

Transcat, Inc. 35 Vantage Point Drive • Rochester • NY • 14624 • Phone: (585) 352-7777

IMMEDIATE RELEASE

**Transcat Reports Consolidated Operating Income Growth of 40% and Service Segment Revenue Growth of 18% for Fiscal 2020 Second Quarter**

- Service segment revenue increased 18.1% with strong Service organic growth of 15.1%
- Productivity initiatives developing early traction as Service segment gross margin expanded 140 basis points; consolidated gross profit margin increased 150 basis points
- Consolidated operating income grew more than 40% on total revenue growth of 7.4%
- Achieved net income of \$2.4 million and diluted earnings per share of \$0.32, up \$0.12

ROCHESTER, NY, October 22, 2019 – [Transcat, Inc.](http://www.transcat.com) (Nasdaq: TRNS) (“Transcat” or the “Company”), a leading provider of accredited calibration, repair, inspection and laboratory instrument services and value-added distributor of professional grade handheld test, measurement and control instrumentation, today reported financial results for its second quarter ended September 28, 2019 (the “second quarter”) of fiscal year 2020, which ends March 28, 2020 (“fiscal 2020”). Results include the previously reported acquisitions of Angel’s Instrumentation, Inc., effective August 31, 2018 and Gauge Repair Service, effective April 1, 2019.

Lee D. Rudow, President and CEO, commented, “Our initiatives to diversify and differentiate our value proposition are clearly resonating in the market. We achieved strong Service segment revenue growth, particularly on the organic side, and had meaningful margin expansion in both operating segments driving our strong bottom line results.

“We continue to expand our market position, and while still early in the process, we are making strides every day in improving our margin profile. Specifically, the early results of our ongoing technology and productivity initiatives are taking hold as demonstrated in this quarter’s Service segment performance.”

**Second Quarter Fiscal 2020 Review** (Results are compared with the second quarter of the fiscal year ended March 30, 2019 (“fiscal 2019”))

| (\$ in thousands)       | FY20 Q2         | FY19 Q2         | Change          |             |
|-------------------------|-----------------|-----------------|-----------------|-------------|
|                         |                 |                 | \$'s            | %           |
| Service Revenue         | \$23,502        | \$19,902        | \$ 3,600        | 18.1%       |
| Distribution Sales      | \$18,261        | \$18,977        | \$ (716)        | (3.8%)      |
| <b>Revenue</b>          | <b>\$41,763</b> | <b>\$38,879</b> | <b>\$ 2,884</b> | <b>7.4%</b> |
| Gross Profit            | \$10,445        | \$9,139         | \$ 1,306        | 14.3%       |
| Gross Margin            | 25.0%           | 23.5%           |                 |             |
| Operating Income        | \$3,059         | \$2,176         | \$ 883          | 40.6%       |
| Operating Margin        | 7.3%            | 5.6%            |                 |             |
| Net Income              | \$2,379         | \$1,488         | \$ 891          | 59.9%       |
| Net Margin              | 5.7%            | 3.8%            |                 |             |
| Adjusted EBITDA*        | \$4,788         | \$4,015         | \$ 773          | 19.3%       |
| Adjusted EBITDA* Margin | 11.5%           | 10.3%           |                 |             |

\*See Note 1 on page 4 for a description of this non-GAAP financial measure and page 9 for the Adjusted EBITDA Reconciliation table.

Transcat achieved record second quarter consolidated revenue of \$41.8 million, up 7.4% or 5.5% when excluding acquired revenue. Gross margin expanded 150 basis points. Total operating expenses were up \$0.4 million to \$7.4 million; however, as a percent of revenue, operating expenses decreased 20 basis points to 17.7%. As a result, operating income increased more than 40% and operating margin expanded 170 basis points to 7.3%. Net income grew nearly 60% and diluted earnings per share increased \$0.12 to \$0.32. The growth in net income continues to be aided by the increased discrete income tax benefits related to share-based awards that were greater than expected, due to second quarter stock option exercises by certain Company officers.

**Service segment delivers strong organic growth while focusing on productivity enhancements**

*Represents the accredited calibration, repair, inspection and laboratory instrument services business (56% of total revenue for the second quarter of fiscal 2020).*

(\$ in thousands)

|                                | FY20 Q2   | FY19 Q2   | Change   |       |
|--------------------------------|-----------|-----------|----------|-------|
|                                |           |           | \$'s     | %     |
| Service Segment Revenue        | \$ 23,502 | \$ 19,902 | \$ 3,600 | 18.1% |
| Gross Profit                   | \$ 6,012  | \$ 4,807  | \$ 1,205 | 25.1% |
| <i>Gross Margin</i>            | 25.6%     | 24.2%     |          |       |
| Operating Income               | \$ 1,837  | \$ 1,125  | \$ 712   | 63.3% |
| <i>Operating Margin</i>        | 7.8%      | 5.7%      |          |       |
| Adjusted EBITDA*               | \$ 3,101  | \$ 2,414  | \$ 687   | 28.4% |
| <i>Adjusted EBITDA* Margin</i> | 13.2%     | 12.1%     |          |       |

\*See Note 1 on page 4 for a description of this non-GAAP financial measure and page 9 for the Adjusted EBITDA Reconciliation table.

Service revenue was \$23.5 million, an increase of 18.1%, which reflects double-digit growth in both the U.S. and Canada. Organic Service revenue growth was a strong 15.1% in the second quarter, in part reflecting new business from the highly regulated life sciences market and also from growth in other regulated sectors. On a trailing twelve-month basis, Service revenue was \$90.7 million, up 13.5% when compared with the trailing twelve-month period ending with the prior-fiscal year second quarter.

Service Segment gross margin improved 140 basis points due to the early progress on the Company's various productivity initiatives, improved efficiency of recently hired technicians, and client-based lab contracts initiated in prior quarters achieving expected profitability after start-up costs trail off. Segment operating income grew more than 63% and operating margin improved 210 basis points.

**Distribution segment generated strong gross and operating margin performance**

*Represents the sale and rental of new and used professional grade handheld test, measurement and control instrumentation (44% of total revenue for the second quarter of fiscal 2020).*

(\$ in thousands)

|                                | FY20 Q2   | FY19 Q2   | Change   |        |
|--------------------------------|-----------|-----------|----------|--------|
|                                |           |           | \$'s     | %      |
| Distribution Segment Sales     | \$ 18,261 | \$ 18,977 | \$ (716) | (3.8%) |
| Gross Profit                   | \$ 4,433  | \$ 4,332  | \$ 101   | 2.3%   |
| <i>Gross Margin</i>            | 24.3%     | 22.8%     |          |        |
| Operating Income               | \$ 1,222  | \$ 1,051  | \$ 171   | 16.3%  |
| <i>Operating Margin</i>        | 6.7%      | 5.5%      |          |        |
| Adjusted EBITDA*               | \$ 1,687  | \$ 1,601  | \$ 86    | 5.4%   |
| <i>Adjusted EBITDA* Margin</i> | 9.2%      | 8.4%      |          |        |

\*See Note 1 on page 4 for a description of this non-GAAP financial measure and page 9 for the Adjusted EBITDA Reconciliation table.

Distribution segment gross profit increased 2.3% and gross margin expanded 150 basis points despite lower sales, due to the mix of products sold, including solid growth in rentals. The Company's equipment rental business continued to expand with sales up 32% to \$1.3 million in the quarter.

### **Six Month Review** *(Results are compared with the first six months of fiscal 2019)*

Total revenue was \$84.2 million, an increase of 11.4%, or \$8.6 million, primarily due to the factors described above in the second quarter fiscal 2020 review. Consolidated gross profit was up \$2.2 million, or 12.3%, to \$20.5 million, and gross margin expanded 20 basis points to 24.4%. Consolidated operating expenses increased \$1.4 million or 10.2% as the Company continued to invest in its operating infrastructure. However, as a percentage of total revenue, consolidated operating expenses were 18.4%, down 20 basis points. As a result, operating income increased \$0.8 million or 19.4%, and operating margin expanded 40 basis points to 6.0%.

Net income was \$4.1 million, or \$0.55 per diluted share, compared with \$2.9 million, or \$0.39 per diluted share. Adjusted EBITDA was \$8.7 million, or 10.4% of revenue, compared with \$7.9 million, or 10.4% of revenue. See Note 1 on page 4 for a description of this non-GAAP financial measure and page 9 for the Adjusted EBITDA Reconciliation table.

### **Balance Sheet and Cash Flow Overview**

Transcat acquired Infinite Integral Solutions Inc. ("IIS"), a Canadian software company with an application to facilitate the automation of various calibration disciplines, effective July 19, 2019. Total consideration for the shares of IIS was C\$1.4 million, subject in part to the achievement of certain milestones, and was funded with debt. In the second quarter, C\$0.6M of the purchase price was paid. Also in the second quarter, \$0.5 million of cash was used to fund the release of certain purchase agreement holdbacks from the August 2018 Angel's Instrumentation, Inc. acquisition. At September 28, 2019, the Company had total debt of \$24.7 million, with \$18.9 million available under its secured revolving credit facility. The Company's leverage ratio, as defined in its credit agreement, was 1.32 at September 28, 2019, compared with 1.12 at fiscal 2019 year-end.

Capital expenditures were \$4.0 million for the first six months of fiscal 2020, with investments focused on customer-driven expansion of Service segment capabilities and the Company's rental business.

### **Outlook**

Mr. Rudow concluded, "We believe we are well on pace to achieve record results in fiscal 2020. We have a high level of confidence and expect to continue to take market share in calibration services, especially in the life science and other regulated sectors where our commitment to quality reduces our customers' risk. We also believe we are well positioned to achieve strong organic Service growth for the remainder of this fiscal year.

"We plan to continue to build the business for the long term and believe our investments in people, operational excellence and technology will position Transcat to further capitalize on organic and acquired opportunities."

Transcat adjusted its expected income tax rate for full year fiscal 2020 down to 18% to 19% from the previously provided range of 21% to 22%, largely due to the increased discrete income tax benefit received for certain share-based awards in the second quarter.

The Company's capital expenditure plan for fiscal 2020 remains in the \$7.8 million to \$8.2 million range. Capital investments are expected to be primarily focused on technology infrastructure to drive operational excellence, fund organic growth opportunities within both operating segments, and for rental pool assets.

### **Webcast and Conference Call**

Transcat will host a conference call and webcast on Wednesday, October 23, 2019 at 11:00 a.m. ET. Management will review the financial and operating results for the second quarter, as well as the

Company's strategy and outlook. A question and answer session will follow the formal discussion. The review will be accompanied by a slide presentation, which will be available at [www.transcat.com/investor-relations](http://www.transcat.com/investor-relations). The conference call can be accessed by calling (201) 689-8471. Alternatively, the webcast can be monitored at [www.transcat.com/investor-relations](http://www.transcat.com/investor-relations).

A telephonic replay will be available from 2:00 p.m. ET on the day of the call through Wednesday, October 30, 2019. To listen to the archived call, dial (412) 317-6671 and enter conference ID number 13694759, or access the webcast replay at [www.transcat.com/investor-relations](http://www.transcat.com/investor-relations), where a transcript will be posted once available.

**NOTE 1 – Non-GAAP Financial Measures**

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, non-cash stock-based compensation expense, and non-cash loss on sale of building), which is a non-GAAP measure. The Company's management believes Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare the performance of its 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, the Company uses Adjusted EBITDA as a measure of performance when evaluating its 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 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. See the attached Adjusted EBITDA Reconciliation table on page 9.

**ABOUT TRANSCAT**

Transcat, Inc. is a leading provider of accredited calibration, repair, inspection and laboratory instrument services. The Company is focused on providing best-in-class services and products to highly regulated industries, including life science, aerospace and defense, pharmaceutical, medical device manufacturing and biotechnology. Transcat provides permanent and periodic on-site services, mobile calibration services and in-house services through 21 Calibration Service Centers strategically located across the United States, Puerto Rico and Canada. The breadth and depth of measurement parameters addressed by Transcat's ISO/IEC 17025 scopes of accreditation are believed to be the best in the industry.

Transcat also operates as a leading value-added distributor that markets, sells and rents new and used national and proprietary brand instruments to customers primarily in North America. The Company believes its combined Service and Distribution segment offerings, experience, technical expertise and integrity create a unique and compelling value proposition for its customers.

Transcat's growth strategy is to leverage the complementary nature of its two operating segments, its comprehensive service capabilities, strong brand, enhanced e-commerce capabilities and leading distribution platform to drive organic sales growth. The Company will also look to expand its addressable calibration market through acquisitions and capability investments to further realize its inherent leverage of its business model.

More information about Transcat can be found at: [Transcat.com](http://Transcat.com).

**Safe Harbor Statement**

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact and thus are subject to risks, uncertainties and assumptions. Forward-looking statements are identified by words

such as “expects,” “estimates,” “projects,” “anticipates,” “believes,” “could,” “plans,” and other similar words. All statements addressing operating performance, events or developments that Transcat, Inc. expects or anticipates will occur in the future, including but not limited to statements relating to anticipated revenue, profit margins, the commercialization of software products, sales operations, capital expenditures, cash flows, operating income, growth strategy, segment growth, potential acquisitions, integration of acquired businesses, market position, customer preferences, outlook and changes in market conditions in the industries in which Transcat operates are forward-looking statements. Forward-looking statements should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Transcat’s Annual Report and Quarterly Reports filed with the Securities and Exchange Commission, including under the heading entitled “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of the Company’s underlying assumptions prove incorrect, actual results may vary materially from those currently anticipated. In addition, undue reliance should not be placed on the Company’s forward-looking statements, which speak only as of the date they are made. Except as required by law, the Company disclaims any obligation to update, correct or publicly announce any revisions to any of the forward-looking statements contained in this news release.

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FINANCIAL TABLES FOLLOW.

**TRANSCAT, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
 (In Thousands, Except Per Share Amounts)

|   | (Unaudited)<br>Second Quarter Ended |                       | (Unaudited)<br>Six Months Ended |                       |
|---|-------------------------------------|-----------------------|---------------------------------|-----------------------|
|   | September 28,<br>2019               | September 29,<br>2018 | September 28,<br>2019           | September 29,<br>2018 |
| Service Revenue                           | \$ 23,502                           | \$ 19,902             | \$ 45,900                       | \$ 39,227             |
| Distribution Sales                        | 18,261                              | 18,977                | 38,258                          | 36,310                |
| Total Revenue                             | <u>41,763</u>                       | <u>38,879</u>         | <u>84,158</u>                   | <u>75,537</u>         |
| Cost of Service Revenue                   | 17,490                              | 15,095                | 34,516                          | 29,501                |
| Cost of Distribution Sales                | 13,828                              | 14,645                | 29,145                          | 27,784                |
| Total Cost of Revenue                     | <u>31,318</u>                       | <u>29,740</u>         | <u>63,661</u>                   | <u>57,285</u>         |
| Gross Profit                              | <u>10,445</u>                       | <u>9,139</u>          | <u>20,497</u>                   | <u>18,252</u>         |
| Selling, Marketing and Warehouse Expenses | 4,231                               | 4,020                 | 8,703                           | 8,052                 |
| Administrative Expenses                   | 3,155                               | 2,943                 | 6,777                           | 5,999                 |
| Total Operating Expenses                  | <u>7,386</u>                        | <u>6,963</u>          | <u>15,480</u>                   | <u>14,051</u>         |
| Operating Income                          | <u>3,059</u>                        | <u>2,176</u>          | <u>5,017</u>                    | <u>4,201</u>          |
| Interest and Other Expense, net           | 297                                 | 195                   | 582                             | 420                   |
| Income Before Income Taxes                | 2,762                               | 1,981                 | 4,435                           | 3,781                 |
| Provision for Income Taxes                | 383                                 | 493                   | 338                             | 865                   |
| Net Income                                | <u>\$ 2,379</u>                     | <u>\$ 1,488</u>       | <u>\$ 4,097</u>                 | <u>\$ 2,916</u>       |
| Basic Earnings Per Share                  | \$ 0.32                             | \$ 0.21               | \$ 0.56                         | \$ 0.41               |
| Average Shares Outstanding                | 7,331                               | 7,200                 | 7,293                           | 7,187                 |
| Diluted Earnings Per Share                | \$ 0.32                             | \$ 0.20               | \$ 0.55                         | \$ 0.39               |
| Average Shares Outstanding                | 7,484                               | 7,520                 | 7,441                           | 7,486                 |

**TRANSCAT, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands, Except Share and Per Share Amounts)

|   | (Unaudited)<br>September 28,<br>2019 | March 30,<br>2019 |
|---|--------------------------------------|-------------------|
| <b>ASSETS</b>   |                                      |                   |
| Current Assets:   |                                      |                   |
| Cash  | \$ 920                               | \$ 788            |
| Accounts Receivable, less allowance for doubtful accounts of \$392<br>and \$338 as of September 28, 2019 and March 30, 2019, respectively   | 26,699                               | 27,469            |
| Other Receivables   | 988                                  | 1,116             |
| Inventory, net  | 15,325                               | 14,304            |
| Prepaid Expenses and Other Current Assets   | 2,409                                | 1,329             |
| Total Current Assets  | 46,341                               | 45,006            |
| Property and Equipment, net   | 21,189                               | 19,653            |
| Goodwill  | 34,889                               | 34,545            |
| Intangible Assets, net  | 4,341                                | 5,233             |
| Right To Use Asset, net   | 7,424                                | -                 |
| Other Assets  | 821                                  | 793               |
| Total Assets  | <u>\$ 115,005</u>                    | <u>\$ 105,230</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                      |                   |
| Current Liabilities:  |                                      |                   |
| Accounts Payable  | \$ 11,139                            | \$ 14,572         |
| Accrued Compensation and Other Liabilities  | 6,289                                | 5,450             |
| Income Taxes Payable  | -                                    | 228               |
| Current Portion of Long-Term Debt   | 1,940                                | 1,899             |
| Total Current Liabilities   | 19,368                               | 22,149            |
| Long-Term Debt  | 22,722                               | 19,103            |
| Deferred Tax Liability  | 2,460                                | 2,450             |
| Lease Liability   | 5,920                                | -                 |
| Other Liabilities   | 1,879                                | 1,898             |
| Total Liabilities   | 52,349                               | 45,600            |
| Shareholders' Equity:   |                                      |                   |
| Common Stock, par value \$0.50 per share, 30,000,000 shares authorized;<br>7,357,973 and 7,210,882 shares issued and outstanding<br>as of September 28, 2019 and March 30, 2019, respectively | 3,679                                | 3,605             |
| Capital in Excess of Par Value  | 17,007                               | 16,467            |
| Accumulated Other Comprehensive Loss  | (537)                                | (611)             |
| Retained Earnings   | 42,507                               | 40,169            |
| Total Shareholders' Equity  | 62,656                               | 59,630            |
| Total Liabilities and Shareholders' Equity  | <u>\$ 115,005</u>                    | <u>\$ 105,230</u> |

**TRANSCAT, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 (In Thousands)

(Unaudited)

**For the Six Months Ended**

**September 28,                      September 29,**  
**2019    2018**

**Cash Flows from Operating Activities:**

|   |    |         |    |         |
|---|----|---------|----|---------|
| Net Income  | \$ | 4,097   | \$ | 2,916   |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: |    |         |    |         |
| Loss on Sale of Property and Equipment  |    | 240     |    | 6       |
| Deferred Income Taxes   |    | 10      |    | (1)     |
| Depreciation and Amortization   |    | 3,303   |    | 3,067   |
| Provision for Accounts Receivable and Inventory Reserves                          |    | 201     |    | 74      |
| Stock-Based Compensation Expense  |    | 305     |    | 606     |
| Changes in Assets and Liabilities:  |    |         |    |         |
| Accounts Receivable and Other Receivables   |    | 778     |    | 856     |
| Inventory   |    | (807)   |    | (1,172) |
| Prepaid Expenses and Other Assets   |    | (1,149) |    | 101     |
| Accounts Payable  |    | (3,433) |    | (706)   |
| Accrued Compensation and Other Liabilities  |    | (475)   |    | (1,271) |
| Income Taxes Payable  |    | (236)   |    | 389     |
| Net Cash Provided by Operating Activities   |    | 2,834   |    | 4,865   |

**Cash Flows from Investing Activities:**

|   |  |         |  |         |
|---|--|---------|--|---------|
| Purchase of Property and Equipment  |  | (4,048) |  | (3,703) |
| Proceeds from Sale of Property and Equipment                                    |  | 184     |  | -       |
| Business Acquisitions, net of cash acquired                                     |  | (452)   |  | (3,614) |
| Payment of Contingent Consideration & Holdbacks Related to Business Acquisition |  | (484)   |  | -       |
| Net Cash Used in Investing Activities   |  | (4,800) |  | (7,317) |

**Cash Flows from Financing Activities:**

|  |  |         |  |         |
|--|--|---------|--|---------|
| Proceeds from Revolving Credit Facility, net |  | 4,598   |  | 3,517   |
| Repayments of Term Loan                      |  | (938)   |  | (1,071) |
| Issuance of Common Stock                     |  | 1,372   |  | 132     |
| Repurchase of Common Stock                   |  | (2,822) |  | (143)   |
| Net Cash Provided by Financing Activities    |  | 2,210   |  | 2,435   |

|   |    |       |    |     |
|---|----|-------|----|-----|
| Effect of Exchange Rate Changes on Cash |    | (112) |    | 11  |
| Net Increase/(Decrease) in Cash         |    | 132   |    | (6) |
| Cash at Beginning of Period             |    | 788   |    | 577 |
| Cash at End of Period                   | \$ | 920   | \$ | 571 |



**TRANSCAT, INC.**  
**Adjusted EBITDA Reconciliation Table**  
 (Dollars in thousands)  
 (Unaudited)

|                               | Fiscal 2020 |          |    |    |          |
|-------------------------------|-------------|----------|----|----|----------|
|                               | Q1          | Q2       | Q3 | Q4 | YTD      |
| Net Income                    | \$ 1,718    | \$ 2,379 |    |    | \$ 4,097 |
| + Interest Expense            | 244         | 243      |    |    | 487      |
| + Other Expense / (Income)    | 41          | 54       |    |    | 95       |
| + Tax Provision               | (45)        | 383      |    |    | 338      |
| Operating Income              | \$ 1,958    | \$ 3,059 |    |    | \$ 5,017 |
| + Depreciation & Amortization | 1,622       | 1,681    |    |    | 3,303    |
| + Other (Expense) / Income    | 159         | (54)     |    |    | 105      |
| + Noncash Stock Compensation  | 203         | 102      |    |    | 305      |
| Adjusted EBITDA               | \$ 3,942    | \$ 4,788 |    |    | \$ 8,730 |
| <u>Segment Breakdown</u>      |             |          |    |    |          |
| Service Operating Income      | \$ 738      | \$1,837  |    |    | \$ 2,575 |
| + Depreciation & Amortization | 1,220       | 1,246    |    |    | 2,466    |
| + Other (Expense) / Income    | 77          | (38)     |    |    | 39       |
| + Noncash Stock Compensation  | 112         | 56       |    |    | 168      |
| Service Adjusted EBITDA       | \$ 2,147    | \$3,101  |    |    | \$ 5,248 |
| Distribution Operating Income | \$ 1,220    | \$1,222  |    |    | \$ 2,442 |
| + Depreciation & Amortization | 401         | 436      |    |    | 837      |
| + Other (Expense) / Income    | 83          | (17)     |    |    | 66       |
| + Noncash Stock Compensation  | 91          | 46       |    |    | 137      |
| Distribution Adjusted EBITDA  | \$ 1,795    | \$1,687  |    |    | \$ 3,482 |

|                               | Fiscal 2019 |          |          |          |           |
|-------------------------------|-------------|----------|----------|----------|-----------|
|                               | Q1          | Q2       | Q3       | Q4       | YTD       |
| Net Income                    | \$ 1,428    | \$ 1,488 | \$ 1,569 | \$ 2,660 | \$ 7,145  |
| + Interest Expense            | 206         | 197      | 250      | 250      | 903       |
| + Other Expense / (Income)    | 19          | (2)      | 45       | 29       | 91        |
| + Tax Provision               | 372         | 493      | 530      | 695      | 2,090     |
| Operating Income              | \$ 2,025    | \$ 2,176 | \$ 2,394 | \$ 3,634 | \$ 10,229 |
| + Depreciation & Amortization | 1,567       | 1,500    | 1,666    | 1,628    | 6,361     |
| + Other (Expense) / Income    | (19)        | 2        | (45)     | (29)     | (91)      |
| + Noncash Stock Compensation  | 269         | 337      | 363      | 358      | 1,327     |
| Adjusted EBITDA               | \$ 3,842    | \$ 4,015 | \$ 4,378 | \$ 5,591 | \$ 17,826 |
| <u>Segment Breakdown</u>      |             |          |          |          |           |
| Service Operating Income      | \$ 1,068    | \$ 1,125 | \$ 578   | \$ 2,431 | \$ 5,202  |
| + Depreciation & Amortization | 1,189       | 1,116    | 1,248    | 1,201    | 4,754     |
| + Other (Expense) / Income    | (13)        | (1)      | (35)     | (20)     | (69)      |
| + Noncash Stock Compensation  | 146         | 174      | 190      | 192      | 702       |
| Service Adjusted EBITDA       | \$ 2,390    | \$ 2,414 | \$ 1,981 | \$ 3,804 | \$ 10,589 |
| Distribution Operating Income | \$ 957      | \$ 1,051 | \$ 1,816 | \$ 1,203 | \$ 5,027  |
| + Depreciation & Amortization | 378         | 384      | 418      | 427      | 1,607     |
| + Other (Expense) / Income    | (6)         | 3        | (10)     | (9)      | (22)      |
| + Noncash Stock Compensation  | 123         | 163      | 173      | 166      | 625       |
| Distribution Adjusted EBITDA  | \$ 1,452    | \$ 1,601 | \$ 2,397 | \$ 1,787 | \$ 7,237  |

**TRANSCAT, INC.**  
**Additional Information - Business Segment Data**  
 (Dollars in thousands)  
 (Unaudited)

| SERVICE                                 | FY 2020 Q2 | FY 2019 Q2 | Change   |        |
|---|------------|------------|----------|--------|
|   |            |            | \$'s     | %      |
| Service Revenue                         | \$ 23,502  | \$ 19,902  | \$ 3,600 | 18.1%  |
| Cost of Service Revenue                 | \$ 17,490  | \$ 15,095  | \$ 2,395 | 15.9%  |
| Gross Profit                            | \$ 6,012   | \$ 4,807   | \$ 1,205 | 25.1%  |
| <i>Gross Margin</i>                     | 25.6%      | 24.2%      |          |        |
| Selling, Marketing & Warehouse Expenses | \$ 2,227   | \$ 2,031   | \$ 196   | 9.7%   |
| General and Administrative Expenses     | \$ 1,948   | \$ 1,651   | \$ 297   | 18.0%  |
| Operating Income                        | \$ 1,837   | \$ 1,125   | \$ 712   | 63.3%  |
| <i>% of Revenue</i>                     | 7.8%       | 5.7%       |          |        |
| <hr/>                                   |            |            |          |        |
| DISTRIBUTION                            | FY 2020 Q2 | FY 2019 Q2 | Change   |        |
|   |            |            | \$'s     | %      |
| Distribution Sales                      | \$ 18,261  | \$ 18,977  | \$ (716) | (3.8%) |
| Cost of Distribution Sales              | \$ 13,828  | \$ 14,645  | \$ (817) | (5.6%) |
| Gross Profit                            | \$ 4,433   | \$ 4,332   | \$ 101   | 2.3%   |
| <i>Gross Margin</i>                     | 24.3%      | 22.8%      |          |        |
| Selling, Marketing & Warehouse Expenses | \$ 2,004   | \$ 1,989   | \$ 15    | 0.8%   |
| General and Administrative Expenses     | \$ 1,207   | \$ 1,292   | \$ (85)  | (6.6%) |
| Operating Income                        | \$ 1,222   | \$ 1,051   | \$ 171   | 16.3%  |
| <i>% of Sales</i>                       | 6.7%       | 5.5%       |          |        |
| <hr/>                                   |            |            |          |        |
| TOTAL                                   | FY 2020 Q2 | FY 2019 Q2 | Change   |        |
|   |            |            | \$'s     | %      |
| Total Revenue                           | \$ 41,763  | \$ 38,879  | \$ 2,884 | 7.4%   |
| Total Cost of Revenue                   | \$ 31,318  | \$ 29,740  | \$ 1,578 | 5.3%   |
| Gross Profit                            | \$ 10,445  | \$ 9,139   | \$ 1,306 | 14.3%  |
| <i>Gross Margin</i>                     | 25.0%      | 23.5%      |          |        |
| Selling, Marketing & Warehouse Expenses | \$ 4,231   | \$ 4,020   | \$ 211   | 5.2%   |
| General and Administrative Expenses     | \$ 3,155   | \$ 2,943   | \$ 212   | 7.2%   |
| Operating Income                        | \$ 3,059   | \$ 2,176   | \$ 883   | 40.6%  |
| <i>% of Revenue</i>                     | 7.3%       | 5.6%       |          |        |

**TRANSCAT, INC.**  
**Additional Information - Business Segment Data**  
 (Dollars in thousands)  
 (Unaudited)

| SERVICE                                 | FY 2020<br>YTD | FY 2019<br>YTD | Change   |       |
|---|----------------|----------------|----------|-------|
|   |                |                | \$'s     | %     |
| Service Revenue                         | \$ 45,900      | \$ 39,227      | \$ 6,673 | 17.0% |
| Cost of Service Revenue                 | \$ 34,516      | \$ 29,501      | \$ 5,015 | 17.0% |
| Gross Profit                            | \$ 11,384      | \$ 9,726       | \$ 1,658 | 17.0% |
| <i>Gross Margin</i>                     | 24.8%          | 24.8%          |          |       |
| Selling, Marketing & Warehouse Expenses | \$ 4,613       | \$ 4,131       | \$ 482   | 11.7% |
| General and Administrative Expenses     | \$ 4,196       | \$ 3,402       | \$ 794   | 23.3% |
| Operating Income                        | \$ 2,575       | \$ 2,193       | \$ 382   | 17.4% |
| <i>% of Revenue</i>                     | 5.6%           | 5.6%           |          |       |

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| DISTRIBUTION                            | FY 2020<br>YTD | FY 2019<br>YTD | Change   |        |
|---|----------------|----------------|----------|--------|
|   |                |                | \$'s     | %      |
| Distribution Sales                      | \$ 38,258      | \$ 36,310      | \$ 1,948 | 5.4%   |
| Cost of Distribution Sales              | \$ 29,145      | \$ 27,784      | \$ 1,361 | 4.9%   |
| Gross Profit                            | \$ 9,113       | \$ 8,526       | \$ 587   | 6.9%   |
| <i>Gross Margin</i>                     | 23.8%          | 23.5%          |          |        |
| Selling, Marketing & Warehouse Expenses | \$ 4,090       | \$ 3,921       | \$ 169   | 4.3%   |
| General and Administrative Expenses     | \$ 2,581       | \$ 2,597       | \$ (16)  | (0.6%) |
| Operating Income                        | \$ 2,442       | \$ 2,008       | \$ 434   | 21.6%  |
| <i>% of Sales</i>                       | 6.4%           | 5.5%           |          |        |

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| TOTAL                                   | FY 2020<br>YTD | FY 2019<br>YTD | Change   |       |
|---|----------------|----------------|----------|-------|
|   |                |                | \$'s     | %     |
| Total Revenue                           | \$ 84,158      | \$ 75,537      | \$ 8,621 | 11.4% |
| Total Cost of Revenue                   | \$ 63,661      | \$ 57,285      | \$ 6,376 | 11.1% |
| Gross Profit                            | \$ 20,497      | \$ 18,252      | \$ 2,245 | 12.3% |
| <i>Gross Margin</i>                     | 24.4%          | 24.2%          |          |       |
| Selling, Marketing & Warehouse Expenses | \$ 8,703       | \$ 8,052       | \$ 651   | 8.1%  |
| General and Administrative Expenses     | \$ 6,777       | \$ 5,999       | \$ 778   | 13.0% |
| Operating Income                        | \$ 5,017       | \$ 4,201       | \$ 816   | 19.4% |
| <i>% of Revenue</i>                     | 6.0%           | 5.6%           |          |       |