Operator: Greetings and welcome to the Transcat Fourth Quarter and Full Year 2019 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I now turn the conference over to your host, Craig Mychajluk. Thank you. 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 on the call today, we have Transcat's President and CEO, Lee Rudow; and our Chief Financial Officer, Mike Tschiderer.

After formal remarks, we will open up the call for questions. If you do not 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 our website.

If you would, please refer to Slide 2. As you are aware, we may make 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 of 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, let me turn the call over to Lee to begin. Lee?

Lee Rudow: Thank you, Craig. Good morning everyone. Thank you for joining us on the call today. We will follow the same format as we have in the past. I will provide some highlights for the quarter and for the full fiscal year and Mike will provide additional detail on the financials before I wrap things up with an outlook for fiscal 2020 and beyond.

In fiscal 2019, our team turned in another year of double-digit earnings growth with strong performance across most of our key performance metrics. I'll highlight few of them for you know. Record fourth quarter sales of over $44 million and record full year sales of $161 million, consolidated gross margin expansion of 20 basis points in the fourth quarter and 40 basis points for the fiscal year, record net income of $2.7 million in the fourth quarter and a record $7.1 million for the full fiscal year.

When normalizing for a 52 week year this year versus a 53 week year last year, organic Service growth was 13.6% in the fourth quarter and 8.6% in the year. The statistic we're most proud of is our consecutive year-over-year Service growth. In the fourth quarter fiscal year 2019, we reach the milestone of 40 consecutive quarters of year-over-year quarterly growth. That's 10 straight years. And from a final KPI perspective, we generated $12.6 million of cash from operations. Our strong cash will enable us to pay down debt and at the same time continue to execute our acquisition strategy.

On the acquisition front, we completed two deals during the past year, and one at start of the new fiscal year. Two of the three deals were small bolt-on acquisition that added unique capability to our current scope of services. The third deal, Angel's Instrumentation, expanded our footprint in Virginia and also

broadened our capabilities. We believe these acquisitions have strengthened our value proposition and positioned our Service segment to generate double-digit growth into the future. In fiscal 2019, we generated solid Service revenue growth; even with one last week in the year, Service revenue was up nearly 11% in the fourth quarter and 8.5% for the full year.

We continue to take market share from the competition as well as in-house labs and OEMs. This is particularly true in life sciences, and with our recently expanded RF capability, we've experience a meaningful uptick in aerospace and defense opportunities as well. On the productivity front, we remain focused on three key initiatives; improving the process of recruiting on boarding and training new technicians to support strong organic growth, driving process improvement throughout the entire organization and launching automation through our network of calibration lab. For all these reasons, we continue to have a high level of confidence and we expect that we can meaningfully improve our service margin profile overtime.

Moving on to Distribution, we believe we remain the only calibration services company that has the ability to leverage an $80 million Distribution business to deliver a unique value proposition across both our platforms. We expect to continue to maximize the complementary nature of our Service and Distribution segment. Fiscal 2019 was another strong year in terms of margin expansion for Distribution. Among many operational excellence improvements in the segment, effective pricing optimization on our core end user business as well as a higher mix of rental sales led the way.

Rental sales increased 21% to $1.2 million in the fourth quarter, and were up 19% to $4.2 million for the year. The combination of pricing optimization and higher margin mix drove an increase in both gross margin dollars and gross margin percentage on slightly less volume. We were pleased with these results, continue to like our Distribution plan, and expect to continue to execute similar approach in fiscal 2020.

Before I turn things over to Mike, I'd like to point out a significant honor Transcat received at the start of the new fiscal year. In fiscal 2019, our Director of Service Operation, Howard Zion, received the calibration industry's highest honor, the prestigious Woodington Award for Metrology Excellence. The prior year, fiscal 2018, another member of the Transcat team, Chris Grachanan, our Director of Metrology, won the same award. In the 30 years the Woodington award has been presented, Transcat is the only commercial calibration organization to receive the award twice. And so, we are very proud of Howard and Chris and entire team that have elevated Transcat to this high level of recognition.

With that, let me turn things over to Mike.

Mike Tschiderer: Thanks, Lee, and good morning everyone. I will say one final time that before we get started, the reminder that our fiscal year 2019 was a 52-week year while fiscal 2018 was a 53-week year. So the fourth quarter and full-year comparisons are impacted by having one less week this year, as the extra week was in the fourth quarter of fiscal 2018.

Starting with the first quarter of fiscal year 2020, it will be back to 13-week quarters and 52-week years until I believe fiscal 2024. In the press release and the slides we provided additional commentary that normalizes the revenue growth numbers between the years and between the quarters, so you can get a more relevant comparison of the periods.

Starting on Slide 5 of the deck that was provided and posted, we provide some detail regarding our top line. We ended the year on a solid note with record consolidated quarterly revenue of $44.5 million, which resulted in the record full year of $160.9 million of consolidated revenue. On a normalized basis, the fourth quarter revenue was up 12.9% and full-year consolidated revenue was up 6.2%.

The Service segment continued to perform very well from a revenue perspective and was up 10.8% in the quarter and 8.5% for the fiscal year, despite one fewer week. Angel's Instrumentation contributed approximately $1.9 million of Service segment revenue over the seven months that they have been part of Transcat team. We continue to be very happy with the results of the Angel's transaction.

As we mentioned, when normalized with a 52-week year, Service organic revenue growth was 13.6% in the quarter and 8.6% for the fiscal year. Our stated goal is to achieve organic growth rates in the mid-to-high single-digits range and our recent performance demonstrates the success we have had in taking market share, especially in the U.S. Canada was still soft, which based on what we see and hear is a common theme there. In connection with the 40 consecutive quarters of year-over-year revenue growth since fiscal 2015, Service segment revenue has grown at a compound annual growth rate of 13%.

Gross margin for the Service segment was 27.7% for the quarter and was 24.9% for the full fiscal year, an 80 basis point decrease in both periods. Gross margin was impacted by the short-term productivity challenges due to the large number of new techs staff hires to support our record growth and the Canada top line softness. As we stated, we do anticipate seeing margins grow throughout fiscal 2020 though.

As we discussed in the past, the primary focus in the Distribution segment is on improving the gross profit dollars and margin by focusing on high value, higher margin opportunities, re-pricing and rental business. This successful execution of the strategy was evident in our results as Distribution gross margin in the fourth quarter and for the full fiscal year was 23.9%, up 130 basis points and 140 basis points respectively.

While still small, our rental business continued to grow, up 21% to $1.2 million in the fourth quarter, and up 19% up to a total of $4.2 million for the full fiscal year. As a result of the strength in the Distribution segment, consolidated gross margin expanded 20 basis points in the quarter and 40 basis points for the full year.

Total annual operating expenses as a percentage of revenues decreased 20 basis points to 18.1% of consolidated revenue, but still allows for continued investments in technology, infrastructure and operational excellence initiatives. As a result, we saw operating leverage for the full fiscal year as consolidated operating income up over 13% to $10.2 million, and operating margin improved 60 basis points to 6.4%.

From a segment perspective, the lower Service operating margin for the quarter, and for the year, reflects that flow through of the earlier commentary around the gross margin. Distribution operating margin expansion was due to the optimization of the mix and the pricing initiatives discussed earlier. Please see Slide 6 for details.

On Slide number 7, we show our bottom line results highlighted by a 21% increase or record $7.1 million of net income, or earnings of $0.95 per diluted share. Net income for the quarter was up 8% to a record $2.7 million, or $0.35 per diluted share. Both periods benefited from lower effective tax rates due to the U.S. Tax Cuts and Jobs Act enacted in late December of 2017 just at the end of our third quarter of fiscal 2018.

Our effective tax rate for fiscal 2020 is expected to range between 22% and 23% and includes federal, various state and Canadian income taxes. We expect a lower income tax expense from the impact of accounting for certain share-based payment awards through tax expense versus the balance sheet.

This accounting standard only had an immaterial impact on the tax expense in fiscal 2019 and '18. However, it is expected to result in a significantly lower first quarter fiscal 2020 tax rate of between 10% and 11%, as it is recorded as a discrete tax event rather than being part of the overall effective tax rate used.

Moving to Slide 8, we show adjusted EBITDA and adjusted EBITDA margin, among other measures, we do use adjusted EBITDA, which is a non-GAAP measure to give the performance of our segments because we believe it is a good measure of our brain performance and is used by investors and others to evaluate and compare performance of core operations from period-to-periods.

I encourage you to look at the provided reconciliation of adjusted EBITDA to the closest GAAP measures which for us our operating income and net income. On a consolidated basis, quarterly adjusted EBITDA

was up 5% to $5.6 million, with the adjusted EBITDA margin expanding 10 basis points to 12.6%. Full fiscal year consolidated adjusted EBITDA increased almost 9% to $17.8 million, and EBITDA margin improved 50 basis points to 11.1%.

On Slide 9, we provide detail regarding our balance sheet and cash flow. We generated strong cash from operations of $12.6 million, an increase of 27%, which was used in our or acquisitions to fund our growth focus investments to drive our operational excellence initiatives as well as to reduce our debt. In fiscal 2019 year end, we had total debt of $21 million with $23.5 million available under the facility.

Our debt levels were down $1.8 million since the end of fiscal 2018 and our fiscal year end leverage ratio also decreased down to 1.12:1.00. We calculate this leverage ratio as our total debt on the balance sheet at a period-end provided by the trailing 12 months adjusted EBITDA and including the pre-acquisition EBITDA of acquired companies in the trailing 12 months. Other companies may calculate such a metric differently.

As previously reported in December of 2018, we amended our credit facility agreement, in part to mitigate any interest rate change risk. We replaced our term loan with a new $15 million term loan that has a 4.15% fix interest rate through a new maturity date of December 2025. The previous term loan had a variable interest rate. The revolving portion of our facility still has a variable interest rate.

Capital expenditures were $7 million during fiscal 2019 and primarily focused on customer driven expansion of Service segment capabilities, and acquiring assets for our growing rental business. As noted on Slide 11, we expect fiscal 2020 CapEx to be approximately $7.8 million to $8.2 million. The majority of the incremental capital spend in excess of fiscal 2019 levels is expected to be for growth oriented opportunities within both our operating segments.

Approximately $4.0 million to $4.5 million of the CapEx spend is expected to be focus on Service segment capabilities another $2.0 million to $2.5 million on rental pool assets, and maintenance CapEx is anticipated to be similar to this past fiscal year at approximately $1.0 million to $1.5 million. We continue to believe we have sufficient liquidity for any investment opportunities that meet our strategic criteria. And lastly, we expect to timely file our Form 10-K and or about June 7th.

And with that, I will turn it back to you Lee.

Lee Rudow: Okay. Thank you, Mike. As I talk to our outlook, I want to introduce our Service branding campaign. Recognizing that we've established a very strong differentiated brand over the past several years, we're starting to promote three simple and straightforward words "Calibrated by Transcat". The goal is for the phrase "Calibrated by Transcat" to be synonymous with compliance, control and risk reduction in the highly regulated industries like life science and aerospace, and that will become commonplace in the calibration industry to hear people ask, are your instruments "Calibrated by Transcat".

In conclusion, we're pleased with our overall performance in 2019. Most important, we demonstrated the ability to strike an effective balance between hitting short-term goals and preparing the business for the long-term. In addition to generating record levels of revenue and earnings, we fortified our infrastructure and made significant progress improving the functionality of many of our critical systems. And as we enter 2020 with strong demand for our products and services, we also entered a year a better company.

We believe we're well positioned to capitalize on new business opportunities. Acquisitions will remain important part of our strategy and combined with our healthy, organic Service pipeline, we expect to drive double-digit Service growth. Process improvement and automation will be major contributors defining the future for Transcat. While we're still early in game, progress continues and we believe we are doing the right things to drive growth and margin improvement. We strongly feel the long view on Transcat remains very compelling, and we are confident in our ability to continue executing well and expect to reach another record year in fiscal 2020.

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

Operator: Great, thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question is from Matt Koranda from ROTH Capital. Please go ahead.

Matt Koranda: I just want to start out with the Service segment. It looks like growth there in your Q4 was really strong even if I normalize for the entire number of weeks last year, which you guys emphasized. So thank you for that. And I think you cited share take in the life sciences segment, but are there any other areas of strength that you call out? And how sustainable is it sort of low-teens growth rate that you guys generated organically?

Lee Rudow: Yes, the growth we experienced, even when normalized for the difference of one week, was significant and it was weighted towards life science. But as I mentioned on some of my discussion points, we did also see an uptick in aerospace and defense. If we look at the pipeline now, Matt, on a go forward basis, we're seeing a pretty healthy mix of the two particular end user targets for us. There are others mixed in - general manufacturing and so on and so forth, but I would say that, we would expect to see the concentration to be in life science and aerospace going forward.

Matt Koranda: And then, I think you guys have typically in the past said that, Service growth sort of organically should run kind of in the mid to high single-digits, and it looks like on the outlook side, you're calling for double-digit growth. So, I'm assuming, is that inclusive of acquisitions that you've completed like the tuck-in that you did at the beginning you fiscal year? Or does that assume some additional tuck-ins happen throughout fiscal '20 to achieve that double-digit growth rate in service?

Lee Rudow: Yes, that will assume on a go forward basis doing about what we have done in the past. So, you're going to see mid-to-high single digits in organic growth. You saw that in the fourth quarter. You've actually saw better than that in the fourth quarter, but I think we're comfortable with the stated range. We will continue to make acquisitions. Some of them will be small tuck-in that just fit really well and are very easy for us to do - part of our core competencies on the acquisition side. You're going to see that continue. We look for mid or larger size deals as well. They'll be sprinkled in. But I think that if you look at our past performance, it's probably indicative of what we're likely to do and there will be a blend to achieve the double-digit growth.

Mike Tschiderer: Yes, Matt, I think the pipeline is strong and we'll continue to execute in the space that we are looking for businesses with the same criteria. I will say that we do not intend, because it was so small, Gauge Repair Service, that company and we bought right at the beginning of the fiscal year. We're not going to call that out every quarter. It's just going to be put into regular revenue, which is so small, we're not going to parse that out and take it away from organic.

Matt Koranda: Since we're on that point, I guess maybe just a little commentary on sort of what gauge at in terms of capabilities or customer lists in terms of what you were looking to achieve there? It would be helpful.

Lee Rudow: That's a small company that was located just a few miles from our operation in LA, which is specifically in Fullerton. And that particular company has a unique capability on the pressure calibration, pressure repair side. And so when we look at a company like that Matt, we are looking at two ways.

Number one, they do have a customer base, albeit small, that will benefit by our broader scope of services. But we look at the amount of work that we outsourced ourselves, which runs in the 10% to 12% range. And when we buy a company like Gauge, and we bring that unique capability in-house, it also helps us to reduce our TMS spend. And that's one of the ways that we're looking to increase our margins, by doing more in-house versus the typical 12% roughly of outsourcing.

So, it has a dual purpose there. We look for both the cost and the sale synergies. A small company like that gets absorbed really quickly. We eliminate the rent and we use the redundant location. And then you

get the upside when we sell to their customer bases. So, it's really kind of a makes a lot of sense to do deals like these. They're not very difficult. They're very, very low risk and the upside is compelling.

Mike Tschiderer: Yes, in this particular one, Gauge happened to be a third-party vendor of ours already. So, we knew the quality, we knew the principles, and it just kind of spread into that bolt-on scenario, what was perfect for us.

Lee Rudow: And when gotten right, they play out to be a one plus one equals three scenario and that's what we do.

Matt Koranda: Perfect. It's good jumping off point to talk about service margin. I just wanted to see if we can delve a little deeper and maybe isolate and rank the most important factors that you think are sort of holding back some of the pull-through in gross margins and the Service segment. I mean, I get that inefficiency in the ramp up of kind of new technicians is probably the biggest pain points, but are there other factors that you would call out? And obviously you have automation that you talked about that sort of coming and are there other? What are the other elements or maybe an example of sort of the streamlined on-boarding process that you've got going that sort of address some of the pain points there?

Lee Rudow: Yes, it's a great question. So the number one factor when we look back on the year was clearly the stabilization of our staff and the hiring of enough new technicians to handle the growth rate. That's been a challenge for about the past year, year and a half. It'll continue to be a challenge. So we're addressing it through recruiting a little bit differently and getting our new employees trained at a more accelerated pace. We put a lot of online tools in place to get that on-boarding and training more effectively executed.

The combination of keeping your current staff, and getting the new staff onboard quickly and trained quickly really makes a huge difference in the margins. That's one of our number one goals, to improve those rates and to focus on that. But it's a little bit more than that as well. As you grow, as companies experience the type of growth that we've encountered, your mix is going to change a little bit as well. So, we're doing a little bit more dimensional work incrementally with some of these wins to get the larger accounts.

We talked about landing more CBLs, client-based labs, when you win a client base lab, you win all of their work and so, you have to take that some of the lower end work, some of the lower margin work in addition to some of the higher margin instruments that we see. So the blend and the mix have changed a little bit. To counter that, we're writing the automation and the scripts around getting this work through our lab quicker. We didn't do that because we were a little off guard from the net growth.

So, we might be a little bit behind, but we're catching up quickly. The combination of getting the staff trained, driving automation to some of these lower mix products, these are all very, very doable things. They do not happen overnight, and they are challenging to do, but objectively, we can certainly get it accomplished. So it's less a matter of, “if” and more matter of “when”, and we're just trying to drive it a good pace.

Operator: Our next question here is from Dick Ryan from Dougherty. Please go ahead.

Dick Ryan: Thank you. Congratulations, guys on a strong quarter and year. So, Lee, I just want to look at life sciences maybe a little bit deeper. I think it's maybe 40% of Service revenue or whatever. But if you look back over the last 4 or 5 years, it looks like that business has grown maybe 50%. Is there a way to look at that and say, how much is actually taking share versus the just the overall market expansion by you guys being able to offer a greater amount of services?

Lee Rudow: I do not have specific breakout in terms of data around that, but I can tell you that I'm pretty comfortable in saying that the lion's share of the growth has been by taking market share from our competition and from the OEMs. We have expanded some capabilities relative to life science, but it has

not really driven that growth. That growth is by the market recognizing our quality value proposition. So as these companies grow either they have compliance issues - when they have compliance issues, Transcat is the Company they turn to.

All of those rigors, and all the investments we made to really drive high quality services, I think, has really just resonated well. In combination with the fact that some of our customers had difficulty obtaining technicians as well, has driven this growth.

I mean, let's look at the examples - we have 320 technicians, but our average in house lab that we would outsource to some of our growth, has five employees. And so, if they lose one to retirement and one lease for a different opportunity, they've lost a significant percentage of their workforce, and they're going to struggle to stay compliant and that's a big risk. So, they turn to a company to Transcat and say, look, this is not a part of our core competency and it's yours, we want to outsource this. So that's been part of the growth. Again, that's taking market share. In that particular case from the in house lab. We've got some good work on the OEM site too, the third party providers but it's really been a blend of winning in the marketplace more, no question.

Dick Ryan: When you look from the competitive share gains, is there 1 or 2 companies specifically that you're taking share? Is it still with your breadth of services? Is it still kind of low hanging fruit out there that kind of pipeline you're looking at?

Lee Rudow: I think our pipeline is as strong as it's ever been. We are going into the year with a pretty good sense that we're going to see the growth we forecasted. From a marketplace perspective, we're really seeing it across the board. There are times where we're winning against the small owner operators because the depth and breadth of our service line, there are times we're winning against some of the larger national providers just because of our ability to execute and our overall value proposition.

It's no one place, other than to say, as I said last quarter and am going to continue saying, we are seeing a concentration of larger accounts. Our pipeline has more larger accounts than we typically have in the past. We saw that starting in second quarter and third quarter of last year and you're going to see it continued throughout this year at least the early, early read on this year that much of the same. So, I get back to my earlier comment on the availability of technicians. So, on a go forward basis, we have to be the type of company that can build and train our own technicians to support the type of growth we're seeing, and that's all part of what we're focused on.

Dick Ryan: You've talked on productivity strategies to move in that service margin higher and not looking at any particular timeframe let say, but when all three of those are hitting their strides where do you expect service margins to go? I mean, are we looking north of the 30% range? Or can you kind of ballpark that for us?

Lee Rudow: Well, Mike and I have messaged over the last couple of years that we expect to see fairly steady progress moving forward. Whether that'll be 50 basis points or a 150 basis points remains to be seen, but I think it will be consistent, we're fairly steady not, necessarily quarter-to-quarter but over the longer period of time.

We think it's not unreasonable to get the margins up in the 30% range over the next couple of years, and some of it depends on timing and how much traction will get on this program. Beyond 30% would require a lot of success on the automation side and some programs we're working on. It's not to say it can't be done, but I would not want to message that at this point. So, let's stick to where we are and think we should get into the high performing event and 30% before too long as we continue to make progress.

Dick Ryan: Okay, great. One last one on the rental side, what's your kind of short-term strategy for growing the rental - you had nice growth this year, but obviously a small base?

Lee Rudow: We're going to continue to drive rentals. We started that business, if you recall, to help stabilize the Distribution business. We had the entire infrastructure in place - the units were on the shelf,

we had shipping & receiving, we had a sales team, we had a calibration lab, which is an absolute necessity. All the components were in place. It made a lot of sense to build that business and start it. What we didn't realize at the time was that it was going to resonate so well with both our Service customers and our core Distribution customers. So, it's really kind of a service that has high margins that pulls the Company together, it's like a bridge between our two segments.

For that reason, and to address your questions, we're going to continue to fund the growth of that business. The margins are attractive. It's valuable to our customers and makes our value proposition better. It supports our Service growth and it makes us unique. That suite of services between Rental, Distribution and Service makes Transcat unique. As long as it keeps growing, and keeps up the margin, it makes our business better and you're going to see us invest capital in that. And we're learning more and more about rentals now. Growing it to a $30 million business is not on our current road map, but there's no reason why we can't continue with similar growth rate that we have demonstrated past couple of years.

Mike Tschiderer: I think it will be more of what we kind of have, Dick. We will continue to be measured as we look at the CapEx that's needed and what other kind of ancillary products that we would want to put into their rental pool. We will continue to look at our win rates to see what is successful and what margins we are able to get in their business. But I wouldn't expect any other changes, any other large changes to what the success we have so far.

Operator: [Operator Instructions] Next question here is from Chris Sakai from Singular Research. Please go ahead.

Chris Sakai: Lee, can you comment on business in Canada and what you see going on there as far as on the market that starts to improve?

Lee Rudow: Chris, this is Lee. We definitely saw over the past four quarters, a softening of the business in Canada, particularly in service. We mentioned earlier that there were no real big customer losses and that it's just a reduced work load from our current customer base. So, the encouraging factor is that if things turnaround and pick up a little bit, we're really well positioned to recapture some of that volume that we lost in the past year.

The sales model we run in Canada is a little bit different than what we do here in the States. We're using this particular sort of softer time to rejigger that model up there, so it reflects something a little bit closer to we do in the U.S. There has been opportunity to get our arms around that. To directly answer your question, I think we're pretty well positioned that when Canada turns around we're are going to turnaround with it, and do at least as well as we've done in the past with some upside, and some of the changes that we have made. Does that answer your question?

Chris Sakai: Yes, yes. Moving to I guess the previous quarters, you've done a lot of training of new technicians. How has that gone and in the quarters coming do you expect do the same of training?

Lee Rudow: With the training over the past year, I think we have done sort of mediocre job. It's been the type of job where we had to hire a lot of people. We've had to get them through the system and train them. It has not been as efficient or effective as what we like to see in the future. We have done the best we could to manage some of the growth. On a go forward basis, we are going to do a much better job. We intend to do much better. We certainly expect to improve our training program. We set up different training materials, everything from sort of a formal or informal school, if you will, to get technicians through our system quicker with less drag on some of the senior technicians who do the training.

There's a lot of talk around Transcat on how to get people in and productive quicker, quicker than we have in the past, more effective than we've done in the past. So, I think there's a lot of room for opportunity here to get better. And that's a really important part of how we're going to manage growth going forward. So, I'm pretty confident we're doing the right things across the spectrum with materials, training, on-boarding, everything. So, we shouldn't be having these conversations this time next year or

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we'll have these conversations talking about from the success that we had, at least that's what we expect.

Mike Tschiderer: Yes, Chris, the other thing I just kind of add on top of that is in addition to the new hires is the focus on retention, retention tools, because that's a big piece of it too. We have a pretty good retention rate, but we know the turnover is very expensive. And those same kind of tools were through our HR group as well as our operations group, trying to develop paths and satisfaction and on-boarding and the 6 months interviews and 12 month interviews with staff to see what's working, what's not working, because we find that once they're here for a period of time they stay, but we want to just keep them here. So, we're not starting all over again. So it's the existing staff as well as the new staff, it's the focus.

Operator: This concludes the question-and-answer session. I'd like to turn the floor back to management for any closing comments.

Lee Rudow: Okay, this is Lee. We appreciate everyone being on the call today. Thank you for joining us. And we appreciate your interest in Transcat. We will be participating at the Stifel Conference in Boston on June 11th. Feel free to check in with us at the conference where you can reach out to Mike, you can reach out to me anytime. Otherwise, we look forward to speaking with you again after our first quarter results are released. And again thanks for participating today.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you again for your participation.