VIAVID

communications simplified.

# Transcat, Inc.

## Third Quarter Fiscal Year 2023 Financial Results

## January 31, 2023

## CORPORATE PARTICIPANTS

**Thomas Barbato,** *Chief Financial Officer*

**Lee Rudow,** *President and Chief Executive Officer*

## CONFERENCE CALL PARTICIPANTS

**Greg Palm,** *Craig-Hallum Capital Group*

**Scott Buck,** *HC Wainwright & Co.*

**Gerry Sweeney,** *Roth Capital Partners*

**Mitra Ramgopal,** *Sidoti & Co.*

**Ted Jackson,** *Northland Securities*

## PRESENTATION

**Operator**

Greetings and welcome to the Transcat Third Quarter Fiscal Year 2023 Financial Results.

A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Tom Barbato, Chief Financial Officer for Transcat. Thank you. You may begin.

**Thomas Barbato**

Thank you, Melissa and good morning everyone. We appreciate your time and your interest in Transcat.

With me here on the call today is our President and CEO, Lee Rudow, and our Chief Operating Officer, Mark Doheny. We'll begin the call with some prepared remarks and then we will open up the call for questions.

Our earnings release crossed the wire after markets closed yesterday. Both the earnings release and the slides that we will reference during our prepared remarks can be found on our website, transcat.com in the Investor Relations section.

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. These 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 in the documents filed by the Company with the SEC. 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.

Additionally, 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've provided reconciliations of non-GAAP to compared GAAP measures in the tables accompanying the earnings release.

With that, I'll turn the call over to Lee.

**Lee Rudow**

Thank you, Tom. Good morning everyone. Thank you for joining us on the call today.

Yesterday, Transcat announced excellent financial results for our fiscal third quarter. We experienced broad-based strength across our portfolio of services that drove 19% service revenue growth, expanded gross margins, and provided strong EBITDA growth of more than 20%. We are particularly pleased with our organic service growth of 12%.

Organic growth has now been in the high single-digits or better for the last eight quarters despite COVID-related impacts, inflationary pressure, and economic uncertainty. This consistent performance demonstrates the resiliency of our business model, which inherently performs well through various economic cycles. We continue to execute well in the highly regulated life science space as well as the aerospace and defense markets, where the cost of failure is high and the revenue streams are recurring when we meet the rigorous and ongoing needs of our customers.

In the third quarter, consolidated revenue increased 13% to $57.4 million. Consolidated gross margin expanded 180 basis points to 28.6% and was driven by margin expansion in both our distribution and service segments. Adjusted EBITDA, a very important metric for us given our level of acquisitive growth, as I just mentioned, grew 20% from the prior-year third quarter to $6.6 million.

Our service segment continues to perform at a high level and recorded its 55th straight quarter of year-over-year revenue growth. Expanding our addressable markets has been an instrumental driver of our consistent growth. We continued to make proactive investments to drive differentiation and position Transcat to make meaningful share gains in the regulated markets we serve.

A great example of this is the NEXA enterprise asset management platform. NEXA's suite of services, which includes asset and data analytics, computerized maintenance management, compliance, quality and validation now positions Transcat in both the U.S. and Ireland to service mission-critical global manufacturers. Revenue synergy between NEXA and Transcat continues to be outstanding and reinforces our sustainable longer-term competitive advantage. From a margin perspective in the third quarter, we reported service gross margins of 30%, which is up 30 basis points from the third quarter of Fiscal 2022.

Moving on from our distribution segment, demand remained strong as revenue grew 4% to $21.4 million, despite extended vendor lead times driven by high-end electronic chip shortages that continued to make it challenging to convert some open customer orders. Distribution gross margin expanded 370 basis points year-over-year to 26.2% as we continued to see growth in our high margin rental business and a benefit from the strategic buys that we executed earlier in the year.

Acquisitions are an important part of Transcat's long-term growth strategy, and we acquired two companies at the beginning of the third quarter. e2b Calibration, located in Cleveland, Ohio, specializes in calibration services related to the aviation industry. We believe that we can leverage Transcat's current infrastructure and significant geographic footprint to further accelerate the growth in e2b's capabilities across North America. In addition, we are nicely positioned to capitalize on the life science market in the Greater Cleveland area. In the first quarter since the acquisition, performance and integration activities have gone very well, and we expect this to continue.

Complete Calibrations established our first calibration footprint in Ireland. Complete Calibrations is a small but strategic acquisition for Transcat. The acquisition establishes a local presence in Ireland, a country with a robust life science market. Secondly, Complete Calibrations offers Transcat a foray into calibration robotics that we believe over the longer term will be another differentiator for Transcat.

All in all, our third quarter results were strong across our portfolio of businesses and channels. Our balance sheet remains strong and supportive of our acquisition strategy with a leverage ratio of 1.66 times. In the third quarter year-to-date, we generated $6.8 million of free cash flow.

With that, I'll turn things over to Tom Barbato for a deeper look into the third quarter financial performance. Tom?

**Thomas Barbato**

Thanks, Lee.

I'll start on Slide 4 of the earnings deck, which provides detail regarding our revenue on a consolidated basis and by segment for the third quarter.

Consolidated revenue of $57.4 million was up 12% versus the prior year, driven primarily by strength in our services segment. Service segment revenue growth remained very strong at 19% with 12% of the growth coming organically and the other roughly 7% from acquisition.

Turning to distribution, revenue of $21.4 million was up 3.7% versus the prior year. We continue to see strong demand for our products, which is reflected in our open order backlog of $9.5 million, which is up 7% versus the third quarter of the prior year.

Turning to Slide 5, our consolidated gross profit of $16.4 million was up 20% from the prior year, and our gross margin expanded 180 basis points to 28.6%. Service gross margin improved 30 basis points from the prior year. Distribution segment gross margin of 26.2% was up 370 basis points from the prior year on continued strength in our rental business and a favorable sales mix.

Turning to Slide 6, Q3 net income of $1.6 million was flat to prior year and our diluted earnings per share of $0.21 and adjusted diluted earnings per share of $0.35 were also essentially flat. In comparing diluted earnings per share and adjusted diluted earnings per share to the third quarter of the prior year, it is important to note that increased interest expense negatively impacted both EPS metrics by approximately $0.05 per share.

We expect our full year Fiscal 2023 tax rate to be in the range of 21% to 23%.

Flipping to Slide 7 where we show our Adjusted EBITDA and Adjusted EBITDA margin, we use Adjusted EBITDA, which is a non-GAAP measure to gauge the performance of our segments because we believe it is the best measure of our operating performance and ability to generate cash. Additionally, as we continue to execute on our acquisition strategy, this metric becomes even more important to highlight as it does adjust for one-time deal-related transaction costs as well as the increased level of non-cash expenses that will hit our income statement from acquisition purchase accounting.

With that in mind, consolidated Adjusted EBITDA of $6.6 million was up 20% from the prior year. As always, a reconciliation of Adjusted EBITDA to operating income and net income can be found in the supplemental section of this presentation.

Moving to Slide 8, cash flow from operations was in line with expectations for the quarter. Year-to-date capital expenditures through the end of the third quarter were $7.1 million compared to $5.9 million year-to-date in the prior year, and continued to be centered around service segment capabilities and technology, including automation and future growth projects.

Slide 9 highlights our strong balance sheet. At quarter end, we had total debt of $49.2 million with a leverage ratio of 1.66x. We had $37.8 million available from our revolving credit facility.

Lastly, we expect to file our 10-Q after the market closes tomorrow.

With that, I'll turn it back to you, Lee.

**Lee Rudow**

Thank you, Tom.

Turning to the fourth quarter and the Fiscal 2024 year ahead, we are well-positioned for continued revenue and margin growth. We also expect the strength of our value proposition to increase as we further develop our recently expanded addressable markets. In Fiscal 2023, we continued to make great progress in that respect as both NEXA and our Pipettes business have performed very well.

Serving highly regulated end markets with our unique differentiated value proposition makes our business model inherently durable, and we expect demand for our services to remain strong despite the economic uncertainty that lies ahead. In fact, differentiation is the key to our strategy.

Along with strong execution, differentiation will secure our competitive advantage and foster our ability to gain market share in the industries we serve. Strong organic growth remains at the heart of our strategy and in the year ahead, we expect growth to remain in the high single-digit range.

We continue to identify and pursue strategic acquisition opportunities that will expand our addressable markets and geographic footprint, as well as leverage our current infrastructure with bolt-on opportunities. Ultimately all these drivers are designed to increase the trajectory of our business.

Our balance sheet remains strong and is supportive of our very active M&A pipeline. We will continue to leverage continuous process improvement, automation, and now robotics with the addition of Complete Calibrations in Ireland to generate sustainable margin improvement in the future. We believe Transcat's future looks bright and that we will continue to outperform in the years ahead.

With that, Operator, we can open the line for questions.

**Operator**

Thank you. At this time, we'll be conducting a question-and-answer session.

Our first question comes from the line of Greg Palm with Craig-Hallum Capital Group. Please proceed with your question.

**Greg Palm**

Hey, good morning everyone. Thanks for taking the questions here.

**Lee Rudow**

Good morning, Greg.

**Thomas Barbato**

Hey, Greg.

**Greg Palm**

I wanted to start with service growth. You saw a nice acceleration there, up 12% on an organic basis. I'm curious if you can maybe pinpoint, I don't know, areas of outperformance relative to prior quarters, whether that's an end market standpoint, maybe it's increased synergy contribution from NEXA now that that's lapped a year plus. Just want to get some broader thoughts on that.

**Lee Rudow**

Hey Greg, basically it's a combination of all those things and probably some others as well. We did lap the year with NEXA, so their growth, which has been impressive, is kind of towards our organic numbers, but across our channels and our businesses, really the Company, as we said in our stated remarks, performed well across the board, so that was encouraging. We saw strong retention, we saw growth in different businesses, including NEXA, so really kind of broad-based strength in the quarter.

**Greg Palm**

Okay, good.

I didn't hear much in the way of CBLs, and I'm wondering if you can give us an update there on pipeline, some of the recent activity, and I'm also curious if there's any way you can quantify the gross margin headwind associated with that, just for us to compare that on a year-over-year basis.

**Lee Rudow**

Yes, I would say that when we look at our growth, CBLs, for many years save the COVID years, has been a contributing factor. We did land some CBLs in the beginning of the year that were new, that were incremental coming out of COVID, which is good to see, and we anticipate it will always be a part, a factor in our growth but nothing out of the usual. No high percentage or concentration of our growth would I attribute to CBLs.

As far as the CBLs, the two or three that we had sort of mentioned and guided towards in the beginning of the year, they take a couple of quarters to normalize, and during that period of time when you land several in one quarter, there's a bit of a drag, and that drag did exist and we'll probably see ourselves coming out of that a little bit more in the fourth quarter and as we enter the first quarter, so that's normal.

We're not going to guide towards exactly what the number of associated basis points would be, but it's a typical two to three quarter drag, and you should see us starting to come out of the ones at least that we land in the first quarter as we close out the year. Yes, so I appreciate the question.

**Greg Palm**

Okay. Makes sense.

Then I guess just last one, distribution margin was strong. It sounded like some or most of that is attributable to rental, maybe mix as well. Can you give us an update on where rental is from a contribution standpoint, growth? Just be curious to get a little bit more detail on the strength there.

**Thomas Barbato**

Yes, I would just say, Greg, I would characterize it as rentals, and the impact of the strategic buys that Lee referenced probably contributed fairly equally to the performance in the quarter. As I mentioned on the last call, those strategic buys are going to kind of dry up on us at some point here as we approach the end of the year and into early Fiscal '24, but we expect that the growth in rental business will continue to offset those impacts.

I view the margin in the quarter as kind of on the robust side, and we would see that normalize a little bit going forward.

**Greg Palm**

Okay. Great. All right, appreciate all the color. Best of luck going forward. Thanks.

**Lee Rudow**

Thanks, Greg.

**Operator**

Thank you.

Our next question comes from the line of Scott Buck with HC Wainwright. Please proceed with your question.

**Scott Buck**

Hi, good morning guys. Thanks for the time.

Piggybacking a little bit on Greg's last question on the rental business, I'm curious, are you seeing cannibalization there from sales through the increased rentals, or are they entirely separate from one another?

**Lee Rudow**

Generally, Scott, they're separate. We're not seeing cannibalization. I'm not saying it's never occurred, but I'm not seeing any numbers that would lead me to point in that direction. I think when we look at our value proposition, distribution has its place, and I think there's a discrete place for rentals. Rentals, if anything, is strategically a bridge between services and distribution. It's kind of a service in and of itself, but we have not seen cannibalization, so that's a good thing for the business. It's been incremental in that respect.

**Scott Buck**

Thanks. That's helpful, Lee.

Could you tell us what Capex expectations are for Calendar '23 in the rental business, and if there's any meaningful change from a year ago?

**Thomas Barbato**

Yes, not a meaningful change. The rental pool is kind of a dynamic population of equipment, but something in the $2 million to $3 million range is what we would expect to be at this year and would see in the near future as well, going forward.

**Scott Buck**

Okay, that's helpful.

Tom, generally how should we be thinking about OpEx growth from here? Is there any significant hiring you guys need to do on the corporate side or anything like that, that would drive a meaningful increase there?

**Thomas Barbato**

No. I think the goal longer term is obviously to start seeing some leverage from an OpEx standpoint, and I think that's a reasonable expectation and a reasonable way to think about it going forward. It's not going to happen overnight, but as we think of our longer-term plan, that's certainly what we're shooting for.

**Scott Buck**

Great, and then just last one from me, when you look at some of the efficiency gains on the service side, how far are you through those programs, and when should we expect all the fruit of that labor to be into the gross margin?

**Lee Rudow**

Yes, Scott, this is Lee. We still see ourselves more towards the beginning, I would characterize, than the end in that margin enhancement journey. We started out in the low 24s on the service side, we've guided to the low 30s now, but between automation, some robotics, we're putting a lot of enhanced processes in place that are showing good early signs in terms of improving efficiency and productivity.

I would say--I'm not going to put an exact timetable on it in this call, but like we've talked about in the past, we see this Company, the next stage for us in the mid-30s, and I think that's achievable in a reasonable amount of time, and our initiatives that we have in place should get us there.

Beyond that, we'll continue to work on process. We'll continue to see what percentage of the business can be automated. It's not like it's over in the mid-30s, but I think it's premature to get into too much detail. So, the next stop is the mid-30s, and we think we're going to get there, and we've got good plans in place to do just that.

**Scott Buck**

Great. Well, I appreciate the additional color, guys. Congrats on the quarter.

**Lee Rudow**

Okay.

**Thomas Barbato**

Thanks, Scott.

**Operator**

Thank you.

Our next question comes from the line of Gerry Sweeney with Roth Capital Partners. Please proceed with your question.

**Gerry Sweeney**

Yes, good morning. Thanks for taking my call.

**Lee Rudow**

Good morning, Gerry.

**Gerry Sweeney**

Two questions. I'm going to start with maybe just NEXA. I know you—and you just discussed part of the strong growth we're seeing, but I'm just curious, very complementary business. How much of an opportunity is there for cross-selling, or how big of an opportunity does NEXA open up for growth?

**Lee Rudow**

We think it's substantial. We've been with NEXA for about, what, 16, 17 months now, coming up on 1.5 years, and so right out of the gate, we were able to sit at the same table, if you will, both Transcat and NEXA with certain strategic customers of ours. The combined pitch, the value proposition that we were communicating resonated really well, and we even had some early wins literally a quarter after the acquisition took place.

We've seen that continue throughout the subsequent three or four quarters, and when we look at our pipeline now and we look at how we're managing that relationship, how we're managing the synergies, which obviously are getting better and better as we get to work with each other, I think there's a lot of upside there. I think our sales team thinks that, the NEXA team thinks that, and that goes both ways, which is actually kind of interesting. They have picked up business by virtue of our customers and vice versa.

So, substantial would be the word I would use over time. It's a great question, and we're encouraged by the read since the acquisition.

**Gerry Sweeney**

Would you say pipeline continues to expand as you're getting deeper and deeper?

**Lee Rudow**

Yes, I think that's reasonable.

**Gerry Sweeney**

Got it.

Second question, just a little bit more further out on the curve. Obviously Complete Calibrations, I think it's your first lab, we'll say, in Europe. Is this a toehold? Are you looking at other opportunities in Europe? I know Ireland has a lot of life sciences, but maybe mainland or any thoughts on that.

**Lee Rudow**

Well, it's interesting, when you think about the calibration lab that we bought in Ireland, I would characterize it two ways. There's two things going on in Ireland. One is calibration. Yes, we have a foothold that we're going to build a lab, we'll have a lab there. We will go after calibration business in Ireland. When you have the calibration services, you have to think of that as almost a local business, so calibration, in lab, can service Ireland pretty well. Not to say we couldn't service outside of Ireland from Ireland, but generally speaking we think of that as a local business.

We have 40 or 50 employees in Ireland working on the NEXA side of the business. We could always call it professional services, where they're doing the consulting work and some of the things we alluded to in the script. That's not calibration services. What's interesting about that particular channel, Gerry, is that you can expand further out beyond the borders of Ireland fairly easily, so most of that work is done in front of a computer. You do a site visit and then most of your work can be done anywhere, and so I see that platform in particular being able to expand at a faster rate and at a greater rate than the calibration lab, which yes, we're in Ireland and we plan on developing our cal business there, so I look at it both ways.

**Gerry Sweeney**

Understood. I got it. I appreciate it. Thanks for your time and congrats on a nice quarter.

**Lee Rudow**

Yes, no problem. Take care.

**Operator**

Thank you.

Our next question comes from the line of Mitra Ramgopal with Sidoti & Company. Please proceed with your question.

**Mitra Ramgopal**

Yes, hi, good morning. Thanks for taking the questions.

First, just a couple on the acquisition front. Lee, obviously it's a big part of the growth strategy, but as you look in terms of an environment of rising interest rates, how comfortable are you in terms of levering the balance sheet up or being aggressive on the M&A front while trying to balance accretion from any transaction you might consider doing?

**Lee Rudow**

Right, well it's an interesting question. Typically, our line as it stands today allows us to lever up to about three times. We've always been more comfortable in the mid-2s. There have been times in the last five to seven years when we've lingered more around 2, 2.7 I think at one point. We're at 1.6 now, so anywhere in that range, Mitra, I think we're comfortable.

We have a shelf in place. There are other—depending on our strategy and how well we execute it and the changes in the market, the availability of these acquisitions, I think there's a variety of ways to get them done, even using stock as currency. There's different methods that we talk about, and we'd use them and deploy any of those if it made sense, so I think we're well-capitalized in that sense.

As far as the market in acquisitions, yes, it's fairly dynamic for us and we're kind of doing our thing, so no issues.

**Thomas Barbato**

I would just add that, assuming we continue to make good decisions on acquisitions and we're adding businesses that are contributing well from a profitability standpoint, that mitigates the impact from a leverage standpoint as well, and I think we've demonstrated the ability to do that consistently over time.

**Lee Rudow**

Thank you. Exactly.

**Mitra Ramgopal**

Okay, no, thanks for that.

Then just trying to get maybe some color on—if you look at acquisitions like Tangent, obviously it got you into some new geographies or new markets, Indianapolis and Huntsville. Just curious if maybe a year later, have you been able to really benefit from that new geography in terms of growing the local business beyond what you might have expected?

**Lee Rudow**

Right. Yes. The best way to answer that, Mitra, is to start off by talking about discipline. We are a disciplined buyer of companies in our business space, and by the time we make a decision to, say—whether it's a small company, midsized, or a little bit on the larger size for us, they have to fit our strategy, they have to satisfy our drivers. So, we kind of get a pretty good feel upfront what degree of success we're going to have. We just have to execute well. We've got a great track record here of doing well in that respect, and so I just wanted to make that general comment.

When we look at Alliance in Ohio, when we look at Tangent with the two territories it brought us, and e2b in Cleveland, all these deals have done rather well for us. Not all of them are exactly the same, but I would characterize them generally as good to very good to excellent deals. You'd see NEXA at the top, excellent, and you'd see a Tangent, for example, I would call a good deal, and there's a few in between.

They've satisfied the drivers, we've done well executing, we've done well with the integration. It's always part of our plan to integrate, and so we're really satisfied and we're going to keep this going. We've got a great track record and a great team working on this, so yes, we're satisfied with the results and we expect it to continue.

**Mitra Ramgopal**

That's great.

Then finally, I don't know if you could provide me with some color also on the Canadian market in terms of what you're seeing there and potential opportunities for the growth.

**Lee Rudow**

We have three labs in Canada: Ottawa, Toronto, and Montreal. Generally speaking, I think Canada's had a really good year. Coming out of COVID, I think we've been pleased they've hit their numbers that we've set as expectations; they've actually exceeded them in some cases. I would expect, looking at their pipelines and the general environment there, that that will continue. There's no reason to believe that it won't at this point. Yes, Canada has had a good year for us.

**Mark Doheny**

We've mentioned, Lee—this is Mark, Mitra. At the end of last year, we invested in a new Toronto lab that really expands our capabilities and capacity, so that's going well and probably helping that area up there, which is very attractive.

**Mitra Ramgopal**

Okay, that's helpful.

Then maybe finally, as you wind down Fiscal '23 and look out to Fiscal '24, given obviously it's a dynamic environment right now, but what do you see—you know, if you have any, maybe a potential big or a headwind for you that we should be more cognizant of?

**Lee Rudow**

Well, we're always thinking about the economy, we're thinking about interest rates and inflation, and eventually you'll see the impact of rising interest rates on the economy in general. As I've said before in the past, as we've demonstrated in the past, which is probably more important even than what I say, is that we have a nice business in terms of being recession-resistant is probably the best way to characterize it. Our service business is driven by that regulation. These services have to take place, regardless, generally speaking, of the economy, so I think the economy will be a headwind but I think we're well-positioned.

I would say this - we're better positioned today than even five years ago or seven years ago because our value proposition has gotten stronger. The rental business, I think, is a favorable attribute in terms of uncertainty for the distribution segment. We didn't use to have that and now we do, and I think even our service business has gotten more into life sciences. Life sciences tend to hold up well, so for a variety of reasons, I like where we are. Nothing's perfect, nothing's totally recession proof, but we're in a really good position, I think, relative to others in our industry.

**Thomas Barbato**

I think the NEXA value proposition strengthens as the economic uncertainty grows as well, so that's something we didn't have even two years ago.

**Lee Rudow**

That's correct. A combination of all these things, Mitra.

**Mitra Ramgopal**

Right. Sounds great. Again, thanks for taking the questions, and nice quarter.

**Lee Rudow**

Our pleasure. Thank you.

**Operator**

Thank you.

Our next question comes from the line of Ted Jackson with Northland Securities. Please proceed with your question.

**Ted Jackson**

Thank you and good morning.

Almost all my questions have been asked, so I'm just going to ask perhaps on the Pipettes business because it's a business I know you all are excited about and see great growth, if you could just provide a little color around it in terms of growth trends you're seeing, where that business is going, basically just kind of fill in some blanks in terms of how much is it contributing to your business, what's the growth profile for it, and how do you see it going forward. Thanks.

**Lee Rudow**

No problem.

We love the Pipettes business for probably a couple reasons that stand out. It's a life science-oriented business which is where we tend to focus a lot of our time for all the reasons that we stated, Ted. The business is a recurring revenue stream, and we do a nice job, it's got nice margins and nice growth potential. Today we run our main operation out of the New England area. As we speak, we're opening up a West Coast facility. It's our goal to do that and we're working on it so that even though the business doesn't necessarily have to be local, it's nice to have something in the general region. The reason why it's in our plans to do that is because we see growth opportunities with this business.

Pipettes in general tend to be a nice kind of bridge between normal calibration and life sciences, and kind of the base work and additional opportunities are brought via Pipettes, so lots of reasons, good attributes, good margins. The business is really well run. We started through an acquisition. That would be an example of extending our addressable markets, so that's come to fruition really well. We'll continue to develop that business for sure.

**Ted Jackson**

Is that a business that you'll grow, per se, organically, kind of bringing it along, or is it a business as you look at your M&A funnel that you're actively pursuing building onto?

**Lee Rudow**

I think you'll see both.

**Ted Jackson**

Okay, thanks, and a very nice solid quarter. Look forward to next quarter as well.

**Lee Rudow**

Take care, Ted.

**Operator**

Thank you.

Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Rudow for any final comments.

**Lee Rudow**

Okay, well, thank you all for joining us on the call today. We appreciate your continued interest in Transcat. We will be participating in the 35th Annual Roth Conference - I think that's March 13 and March 14 out of Dana Point. We'll be there presenting, so feel free to check in on us, or check in on us at any time. Otherwise, we look forward to talking to you all again after the fourth quarter results come out.

Thanks for participating on the call today. Take care.

**Operator**

Thank you.

This concludes today's conference call. You may now disconnect your lines at this time. Thank you for your participation.