

Q4
Fiscal 2018

Financial Results

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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.

Q4 and Full Fiscal Year 2018 Execution

Record Consolidated Results

Record revenue: Q4 up 10% to \$42.5 million
Full year up 8% to 155.1 million

Annual operating income increased 14% to \$9.0 million;
operating margin expanded 30 bps to 5.8%

Record net income of \$5.9 million, or \$0.81 per diluted share

Service Segment

36 consecutive quarters -- 9 years -- of YOY revenue growth

Mid to high single-digit organic growth rates in Q4 and FY18

Growing market share position in life science market

Distribution Segment

Record annual sales of \$77.7 million, up 7%

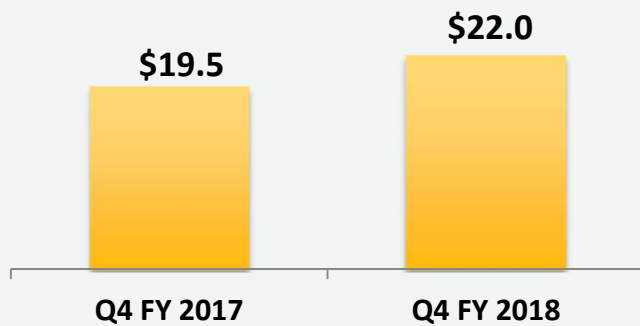
Broad based customer demand and expanded rental business

Rental revenue up \$0.4 million in Q4 and \$1.2 million in FY18

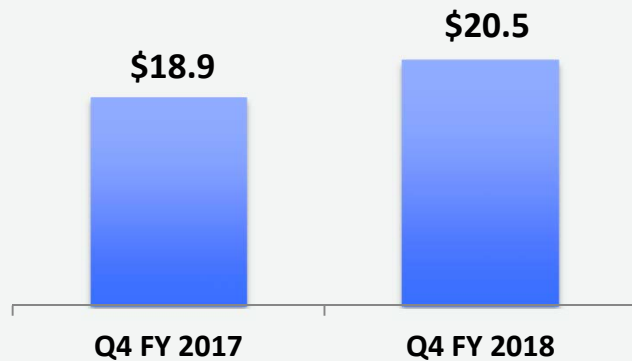
Record Revenue

(\$ in millions)

Q4 Service Segment

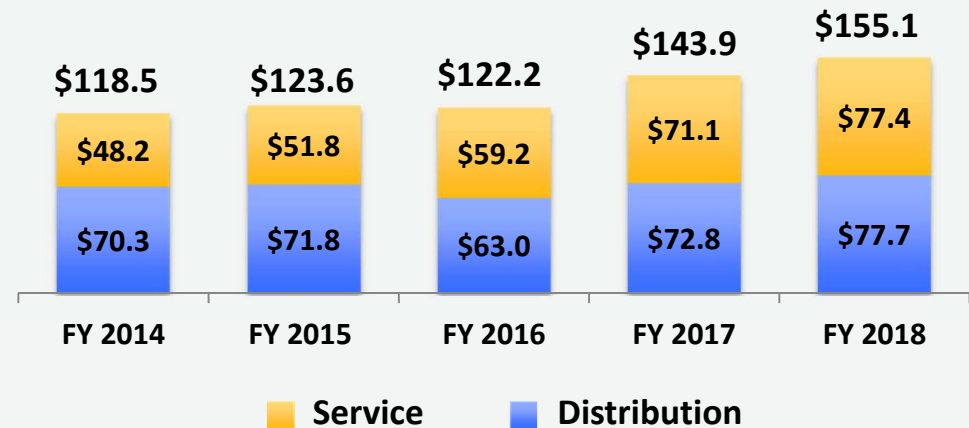


Q4 Distribution Segment



Consolidated – Annual

7% CAGR*



- 53 weeks in FY18 vs 52 weeks in FY17
- Service segment continues to deliver
 - ~7% growth over FY17 (normalized 53/52 week)
 - 13% CAGR*
- All Distribution channels were contributors

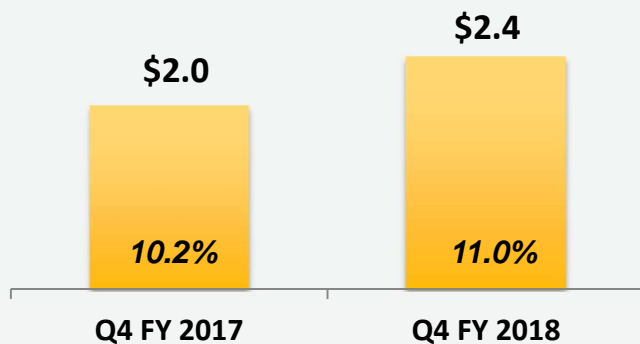
*FY 2014 – FY 2018

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

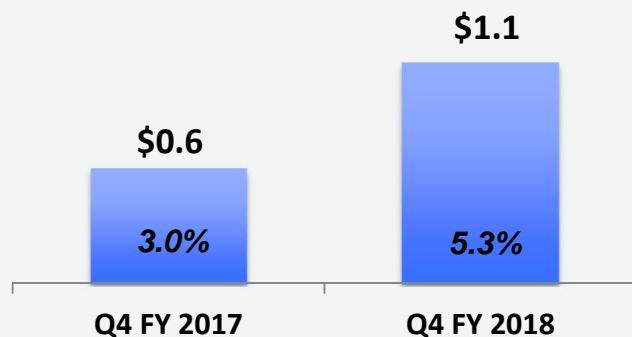
Improved Operating Income and Margin

(\$ in millions)

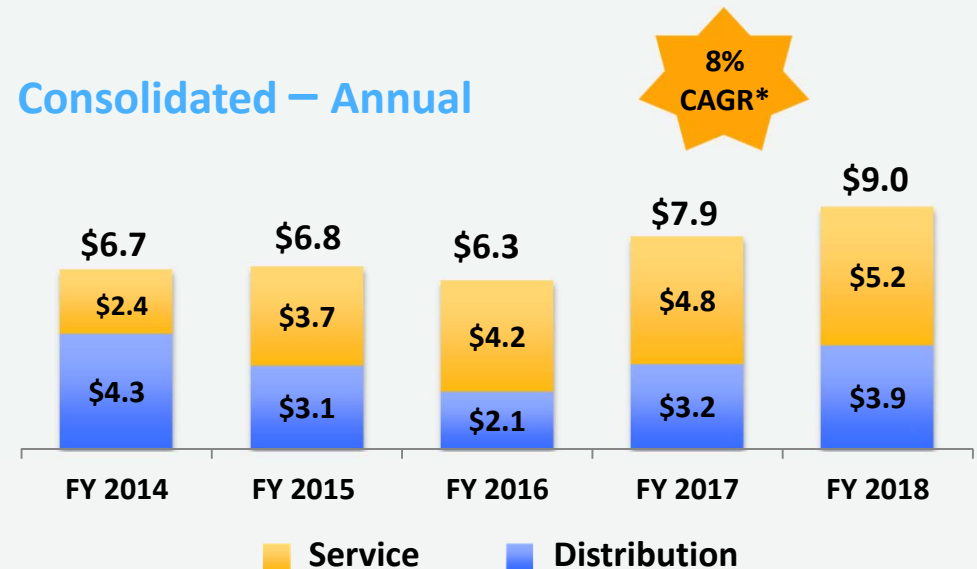
Q4 Service Segment



Q4 Distribution Segment



Consolidated – Annual



- Annual consolidated operating margin improved 30bps to 5.8%
- Q4 Service operating leverage more than offset gross margin pressure
- Q4 Distribution margin reflects increased mix of rental revenue and higher margin new product sales

*FY 2014 – FY 2018

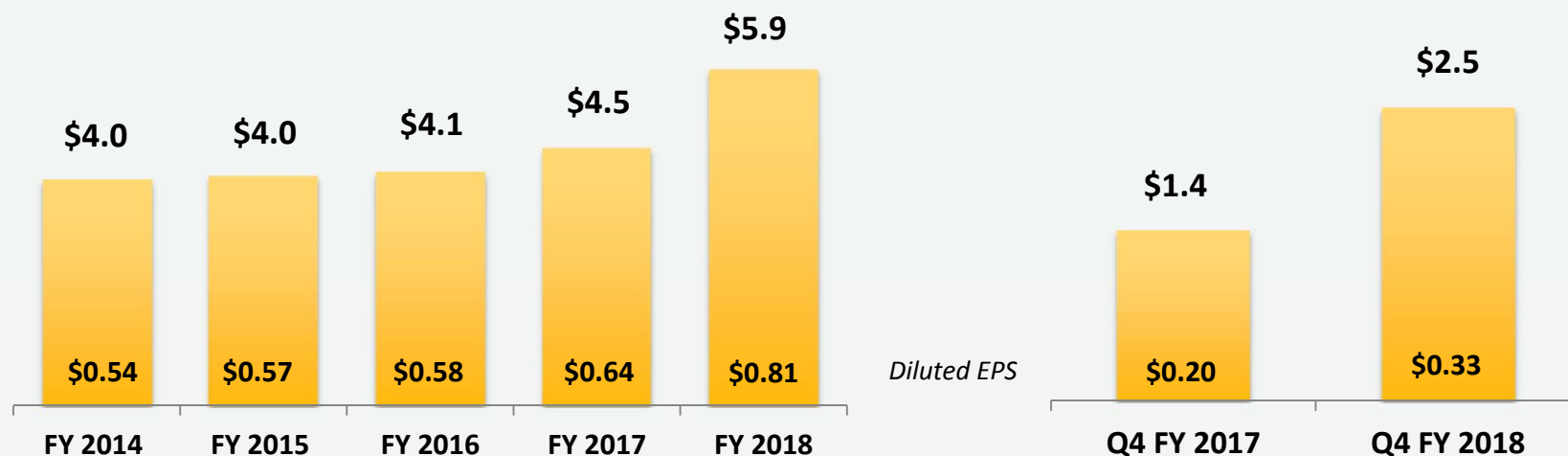
All figures are rounded to the nearest million. Therefore totals shown in graphs may not equal the sum of the segments.

Record Net Income & Diluted EPS

(\$ in millions, except EPS)

Annual

Quarterly



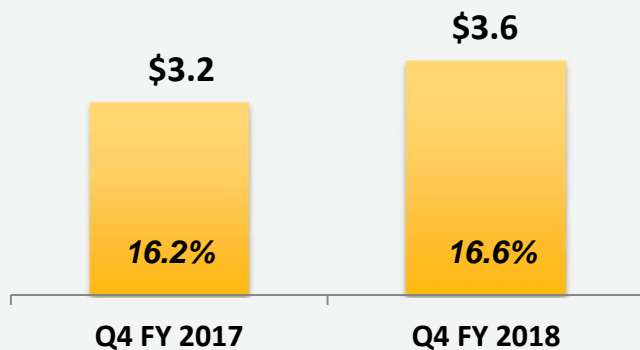
- 10% CAGR for net income (FY 2014 – FY 2018)
- Lower effective tax rate in Q4 18 of 25.2% compared with 39.0% in the prior-year period due to the Tax Cuts and Jobs Act enacted in December 2017
- Expect tax rate to range between 25% and 27% in fiscal 2019* (includes Federal, various state, and Canadian income taxes)

* FY 2019 tax rate expectation provided as of May 22, 2018

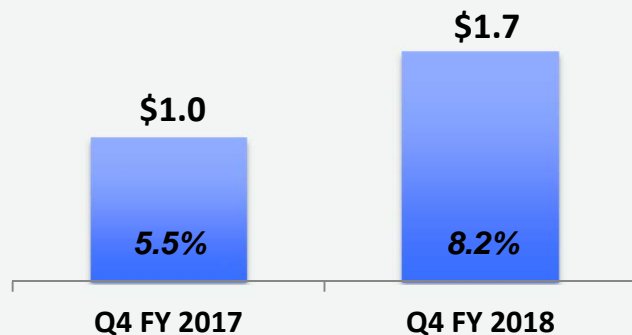
Adjusted EBITDA* and Margin

(\$ in millions)

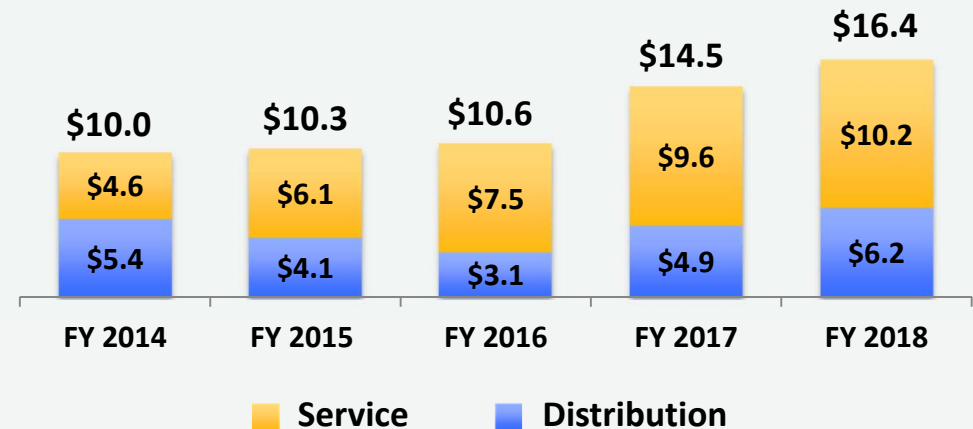
Q4 Service Segment



Q4 Distribution Segment



Consolidated – Annual



13%
CAGR**

- Total annual Adjusted EBITDA* up 13%; margin expanded 50 bps to 10.6%
 - Service segment up 6%
 - Distribution segment up 25%
- 22% CAGR for Service segment**
 - Validates strong operating leverage

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

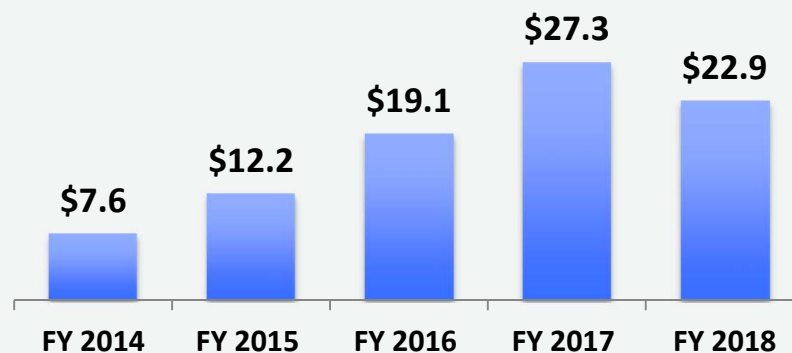
** FY 2014 – FY 2018

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Financial Flexibility Supports Growth Strategy

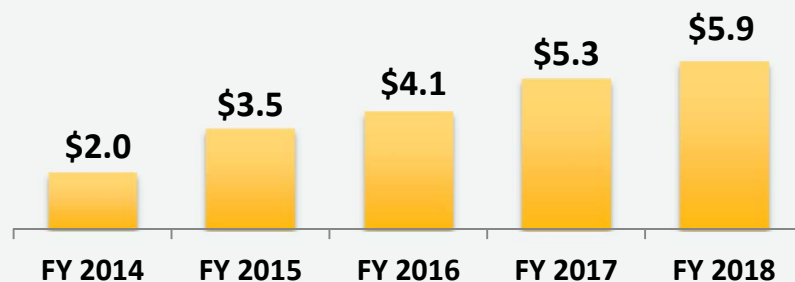
(\$ in millions)

Total Debt

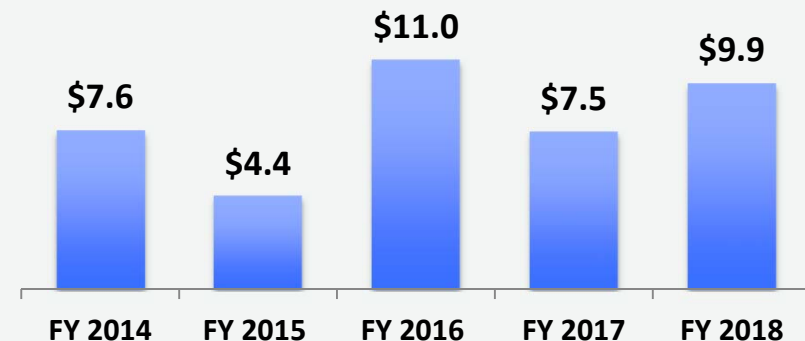


- Strong cash generation
- \$21.3 million available from credit facility as of March 31, 2018
- 1.4x leverage ratio at year-end (*Total debt to TTM Adjusted EBITDA**)
- CapEx focused on rental assets and customer-driven Service capabilities

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.

FY19 Outlook* – Building our Business for the Long Term

- **Service segment:** Value proposition continues to resonate in the market; Expect mid to high single-digit organic growth and improved productivity
- **Distribution segment:** Optimistic performance will continue
- Operational Excellence initiatives ongoing: Upgrading the degree of sophistication in our processes and using technology as a competitive advantage
- Acquisitions will continue to be an important element of our long-term growth strategy
- Anticipate CapEx spend of \$7.0 million to \$7.5 million in fiscal 2019, as follows:

Service capabilities	~\$4.0 million
Rental assets	~\$2.0 million
Maintenance	~\$1.0 to \$1.5 million

* Outlook provided as of May 22, 2018

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13678786*
- Telephone replay available through **Wednesday, May 30, 2018**
- Webcast / Presentation / Replay available at <http://www.transcat.com/investor-relations/>
- Transcript, when available, at <http://www.transcat.com/investor-relations/>



Supplemental Information

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Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Net Income	\$ 3,984	\$ 4,026	\$ 4,124	\$ 4,522	\$ 5,922
+ Interest	130	234	247	719	1,018
+ Other Expense / (Income)	129	111	48	51	60
+ Tax Provision	<u>2,462</u>	<u>2,397</u>	<u>1,883</u>	<u>2,642</u>	<u>2,026</u>
Operating Income	\$ 6,705	\$ 6,768	\$ 6,302	\$ 7,934	\$ 9,026
+ Depreciation & Amortization	2,945	3,090	3,946	6,184	5,991
+ Other (Expense) / Income	(129)	(111)	(48)	(51)	(60)
+ Noncash Stock Comp	<u>527</u>	<u>507</u>	<u>359</u>	<u>453</u>	<u>1,411</u>
Adjusted EBITDA	\$ 10,048	\$ 10,254	\$ 10,559	\$ 14,520	\$ 16,368

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>FY 2018</u>
Service Operating Income (loss)	\$ 2,379	\$ 3,693	\$ 4,155	\$ 4,769	\$ 5,158
+Depreciation & Amortization	2,144	2,362	3,216	4,660	4,397
+Other (Expense) / Income	(141)	(138)	(64)	(55)	(61)
+Noncash Stock Comp	230	224	171	217	706
Service Adjusted EBITDA	<u>\$ 4,612</u>	<u>\$ 6,141</u>	<u>\$ 7,478</u>	<u>\$ 9,591</u>	<u>\$ 10,200</u>
Distribution Operating Income	\$ 4,326	\$ 3,075	\$ 2,147	\$ 3,165	\$ 3,868
+Depreciation & Amortization	801	728	730	1,524	1,594
+Other (Expense) / Income	12	27	16	4	1
+Noncash Stock Comp	297	283	188	236	705
Distribution Adjusted EBITDA	<u>\$ 5,436</u>	<u>\$ 4,113</u>	<u>\$ 3,081</u>	<u>\$ 4,929</u>	<u>\$ 6,168</u>
Service	\$ 4,612	\$ 6,141	\$ 7,478	\$ 9,591	\$ 10,200
Distribution	5,436	4,113	3,081	4,929	6,168
Total Adjusted EBITDA	<u>\$ 10,048</u>	<u>\$ 10,254</u>	<u>\$ 10,559</u>	<u>\$ 14,520</u>	<u>\$ 16,368</u>

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