

TRANSCAT[®]

Better by every measure

Q1 FY2015 Financial Results

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Long Term Objectives

**Building a foundation for future growth
while delivering near-term results**

Service segment

- Double digit revenue growth through organic and acquisition strategy
- Take market share particularly in the Life Science space
- Grow pipeline of larger, multi-year enterprise opportunities
- Beyond the inflection point: Margin expansion at a greater rate than revenue growth

Distribution segment

- Maintain leadership position;
- Use strong cash generation to support the Service segment

Identify acquisition opportunities

- Consolidate the highly fragmented calibration industry
- Strategy: Increase capabilities, geographical expansion, greater scale
- Majority of opportunities: Revenue range of \$1-\$5 million
- Criteria: 4-6x EBITDA, Target IRR of 15%

First Quarter FY 2015 Execution

Modest top line growth

- Driven by organic Service segment growth of 3.4%
- Distribution sales of \$17.0 million consistent with the prior-year period
- Sales progressively improved through the quarter

Lower Distribution vendor rebates impacted margin

Bottom line

- Net income for the first quarter was \$0.4 million compared with \$0.7 million in prior-year period

Strong and flexible balance sheet

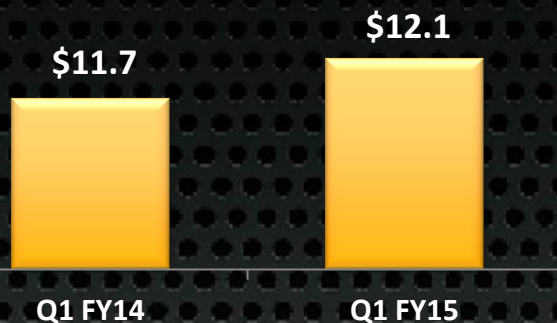
- Foundation for future investments and acquisition activity

Top-line Growth

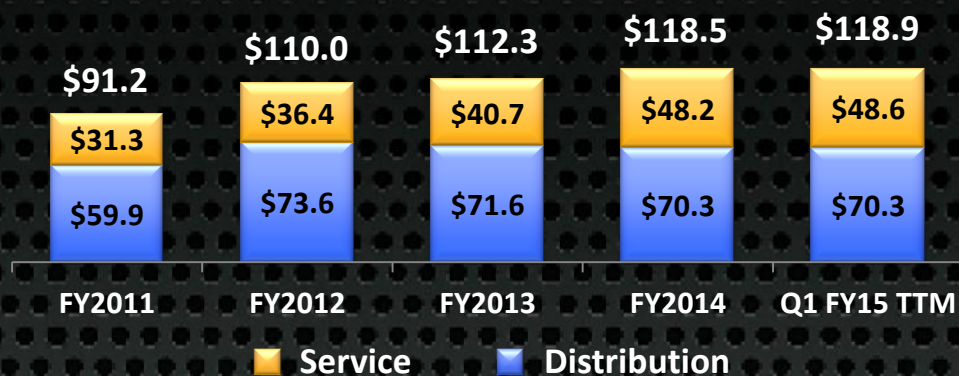
(\$ in millions)

8.5%
CAGR*

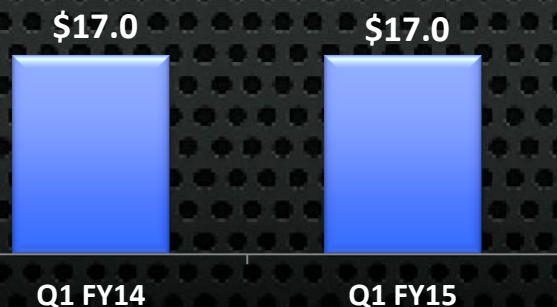
Q1 Service Segment



Consolidated – Annual



Q1 Distribution Segment

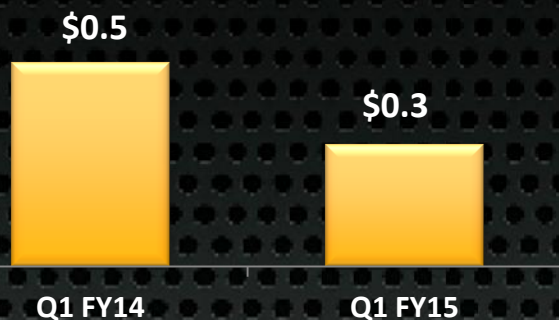


- Q1 Service segment revenue increased 3.4% to \$12.1 million due to organic initiatives
- Q1 Distribution segment performed relatively well in very competitive market

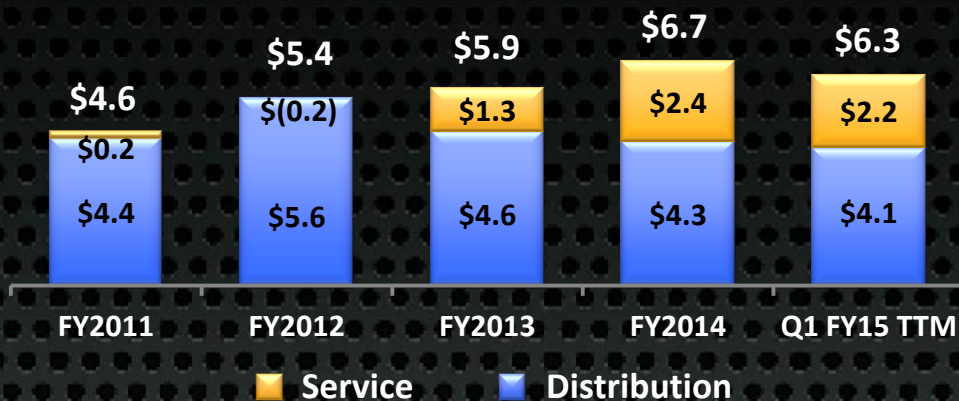
Operating Income

(\$ in millions)

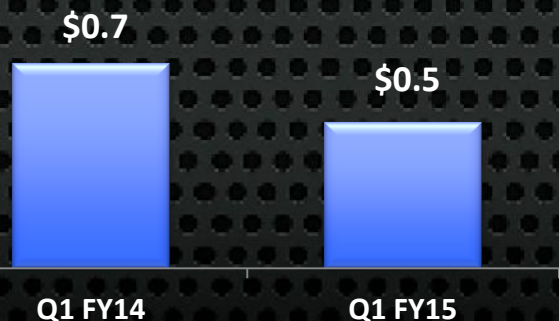
Q1 Service Segment



Consolidated – Annual



Q1 Distribution Segment

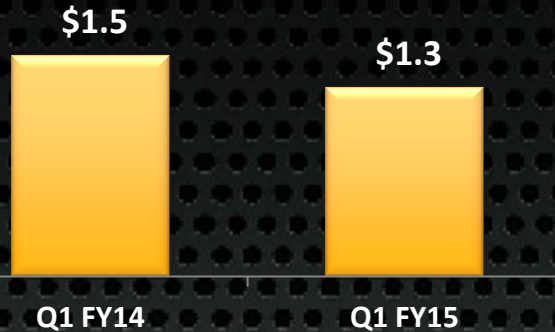


- Q1 Service operating margin was 2.2%, down from 3.9% in the prior-year period
 - Impacted by mix of service work
- Q1 Distribution: reduced vendor rebates had 240 basis point impact on gross margin

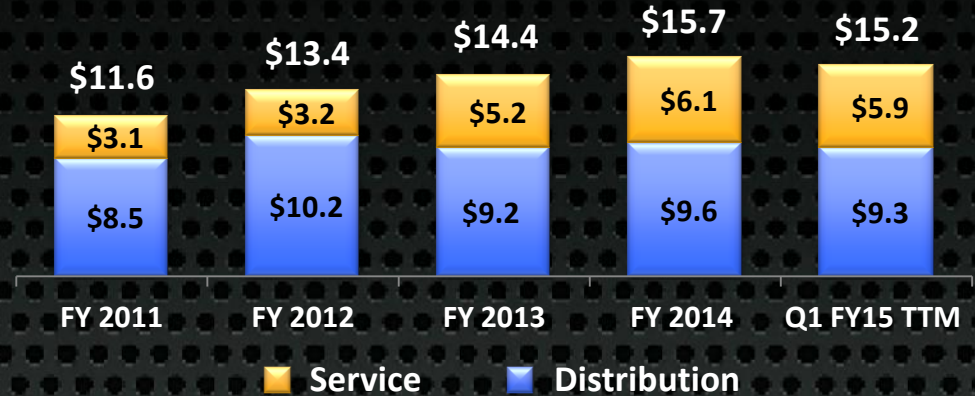
Contribution Margin*

(\$ in millions)

Q1 Service Segment

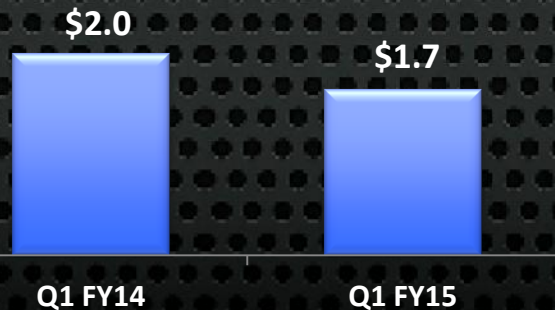


Consolidated – Annual



**8.8%
CAGR****

Q1 Distribution Segment



- 22.6% Service segment CAGR (FY11-Q1 FY15 TTM)
- Gross margin pressure more than offset 2.6% improvement in Q1 Service segment selling, marketing and warehouse expenses

* See supplemental slides for Contribution Margin reconciliation and other important disclaimers regarding Contribution Margin.

**FY2011 – Q1 FY2015 TTM

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

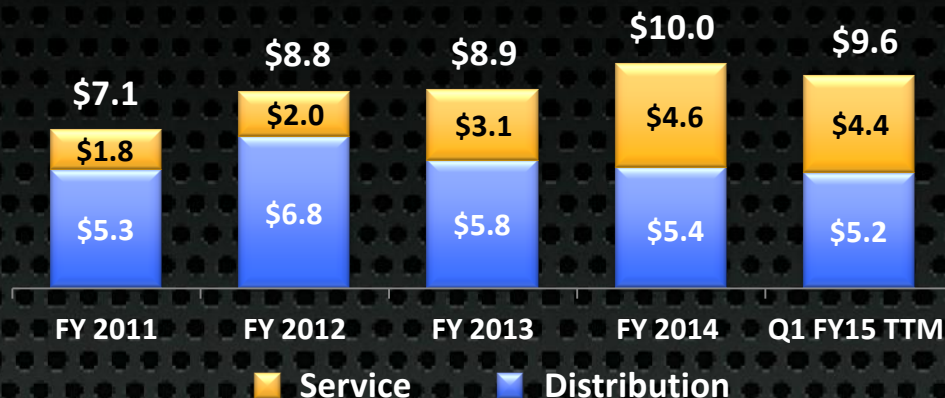
Adjusted EBITDA*

(\$ in millions)

Q1 Service Segment

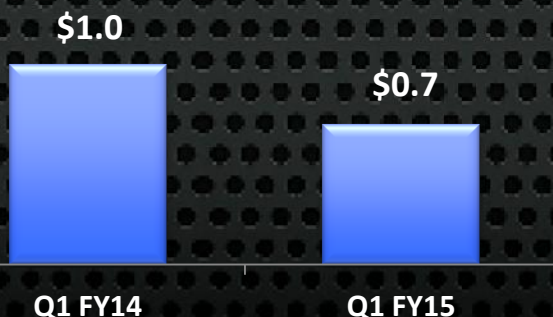


Consolidated – Annual



**9.7%
CAGR****

Q1 Distribution Segment



- 32.1% Service segment CAGR (FY11-Q1 FY15 TTM)
- Service segment Q1 FY15 TTM up 7.9% over Q1 FY14 TTM

* See supplemental slides for Adjusted EBITDA reconciliation and other important disclaimers regarding Adjusted EBITDA.

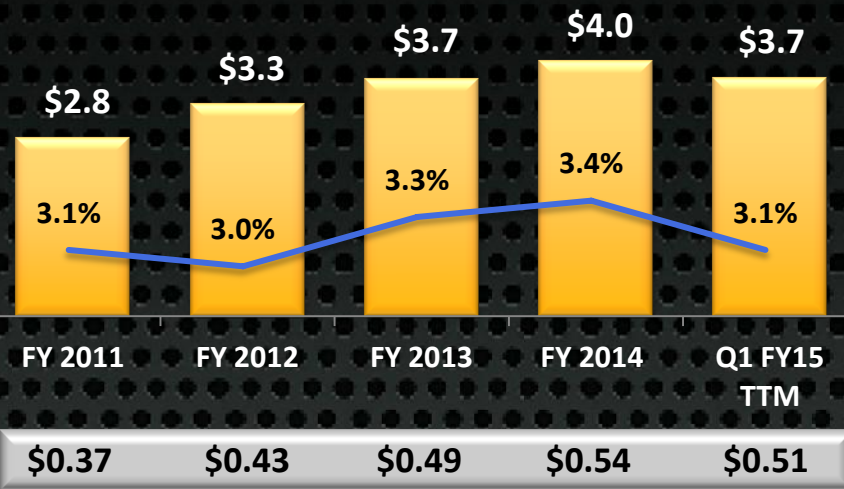
**FY2011 – Q1 FY2015 TTM

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

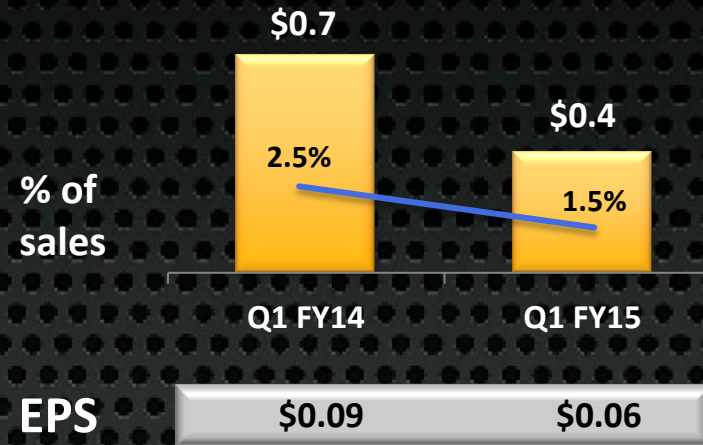
Bottom-line Performance

(\$ in millions)

Annual



Quarterly



- Net income CAGR of 9.2% since FY 2011
- Repurchase approximately 800 thousand shares of common stock in privately-negotiated transactions in FY 2014

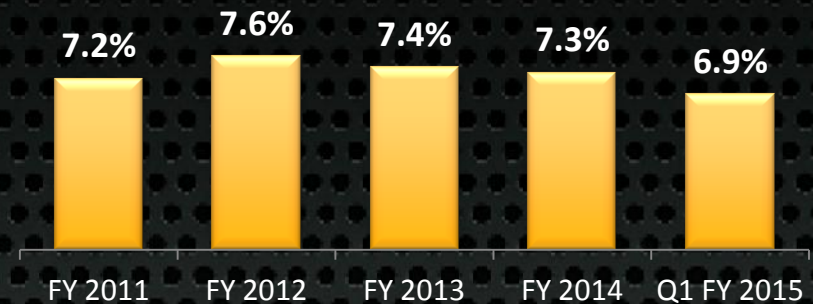
Balance Sheet Supports Acquisition Strategy

(\$ in millions)

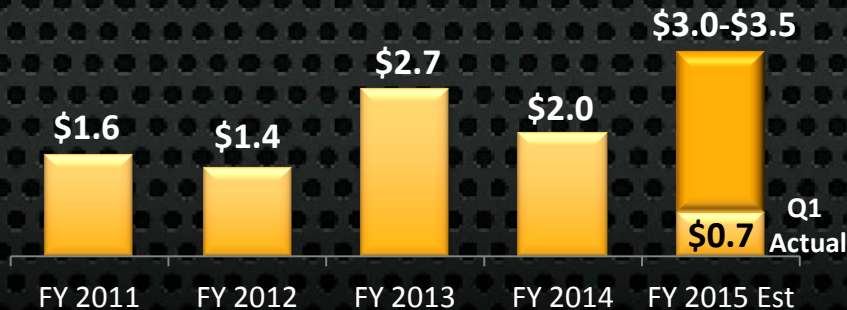
Long Term Debt



Return on Assets



Capital Expenditures



- Low debt levels to facilitate acquisition strategy, satisfy working capital and capital expenditure needs
- \$9.2 million in availability under revolving credit facility
- ROA target of 10%

FY2015 Outlook

Continue to Execute Strategic Plan

Realize the inherent leverage in the Service segment

- Grow operating income at a faster rate than revenue

Maintain leading Distribution position

- Margin opportunities are limited

Capital allocation focused on growth initiatives

- Leverage new online service interface: ***C3 Asset Management Software***
 - Strengthened value proposition; opportunity to streamline servicing process
- Launch new, state-of-the-art website during the second quarter to support both segments
- Continue to evaluate service market acquisition opportunities

SUPPLEMENTAL INFORMATION

Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Q1 FY15 TTM</u>
Service Operating Income (loss)	\$ 192	\$ (175)	\$ 1,311	\$ 2,379	\$ 2,185
+Depreciation & Amortization	1,377	1,959	1,740	2,144	2,077
+Other (Expense) / Income	-	(37)	(84)	(141)	(142)
+Noncash Stock Comp	202	263	150	230	250
Service Adjusted EBITDA	\$ 1,771	\$ 2,010	\$ 3,117	\$ 4,612	\$ 4,370
Distribution Operating Income	\$ 4,395	\$ 5,603	\$ 4,635	\$ 4,326	\$ 4,127
+Depreciation & Amortization	673	937	962	801	763
+Other (Expense) / Income	-	(11)	(27)	12	(23)
+Noncash Stock Comp	226	290	193	297	319
Distribution Adjusted EBITDA	\$ 5,312	\$ 6,819	\$ 5,763	\$ 5,436	\$ 5,186
Service	\$ 1,771	\$ 2,010	\$ 3,117	\$ 4,612	\$ 4,370
Distribution	\$ 5,312	\$ 6,819	\$ 5,763	\$ 5,436	\$ 5,186
Total Adjusted EBITDA	\$ 7,083	\$ 8,829	\$ 8,880	\$ 10,048	\$ 9,556

The Company believes that when used in conjunction with GAAP measures, Adjusted EBITDA, or earnings before interest, taxes, depreciation and amortization, and noncash stock compensation expense, which is a non-GAAP measure, allows investors to view its performance in a manner similar to the methods used by management and provides additional insight into its operating results. Adjusted EBITDA is not calculated through the application of GAAP and is not the required form of disclosure by the Securities and Exchange Commission. As such, it should not be considered as a substitute for the GAAP measure of net income and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. The use of any non-GAAP measure 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. The Adjusted EBITDA chart excludes an unallocated amount of \$0.2 million for FY11. This amount includes previously unallocated administrative-related depreciation, amortization and other non-operating expense. These items have been allocated by segment beginning in fiscal year 2012.

Contribution Margin

(\$ in thousands)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Q1 FY15 TTM</u>
SERVICE					
Service Revenue	\$ 31,324	\$ 36,406	\$ 40,655	\$ 48,184	\$ 48,583
Cost of Service Sold	23,392	27,786	30,353	35,359	36,017
Gross Profit	\$ 7,932	\$ 8,620	\$ 10,302	\$ 12,825	\$ 12,566
<i>Gross Margin</i>	25.3%	23.7%	25.3%	26.6%	25.9%
Selling, Marketing & Warehouse Expenses	\$ 4,877	\$ 5,415	\$ 5,131	\$ 6,690	\$ 6,645
Contribution Margin	\$ 3,055	\$ 3,205	\$ 5,171	\$ 6,135	\$ 5,921
<i>% of Revenue</i>	9.8%	8.8%	12.7%	12.7%	12.2%
DISTRIBUTION					
Distribution Sales	\$ 59,862	\$ 73,614	\$ 71,641	\$ 70,324	\$ 70,334
Cost of Distribution Sales	44,496	55,110	54,539	53,359	53,655
Gross Profit	\$ 15,366	\$ 18,504	\$ 17,102	\$ 16,965	\$ 16,679
<i>Gross Margin</i>	25.7%	25.1%	23.9%	24.1%	23.7%
Selling, Marketing & Warehouse Expenses	\$ 6,879	\$ 8,336	\$ 7,870	\$ 7,349	\$ 7,428
Contribution Margin	\$ 8,487	\$ 10,168	\$ 9,232	\$ 9,616	\$ 9,251
<i>% of Sales</i>	14.2%	13.8%	12.9%	13.7%	13.2%
TOTAL					
Total Revenue	\$ 91,186	\$ 110,020	\$ 112,296	\$ 118,508	\$ 118,917
Total Cost of Revenue	67,888	82,896	84,892	88,718	89,672
Gross Profit	\$ 23,298	\$ 27,124	\$ 27,404	\$ 29,790	\$ 29,245
<i>Gross Margin</i>	25.5%	24.7%	24.4%	25.1%	24.6%
Selling, Marketing & Warehouse Expenses	\$ 11,756	\$ 13,751	\$ 13,001	\$ 14,039	\$ 14,073
Contribution Margin	\$ 11,542	\$ 13,373	\$ 14,403	\$ 15,751	\$ 15,172
<i>% of Revenue</i>	12.7%	12.2%	12.8%	13.3%	12.8%

The Company believes that when used in conjunction with GAAP measures, Contribution Margin, which is a non-GAAP measure, allows investors to view its performance in a manner similar to the methods used by management and provides additional insight into its operating results. Contribution Margin is not calculated through the application of GAAP and is not the required form of disclosure by the Securities and Exchange Commission. As such, it should not be considered as a substitute for GAAP measures of performance and, therefore, should not be used in isolation of, but in conjunction with, GAAP measures. The use of any non-GAAP measure 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.