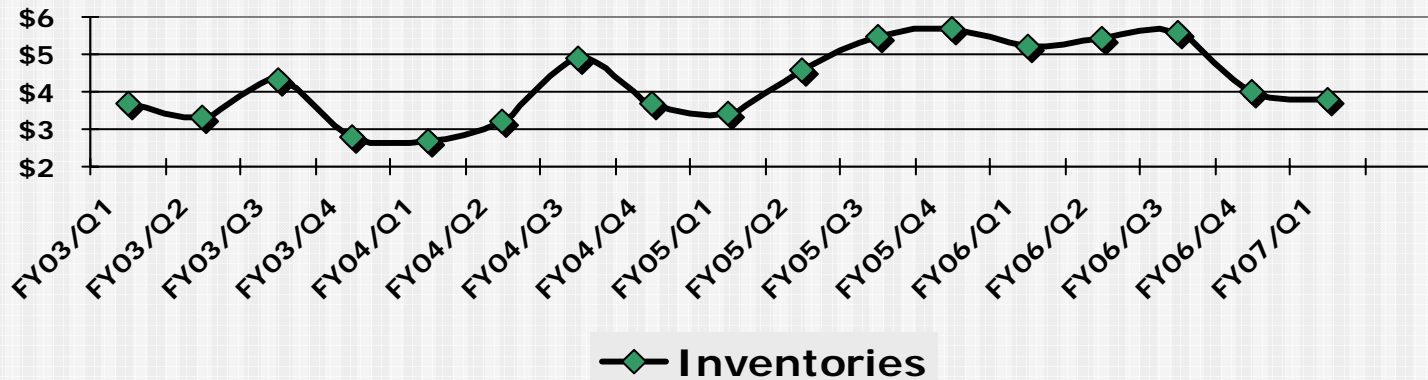
(in millions – DSO based on 60 days)



# Inventories and Debt

(in millions)

FY 2007  
Trend





# FY 2007 Outlook

- Will build on the solid foundation that has been established over the previous four years, with continued steady growth in revenues.
- Anticipate that business overall will experience growth in fiscal year 2007 similar to that of fiscal year 2006.
  - Distribution Products revenues in our direct distribution channel should grow in the mid single digits.
  - Calibration Services revenues should grow in the low to mid teens, inclusive of the 5% increase resulting from the acquisition of NWCI in February 2006.
    - Gross margins should improve from potential leverage on increased Calibration Services revenues.
- Increased operating expenses are primarily targeted to support increased revenue growth.
- Operating and net earnings will be significantly affected by the expensing of stock options, providing for income taxes, and recognizing a non-cash gain associated with a divestiture in fiscal year 2002.

# Expanding Our Market Penetration in FY 2007

- Continue to evaluate other catalog and calibration opportunities
- Focus on quality, customer-oriented culture, calibration disciplines, and distribution products that meet customer needs
- Continue cultivating relationships with key regional players in distribution products and calibrations services

# FY 2007 Outlook: Other Items

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- Certain FY 2007 expenses, necessitated by accounting requirements, will affect operating and net earnings in certain quarters
  - Adoption of SFAS 123R – Expensing of Stock Options: Greatest impact in FY 2007/Q1 with recording of expense associated with unvested outstanding options
  - Deferred Gain on TPG Divestiture – TPG divested in fiscal year 2002; recognition of non-cash gain of 1.5 million for accounting purposes will occur in FY 2007/Q3

# Transcat 2007: The Front Line

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- Carl A. Sassano – Chairman and Chief Executive Officer
- Charles P. Hadeed – promoted to President in FY 2006, in addition to his position as Chief Operating Officer
- John A. De Voldre - Vice President of Human Resources
- Robert C. Maddamma - Vice President of Customer Satisfaction
- Andrew M. Weir - Vice President of Field Sales
- Jay F. Woychick - Vice President of Marketing/Inside Sales
- John J. Zimmer - Vice President of Finance and Chief Financial Officer

# Transcat 2007

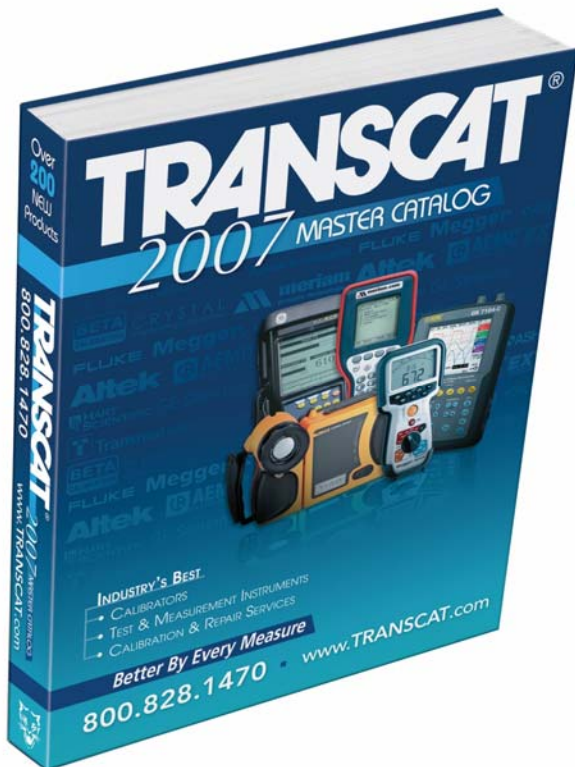
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- Profitable business model established
- Solid growth in sales and earnings in line with overall strategy
- Investment in people and equipment as customer demand dictates

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## For Additional Information



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