

Q2
Fiscal 2018

Financial Results

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Trust in every measure

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This presentation will discuss 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.

Second Quarter Fiscal 2018 Execution

Consolidated Results

Revenue up 4.2% to \$35.9 million
Operating income down slightly given investments to enhance operating infrastructure and impact from hurricanes
Net income of \$0.8 million, or \$0.11 per diluted share
Results do not include any potential hurricane-related insurance policy recoveries

Service Segment

Revenue increased 7.6% on all organic growth; 34 consecutive quarters of YOY revenue growth
Largest lab located in Houston significantly impacted by Hurricane Harvey: disruptions with staff, customers and supply chain
Increased focus on productivity initiatives

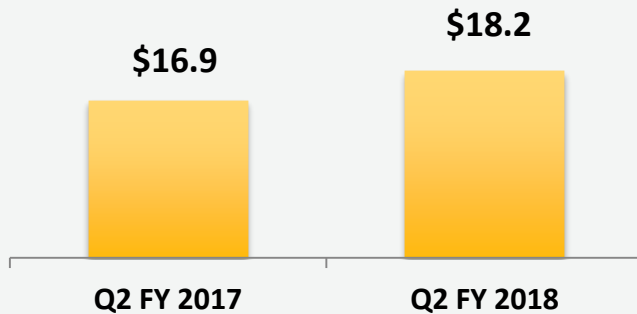
Distribution Segment

Diversified sales channels provide lift: growing rental business and sales through independent representative network
Higher demand from industrial customers, partially offset by softness in alternative energy market
Benefiting from web marketing and technology-based investments

Revenue

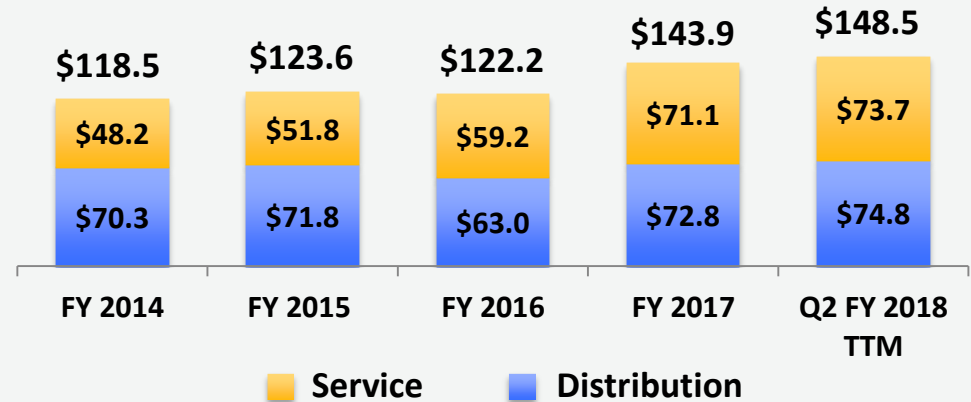
(\$ in millions)

Q2 Service Segment

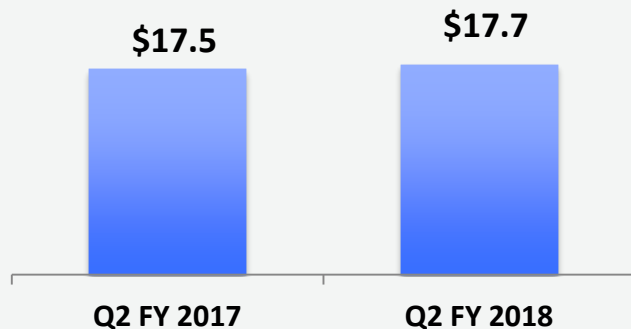


Consolidated – Annual

7% CAGR*



Q2 Distribution Segment



- Service segment continues its strong momentum
 - Solid organic revenue growth
 - 12.4% Q2 FY18 TTM growth
 - 13% CAGR*

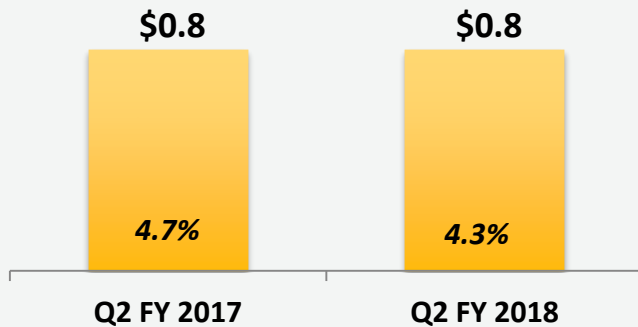
*FY 2014 – Q2 FY 2018 TTM

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

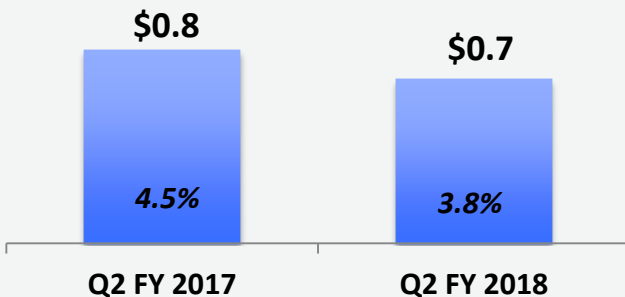
Operating Income and Margin

(\$ in millions)

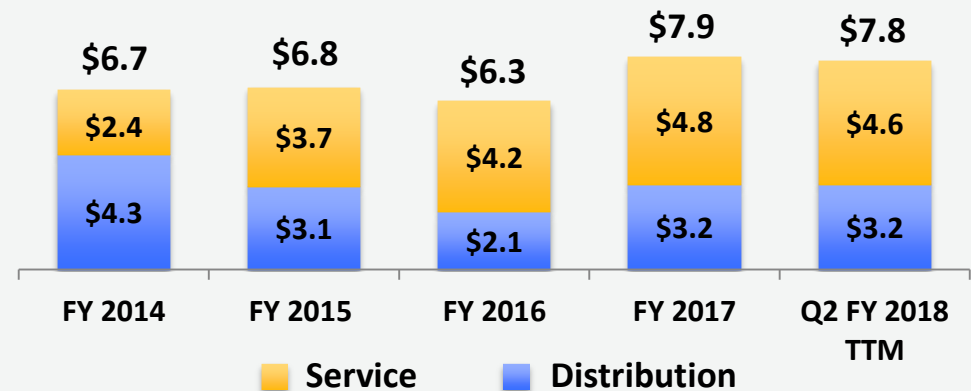
Q2 Service Segment



Q2 Distribution Segment



Consolidated – Annual



- Service gross margin negatively impacted from hurricanes and short-term productivity constraints
- Distribution gross margin impacted by lower vendor rebates and mix
 - Segment operating margin down due to higher G&A, partially offset by lower selling expense

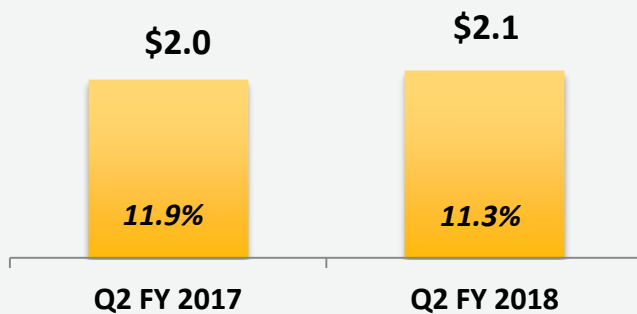
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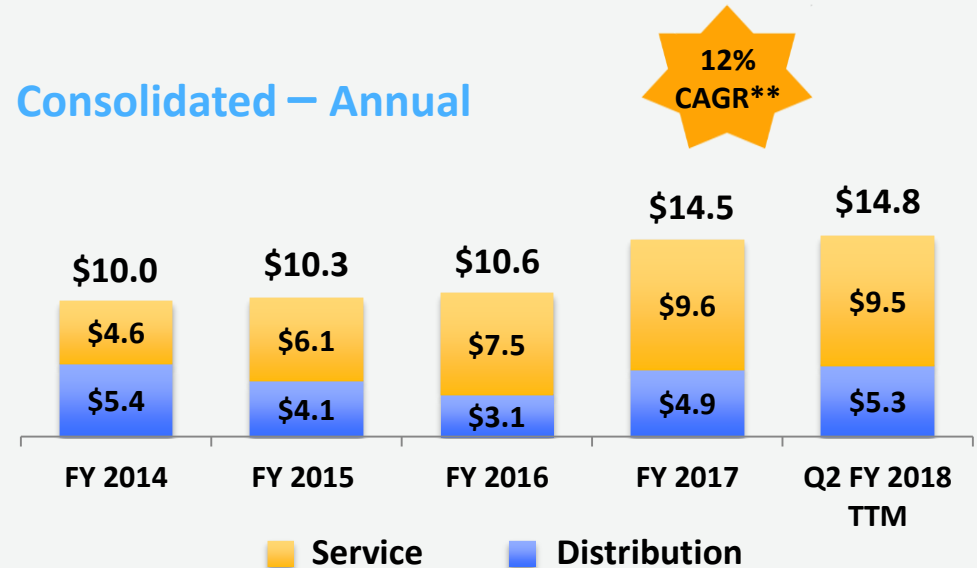
Adjusted EBITDA* and Margin

(\$ in millions)

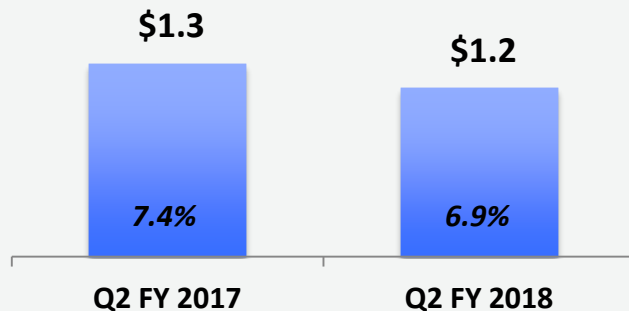
Q2 Service Segment



Consolidated – Annual



Q2 Distribution Segment



- 23% CAGR for Service segment**
 - Validates strong operating leverage
- Consolidated results of \$3.3 million consistent with prior-year period
 - Adjusted EBITDA* margin down 40 bps to 9.2%

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

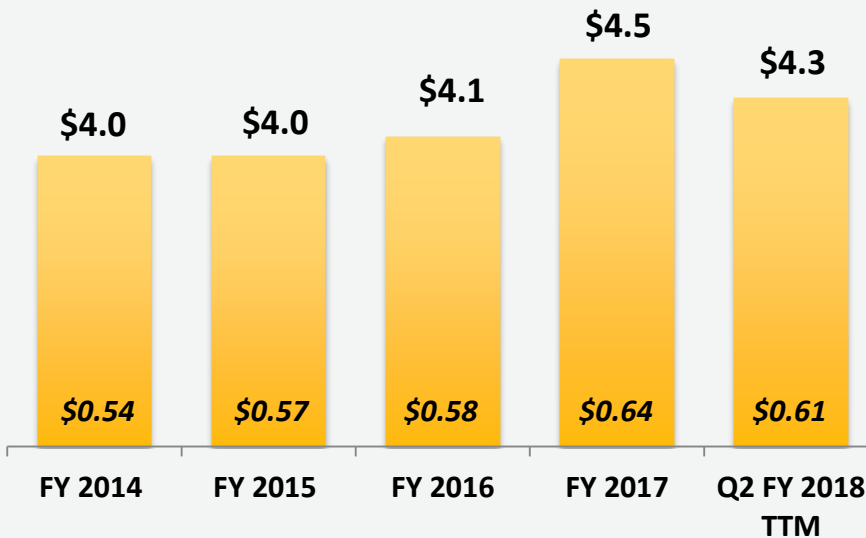
** FY 2014 – Q2 FY 2018 TTM

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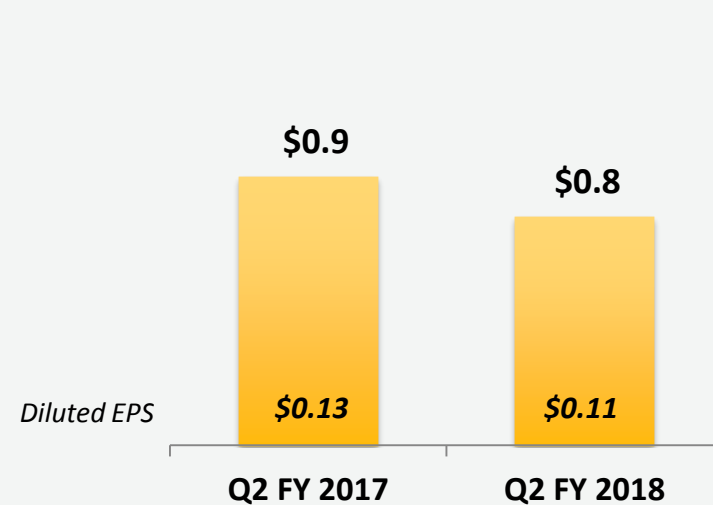
Net Income & Diluted EPS

(\$ in millions, except EPS)

Annual



Quarterly



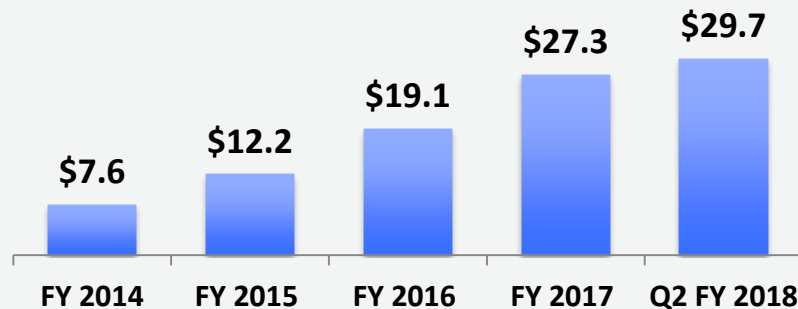
- Q2 effective tax rate of 34.2% compared with 33.9%
- Income tax rate expected to range between 34% and 36% for full year fiscal 2018*

* FY 2018 tax rate expectation provided as of October 24, 2017

Financial Flexibility Supports Growth Strategy

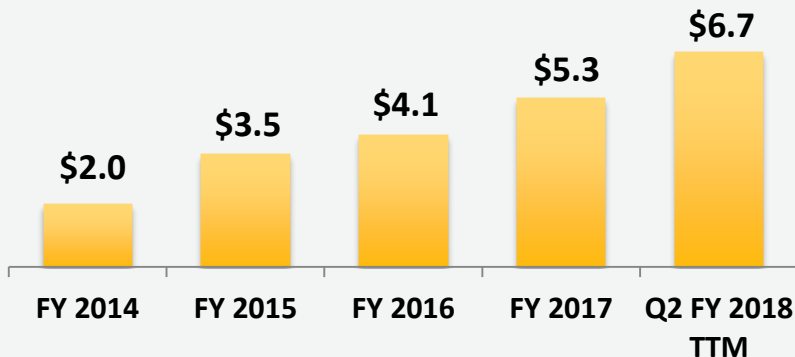
(\$ in millions)

Total Debt

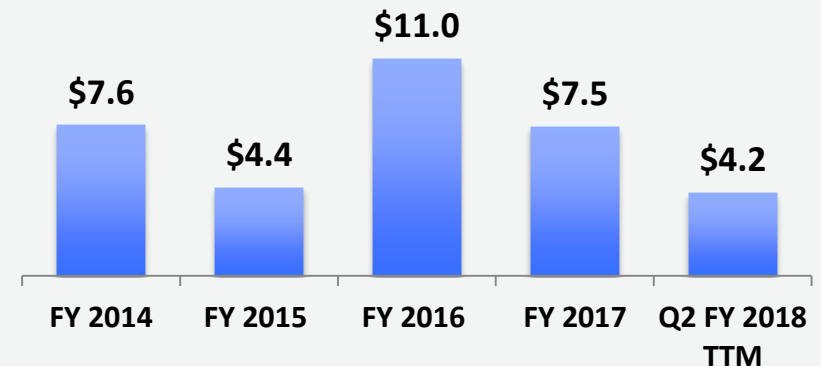


- \$8.3 million available from credit facility as of September 23, 2017
- Total debt to TTM Adjusted EBITDA* 2.0x at quarter-end
- YTD FY18 CapEx of \$3.9M for rental assets and customer-driven Service capabilities

Capital Expenditures



Cash Flow from Operations



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

FY 2018 Outlook* -- Strong Momentum

Value proposition continues to resonate in the market

- Service segment: Expect solid organic growth and improved productivity
- Distribution segment: Optimistic that performance will continue
- Expect impact of Hurricane Harvey on Houston market will lessen as the third quarter progresses; will see some softness in revenue and margins
- Hurricane Maria impact on Puerto Rico operations still to be determined with expected prolonged recovery; lab accounts for <2% of total revenue
- Operational Excellence: Upgrading the degree of sophistication in our processes
- Remain selective and disciplined in acquisition and investment approach
- CapEx spend of \$6.0 million to \$6.5 million

* Outlook provided as of October 24, 2017

Upcoming Investor Relations Calendar

Nov 15/16 IDEAS Southwest Conference (DAL)

Dec 14 Benchmark Micro Cap Discovery Conference (CHI)



Supplemental Information

Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Q2 FY18 TTM</u>
Net Income	\$ 3,984	\$ 4,026	\$ 4,124	\$ 4,522	\$ 4,337
+ Interest Expense	130	234	247	719	919
+ Other Expense / (Income)	129	111	48	51	35
+ Tax Provision	2,462	2,397	1,883	2,642	2,496
Operating Income	\$ 6,705	\$ 6,768	\$ 6,302	\$ 7,934	\$ 7,787
+ Depreciation & Amortization	2,945	3,090	3,946	6,184	6,063
+ Other (Expense) / Income	(129)	(111)	(48)	(51)	(35)
+ Noncash Stock Compensation	527	507	359	453	958
Adjusted EBITDA	\$ 10,048	\$ 10,254	\$ 10,559	\$ 14,520	\$ 14,773

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, and non-cash stock compensation expense), 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 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Q2 FY18 TTM</u>
Service Operating Income	\$ 2,379	\$ 3,693	\$ 4,155	\$ 4,769	\$ 4,609
+ Depreciation & Amortization	2,144	2,362	3,216	4,660	4,493
+ Other (Expense) / Income	(141)	(138)	(64)	(55)	(40)
+ Noncash Stock Compensation	230	224	171	217	460
Service Adjusted EBITDA	\$ 4,612	\$ 6,141	\$ 7,478	\$ 9,591	\$ 9,522
Distribution Operating Income	\$4,326	\$3,075	\$2,147	\$3,165	\$3,178
+ Depreciation & Amortization	801	728	730	1,524	1,570
+ Other (Expense) / Income	12	27	16	4	5
+ Noncash Stock Compensation	297	283	188	236	498
Distribution Adjusted EBITDA	\$ 5,436	\$ 4,113	\$ 3,081	\$ 4,929	\$ 5,251
Service	\$ 4,612	\$ 6,141	\$ 7,478	\$ 9,591	\$ 9,522
Distribution	\$ 5,436	\$ 4,113	\$ 3,081	\$ 4,929	\$ 5,251
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