Operator: Greetings and welcome to the Transcat Fourth Quarter and Full Fiscal Year 2017 Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference today, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Craig Mychajluk, Investor Relations for Transcat. Thank you, Mr. Mychajluk. You may begin.

Craig Mychajluk: Yes. Thank you and good morning everyone. We certainly appreciate your time today and your interest in Transcat. With me here on the call, we have Transcat's President and CEO, Lee Rudow, and our CFO, Mike Tschiderer. After formal remarks, we will open the call for questions.

If you don't have the news release that crossed the Wire after markets closed yesterday, it can be found on our website at transcat.com. The slides that accompany today's discussion are also on our website. If you would, please refer to Slide 2. As you are aware, we may make some forward-looking statements during the formal presentation and Q&A portion of this teleconference. Those 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 with documents filed by the company with the Securities and Exchange Commission. 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 to new information, future events or otherwise except as required by law. Please review our forward-looking statements in conjunction with these precautionary factors.

I would like to point out as well that, 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 have provided reconciliations of non-GAAP to comparable GAAP measures in the tables accompanying the earnings release.

With that, I will turn the call over to Lee to begin the discussion. Lee?

Lee Rudow: Thank you, Craig. Good morning, everyone. Thank you for joining us on the call today. We are pleased with our fourth quarter results, which provided a strong finish to a record year. We delivered both double digit revenue growth and double digit earnings growth along with strong cash flow from operations. I will start with a few highlights for both fourth quarter and the full year and then turn things over to Mike for a more in-depth review of the financials, as we typically do, and then I will come back on for a review of our outlook for fiscal 2018.

Both operating segments turned in a strong performance for the quarter and for the year. Fourth quarter revenues were up 17% to $38.5 million. Annual revenue was up nearly 18% to a record $144 million. We generated an annual operating income increase of 26%, or $1.6 million, to end at $7.9 million for the year and record net income of $4.5 million, or $0.64 per diluted share. In fiscal 2017, we generated $7.5 million in cash from operations. Our Service segment delivered 11% growth in the fourth quarter and an even more impressive 20% growth for the full year. That represents 32 consecutive quarters of year-over-year Service revenue growth. We ended fiscal 2017 with a strong pipeline of new Service business opportunities, as well as the healthy volume of work in progress to kick start the new fiscal year.

Investments we made to drive organic growth combined with good execution continue to produce a competitive advantage for Transcat. We achieved high single-digit organic growth in the quarter and strong organic growth throughout the year. As we talked about last quarter, we will continue to reinvest in our business and to enhance our long-term revenue and margin growth. With the launching of our new operational excellence initiative, we are fortifying our infrastructure with technology, people and improved process, all of which we expect to drive differentiation in both of our operating segments. The program will also accelerate the capturing of operational synergies related to our recent acquisitions, as well as future acquisitions.

Relating to acquisitions, we are particularly pleased with our performance in the biomed space as Spectrum Technologies delivered very strong results in its first full year as part of Transcat. In fact, we drove similar results in Canada with Dispersion Laboratories. Both acquisitions fortified our position as a leader in the life science calibration service market. Our quality oriented value proposition continues to resonate in the life science market and regulation continues to drive the need for rigorous quality processes, which include calibration.

Shifting over to Distribution, this segment delivered another quarter of strong performance. Fourth quarter Distribution sales were up nearly 24% and annual Distribution sales were up nearly 16%. We experienced solid growth across the board and throughout our newly diversified Distribution platform. The strong performance was led by organic core end user sales, alternative energy and rentals. The Distribution segment results also include business from our Excalibur acquisition, which contributed incremental rental and used equipment revenue.

With that let me turn things over to Mike to discuss the results in more detail and I will come back and talk to our outlook.

Mike Tschiderer: Thanks, Lee, and good morning, everyone. Today, I will be referring to the slides that were filed with the SEC and are also posted on our website. When considering the year-over-year comparisons, the results of this fiscal year 2017's fourth quarter and the full year period include the acquisition of Excalibur Engineering in the first month of fiscal 2017. The comparison of fiscal 2017's fourth quarter to that of the prior year also considers Spectrum Technology, which we acquired in December 2015 and is therefore included in the fourth quarters of both fiscal '17 and fiscal '16, and Dispersion Laboratories, acquired in January 2016 and therefore with approximately two months results in the fiscal 2016 numbers. On Slide 4 is the summary of our fourth quarter and total fiscal 2017 revenues. Both of our segments contributed to these record results as we achieved solid double digit growth, which included higher organic sales along with incremental sales from acquisitions.

Service segment revenue was $19.5 million in the fourth quarter, up 11%, while, for the full year, this segment was up 20% to $71 million. The Service segment continues to deliver strong results, with the 15% 4-year CAGR. After a tough fiscal 2016, we are encouraged with the renewed momentum in our Distribution segment. This segment posted strong gains this year, which reflected our diversification strategy and an improving U.S. industrial market. Distribution sales in the fourth quarter grew 24% to $18.9 million and for the full year were up 16% to $72.8 million. The combination of organic growth and the acquisition of Excalibur Engineering drove distribution's results. As a reminder, the Excalibur acquisition provided additional rental revenue from higher cost electronics equipment with typically longer rental periods. Prior to the acquisition of Excalibur, our rental revenue focused more on hand held meters and other lower cost instruments. Excalibur also brought us the used equipment business, which we believe goes hand in hand with rentals and gives our customers another option needed to source equipment.

Moving to Slide 5, please, our quarterly consolidated operating income increased 15% to $2.6 million. Operating margin was impacted by slightly lower gross profit margins in both segments as we focused on driving volume in the fourth quarter. Operating expenses were 18.8% of revenues in the fourth quarter of fiscal '17 versus 19.2% in the same quarter of fiscal 2016. As we discussed in past quarters, on an annual basis, we adjust our internal allocation of general and administrative expenses between our two segments, based on the prior year revenue mix.

As a result, our Service segment saw fourth quarter operating margin decline 50 basis points as we allocated more internal G&A to Service than we did in fiscal 2016. Without the incremental G&A allocation the fourth quarter, Service segment operating margin would have increased 20 basis points. On the other side, our Distribution segment saw the benefit from the allocation adjustment. Distribution operating margin increased 70 basis points, due to the reduction in the allocated G&A as well as from increased sales volume and good cost controls, all somewhat offset by higher acquired customer amortization expense. Our annual consolidated operating income increased measurably to $7.9 million and operating margin was up 30 basis points to 5.5%. Further margin leverage from our recent acquisitions is expected incrementally as various integration steps continued to occur.

Slide 6 describes adjusted EBITDA and adjusted EBITDA margins. Among other measures, we use adjusted EBITDA, which is non-GAAP measure, to gauge the performance of our Service and Distribution segments, because we believe it is a good measure of operating performance and is used by investors and others to evaluate and compare performance of core operations from period-to-period. I do encourage you to look at the reconciliation of adjusted EBITDA to the closest GAAP measures, operating income and net income that we have provided. Quarterly adjusted EBITDA increased nearly 20% to $4.2 million, with an 11% EBITDA margin, which was up 30 basis points. On an annual basis, strong growth in both segments drove a consolidated annual adjusted EBITDA of 38% to $14.5 million, and as a percentage of revenue, full year EBITDA margin was up 150 basis points to 10.1%.

On Slide 7, fourth quarter net income was down marginally at $1.4 million as higher income tax rate offset increased operating income. The quarter-over-quarter change in the effective tax rate largely reflected changes in the availability of federal and state research and development tax credits. For the full year, net income increased nearly 10% to a record $4.5 million. Our total income tax rate increased to 36.9% in full year fiscal 2017 compared with 31.3% in fiscal '16, largely due to the R&D tax credit factors I just described. We expect our income tax rate to range between 34% and 36% in fiscal 2018.

Slide 8 provides some details about our balance sheet and our cash flow, which support our growth strategy. At year-end 2017, March 25, we had total debt of $27.3 million outstanding, with $11.4 million available under our revolving credit facility. The increase in debt included funding the Excalibur acquisition plus paying out various purchase agreement hold backs from prior year acquisitions. Of note, all deal hold backs have now been completely paid out. Our leverage ratio at fiscal year-end '17 was 1.88 to 1. We calculate that ratio as the total debt on our balance sheet at year end divided by our fiscal 2017 adjusted EBITDA.

We continue to have sufficient liquidity for operations and believe we have ample dry powder for any acquisitions or investment opportunities that meet our criteria. Our capital expenditures were $1.2 million and $5.3 million for the fourth quarter and full fiscal year, respectively. Total capital expenditures are planned to be approximately $6 million to $6.5 million in fiscal 2018, with the majority of the incremental CapEx over fiscal '17 planned for IT infrastructure investments that drive operational excellence and for specific customer opportunity driven

Service capabilities. Of the CapEx plan for fiscal 2018, approximately $1 million to $1.5 million is for maintenance or existing asset replacements. The rest is growth. This level of maintenance or replacement spending is similar to what we spent in fiscal 2017. We expect to timely file our annual report on Form 10-K by the June 23, 2017 required filing date.

With that I will turn it back to Lee.

Lee Rudow: Okay. Thanks, Mike. So fiscal 2017 is in the books with a strong year. The team did a nice job executing our plan. We drove strong revenue growth in both our operating segments. We drove strong earnings growth in both our operating segments. In aggregate, the performance of our acquired company has met or exceeded expectations and expanded the strength of our value proposition. Moving forward, as in the past, the goal is to position Transcat to capitalize on growth opportunities as we find them and as they present themselves, as we focused on throughout 2017, and that's what we will continue to do.

Looking ahead, we expect to gain traction on our commitment to invest in and drive operational excellence as we believe the initiative will be transformational for Transcat. Operational excellence goals include the improvement of our customer experience, driving higher organic growth rates, the acceleration of the integration process and the associated cost synergies, and ultimately the expansion of margins across both segments as we drive an increased level of efficiency into the organization. We continue to expect strong growth in our Service segment, including mid to high single-digit organic growth. As I stated at the beginning of the call, we started the year with a strong new Service business pipeline and a substantial backlog of existing business; both will support a strong start to the new fiscal year. Relative to the direction of Distribution, we remain optimistic as we continue to drive core end user business and expand our high margin rental and used equipment businesses. As the year progresses, we plan to be in a strong position to advance our acquisition strategy, and acquisitions will remain an integral part of our growth strategy. Overall, we expect a strong fiscal 2018 and to remain on track to reach our $175 million to $200 million in revenue within the next 3 years or so.

So with that operator, we can open the line for questions.

Operator: Thank you. Ladies and gentlemen, at this time we will be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad and 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 keys. Our first question comes from the line of Dean Trottier, a private investor. Please proceed with your question.

Dean Grothier: Hi. Thanks for taking my question and congratulations on a successful 2017.

Lee Rudow: Thanks, Dean.

Mike Tschiderer: Thanks, Dean.

Dean Grothier: I just have one quick question. Has there been any change in the competitive landscape in the last six months or nine months?

Lee Rudow: Actually, we haven't seen any real changes in either segment; just the same competitors doing pretty much the same thing in the same regions. I can't really point to any new initiatives that have impacted the business, so I think it has been pretty stable relative to that, Dean.

Dean Grothier: Okay, great. Thanks.

Operator: There are no other questions in the queue. I would like to hand the call back over to management for closing comments.

Lee Rudow: Okay. Well, thank you all for joining us on the call. We certainly appreciate your continued support and interest in Transcat. We have been seeing higher trading volumes in the past quarter. Our average daily trading volume is growing about 33% compared with 1 year ago, so that's encouraging. For those of you in the Bakken area, we will be presenting and available for investor meetings at the IDF Conference tomorrow; and, in mid-June, we will be at the Microcap Conference in New York City. Feel free to reach out to us anytime or at these conferences. We look forward to meeting again with everyone to discuss the first quarter results. Again, thanks for joining us.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.