

Mar 3,
2020

LD Micro Virtual Conference

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Chief Financial Officer

TRANSCAT[®] Trust in every measure

Nasdaq: TRNS

Safe Harbor Statement

This presentation 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” and other similar words. All statements addressing operating performance, events or developments that Transcat, Inc. (“Transcat” or the “Company”) 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 presentation, whether as the result of new information, future events or otherwise.

This presentation includes some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The Company has provided a discussion of these non-GAAP financial measures and reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

A Leader in the Calibration & Laboratory Instrument Service Market and Value-Added Distributor of Test, Measurement & Control Instrumentation

- ✓ Service segment is our primary growth engine
- ✓ Leverage technology to increase productivity
- ✓ Long-term operating earnings expected to grow faster than revenue
- ✓ Distribution segment differentiates with cross-segment synergies
- ✓ Strong demonstrated leadership
- ✓ Executing acquisition strategy:

IMMEDIATE RELEASE

Transcat Expands Service and Distribution Business with Acquisition of TTE Laboratories, Inc.

Adds new Service capabilities, expands market penetration to the life sciences market and strengthens Distribution sales platform

Market Capitalization	\$223 Million	Average Volume (3 mo.)	17,750
52-Week Price Range	\$20.66- \$34.18	Common Shares Outstanding	7.4 Million
Recent Price	\$30.26	Ownership:	
		Institutions	71%
		Insiders	7%

What we do



Calibration, Validation & Laboratory Services

The Calibration process is critical to ensure customers' test equipment is operating according to specifications.

Our target customers usually operate in regulated environments like Life Sciences and Aerospace where the **cost of failure is very high** and require calibration services on a regular, recurring basis.



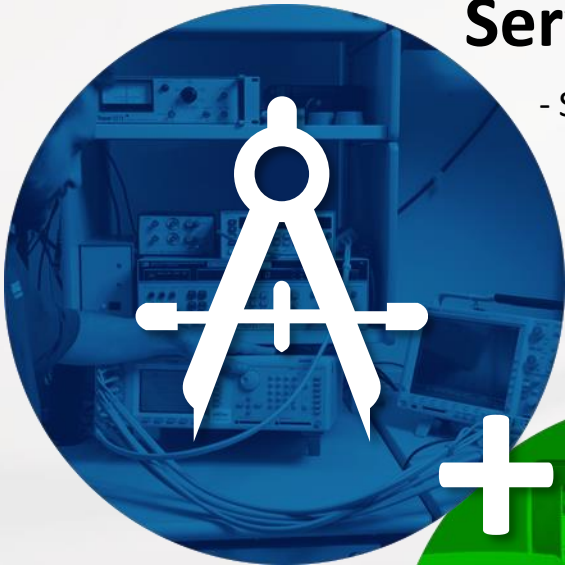
Product Distribution & Rental

We sell and rent Test, Measurement and Control Instruments that are used in manufacturing processes.

Key instrument types include temperature, pressure, electrical, flow, pipettes and physical/dimensional measuring disciplines among others.

Two Complementary Segments

Service



- Solid organic growth
- Recurring revenue stream
- Driven by regulation and the high cost of failure
- Strong operating leverage



Distribution



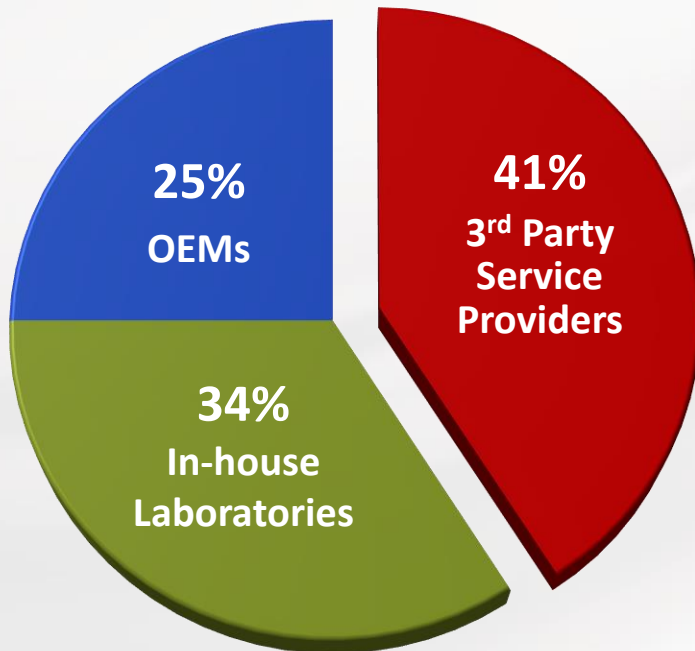
- New test equipment
- Rentals and used equipment
- Leads for Service segment
- Strong cash generation
- Now own www.pipettes.com

Q3 FY 2020 TTM
Revenue: \$171.8M
(Service 54%, Distribution 46%)

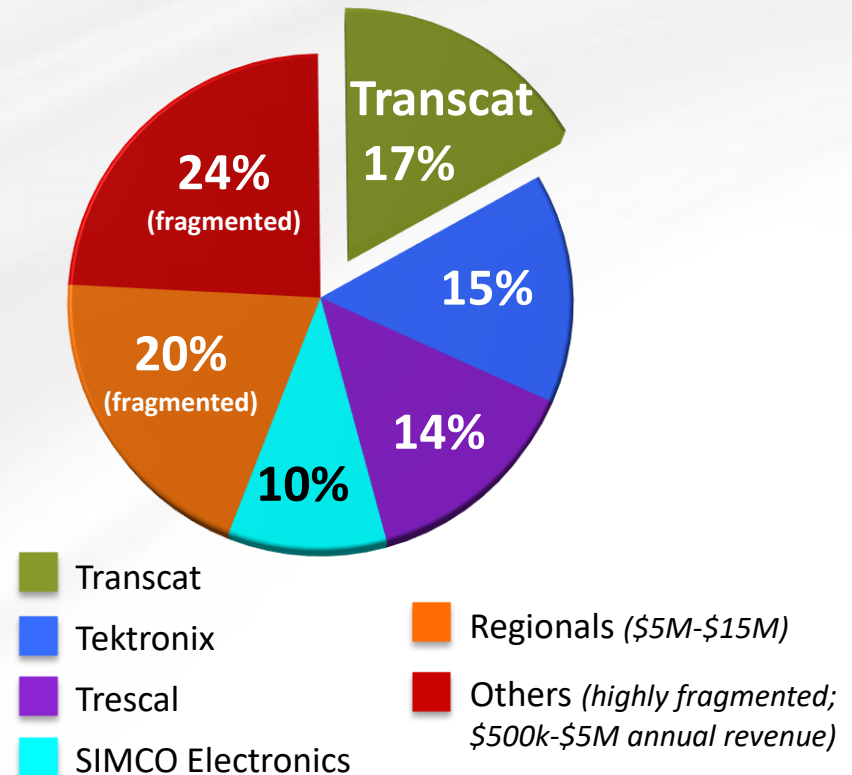
- ✓ Unique value proposition
- ✓ Leverage between segments

Taking Market Share

\$1.6 Billion Addressable Calibration Services Market¹



Market Share by Revenue for 3rd Party Service Providers²



¹ Estimated Addressable North American Calibration Market

² Percentage of Revenue (North America), Company estimates

Flexible Service Value Proposition

22 Locations to Serve Customers in the U.S., Canada and Puerto Rico

Flexible Service Delivery Options:

- ✓ Client-based lab
- ✓ Periodic on-site
- ✓ Mobile
- ✓ In-house
- ✓ Pickup & Delivery

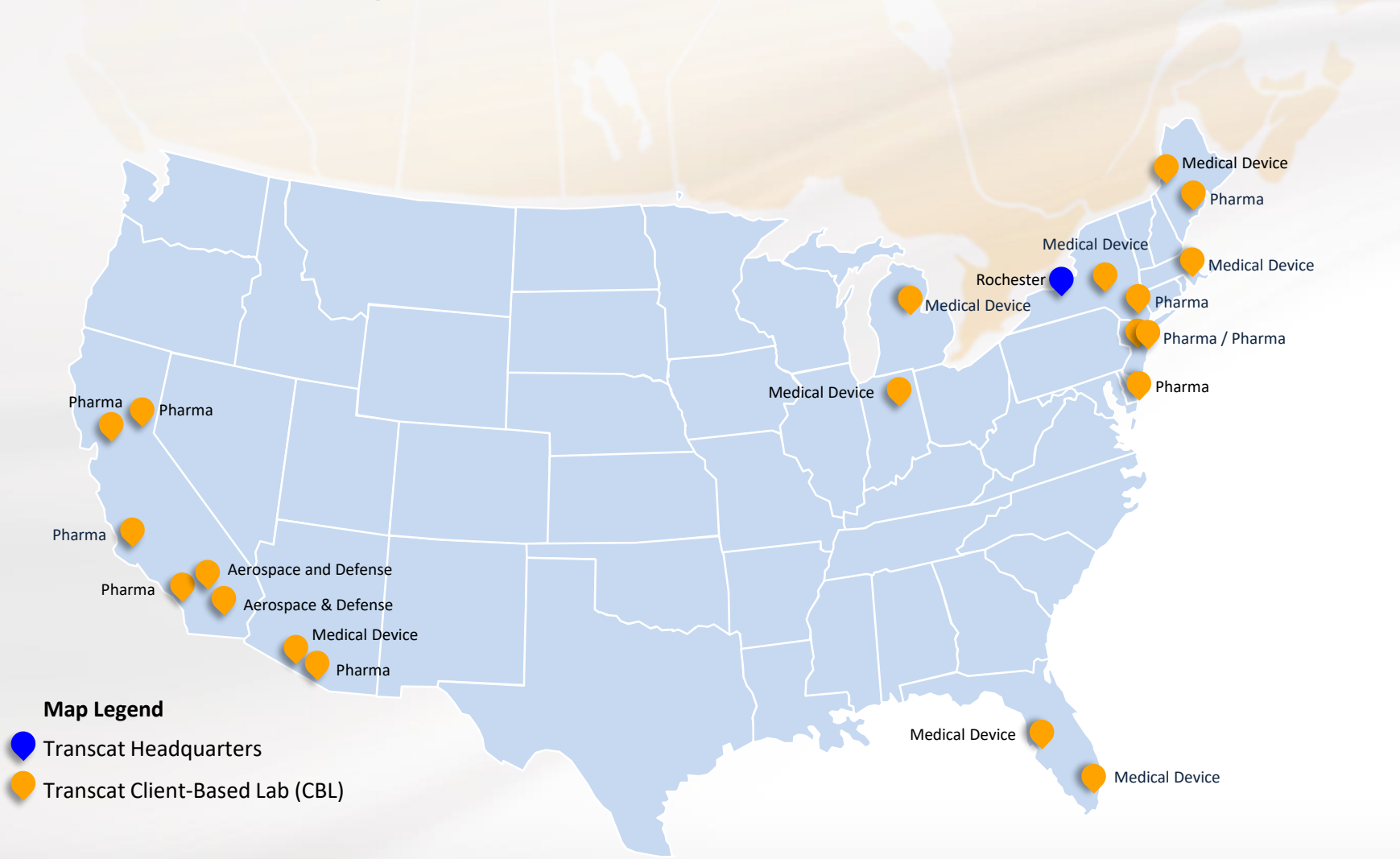


Map Legend

- Transcat Headquarters
- Transcat Calibration Labs

Client-Based Laboratories (“CBL”)

20 Locations Serving Customer Tailored Needs, Full Time At Their Location



Map Legend

- Transcat Headquarters
- Transcat Client-Based Lab (CBL)

Broad and Diverse Blue Chip Customer Base

*Percentage of Service Revenue**



- 6%** Chemical/Process
- 7%** Energy/Utilities
- 11%** Aerospace/Defense
- 13%** Services
- 16%** Industrial
- 4%** Other
- 43%** Life Science / FDA-regulated



What Makes Transcat Different

Unique Value Proposition...Centered on Life Science, Aerospace and Industrial Manufacturing



Services



Distribution

CALIBRATION SERVICES

NEW TEST & MEASUREMENT INSTRUMENTS

VALIDATION SERVICES

CONSULTING & REMEDIATION

RENTAL TEST INSTRUMENTS

ANALYTICAL LABORATORY SERVICES

MOBILE ALTERNATIVE ENERGY CALIBRATION UNITS

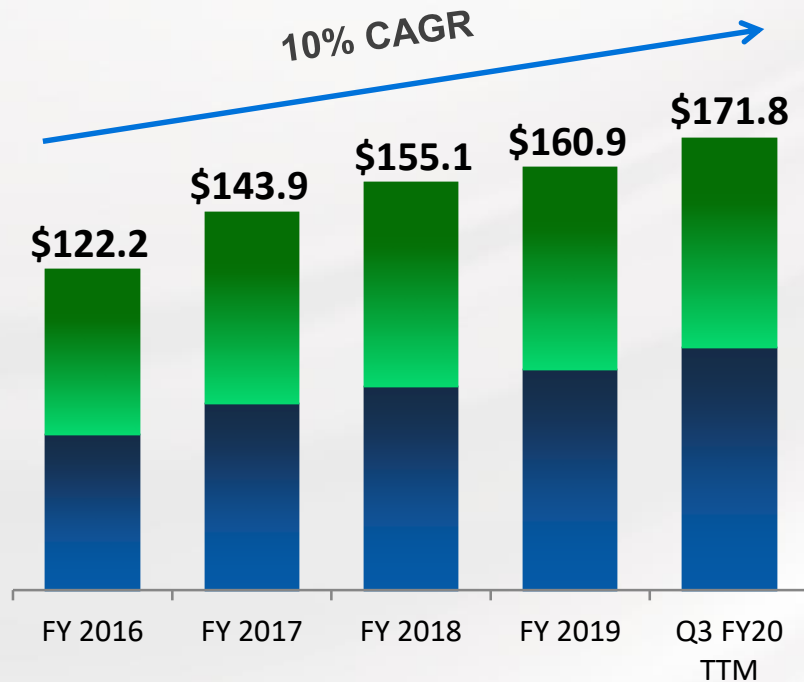
USED TEST INSTRUMENTS

Financial Results

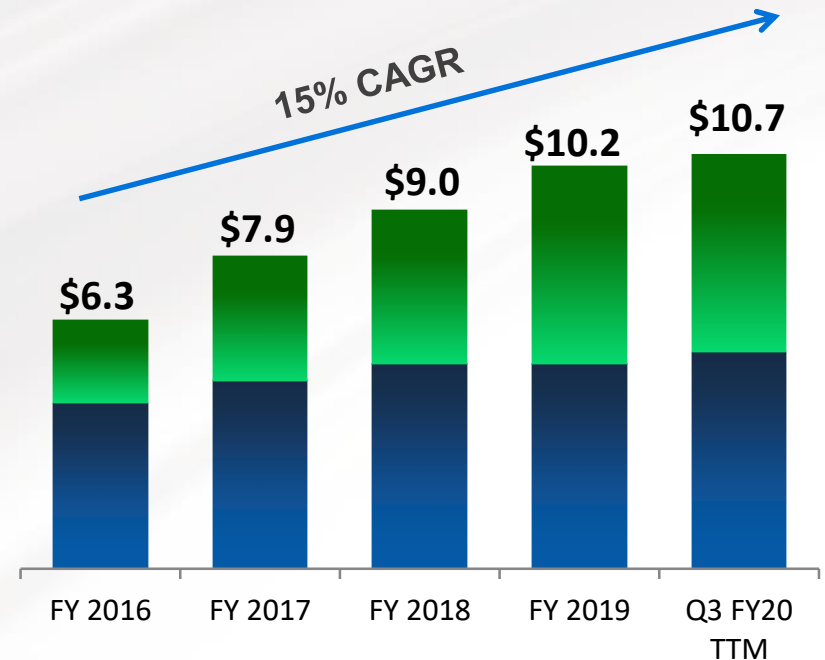
Record Consolidated Results

(\$ in millions)

Consolidated Revenue



Consolidated Operating Income

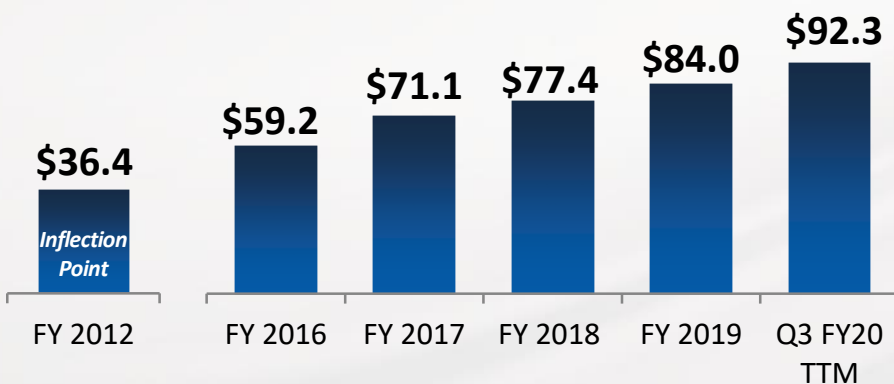


■ Distribution
 ■ Service

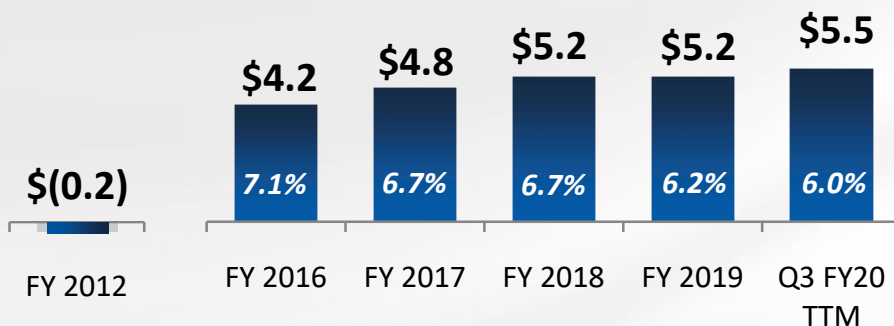
Service Segment: 43 Consecutive Quarters of YOY Growth

(\$ in millions)

Service Revenue



Service Operating Income & Margin



Taking market share in life sciences and adding new multi-year client-based labs (permanent on-sites)

Organic growth of 7.8% in Q3

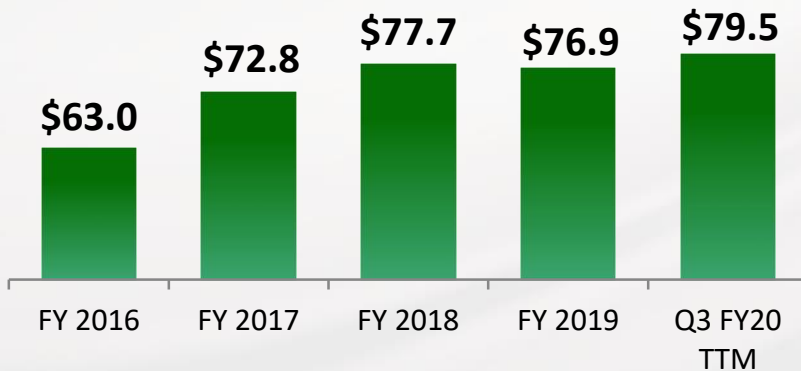
Increased lab capacity; ended recent quarter with 37 more technicians (+12%)

Improved productivity metrics masked by slow December

Expanded Distribution Margins

(\$ in millions)

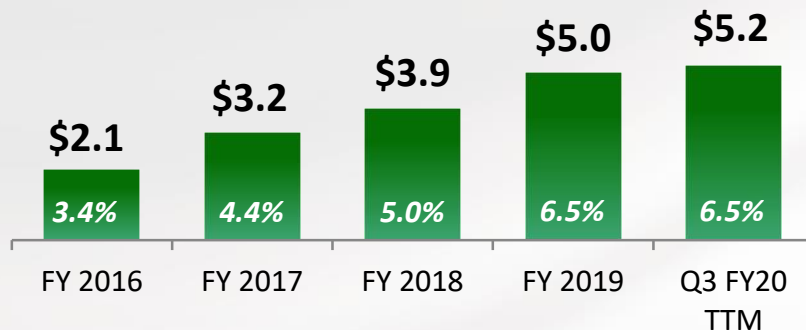
Distribution Sales



Focus on higher margin end-user customers and rental business

Investments in e-commerce capabilities and web-based marketing

Distribution Operating Income & Margin



Margin drivers:

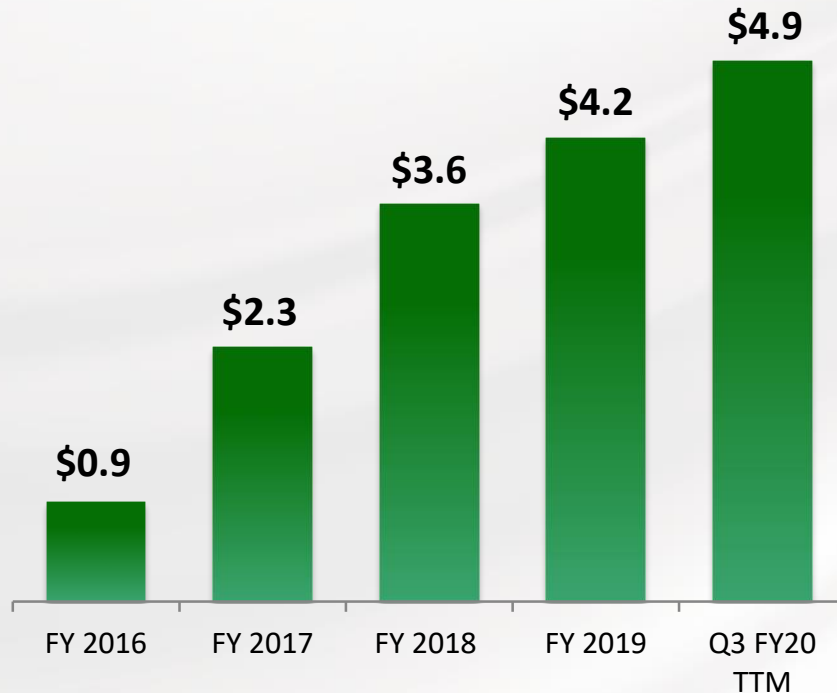
Rentals

Strategic optimization of customer channel mix

Diversification Driving Distribution

Strong Rental Revenue Growth

(\$ in millions)



Provides higher margin profile

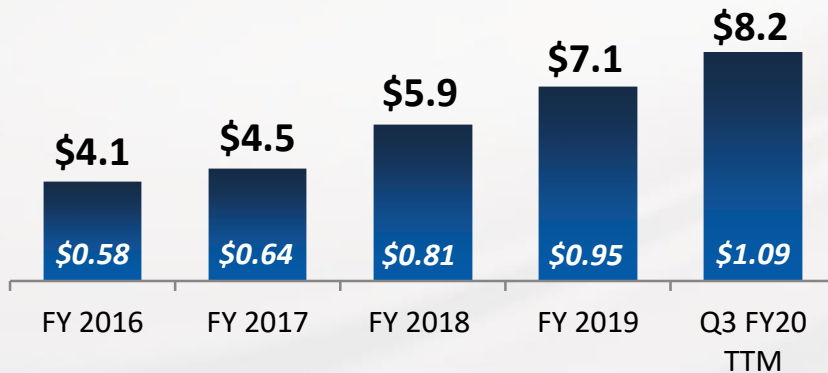
Enhances value proposition and customer options

Used equipment business further complements and diversifies

Strong Cash Generation and Record Net Income

(\$ in millions)

Net Income and Diluted EPS



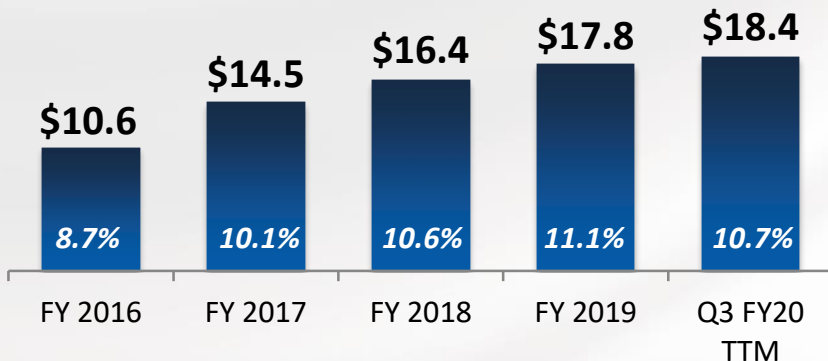
20% Net Income CAGR³

Tax rate expectations²

Fiscal 2020: 17% to 18%

(includes Federal, various state, and Canadian income taxes and increased discrete tax accounting windfall associated with share-based payment awards)

Adjusted EBITDA¹ and Margin



16% Total Adjusted EBITDA CAGR³

¹ See supplemental slides for a description of this non-GAAP financial measure, for Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA.

² FY 2020 tax rate guidance provided as of February 4, 2020

³ CAGR calculated FY 2016 – Q3 FY20 TTM

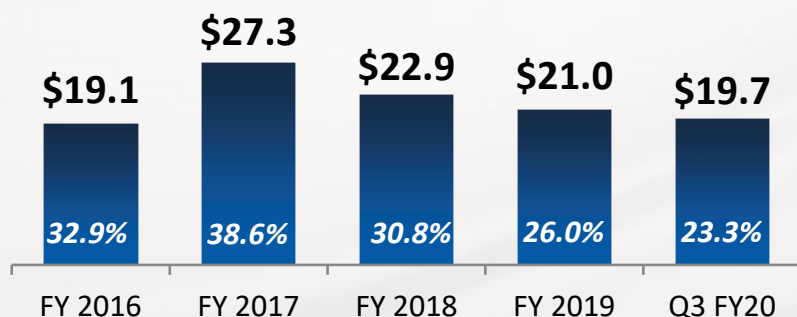
All figures are rounded to the nearest million; therefore, totals shown in graphs may not equal the sum of the segments.

Financial Flexibility Supports Growth Strategy

(\$ in millions)

Total Debt

% - Debt to Total Capitalization



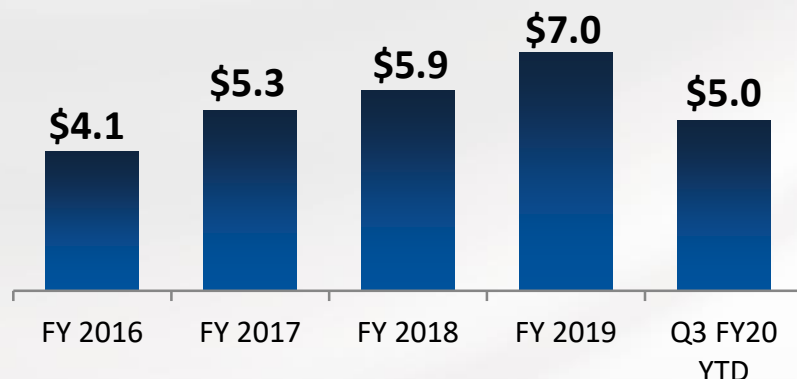
\$23.4 million available from credit facility as of December 28, 2019¹

\$15.0M term loan matures in Dec 2025 and has a fixed rate of 4.15%

1.07x leverage ratio at December 28, 2019 (Total debt to TTM Adjusted EBITDA²)

Acquired TTE Laboratories, Inc. effective February 21, 2020 for \$12.3 million

Capital Expenditures



Anticipate CapEx spend of \$6.8 million to \$7.1 million in fiscal 2020, as follows³

Customer-driven capabilities/technology	~\$3.5 to \$4.0 million
Rental assets	~\$2.0 to \$2.5 million
Maintenance	~\$0.7 to \$1.1 million

¹ Does not include a portion of the credit facility used for 1/21/20 acquisition of TTE labs

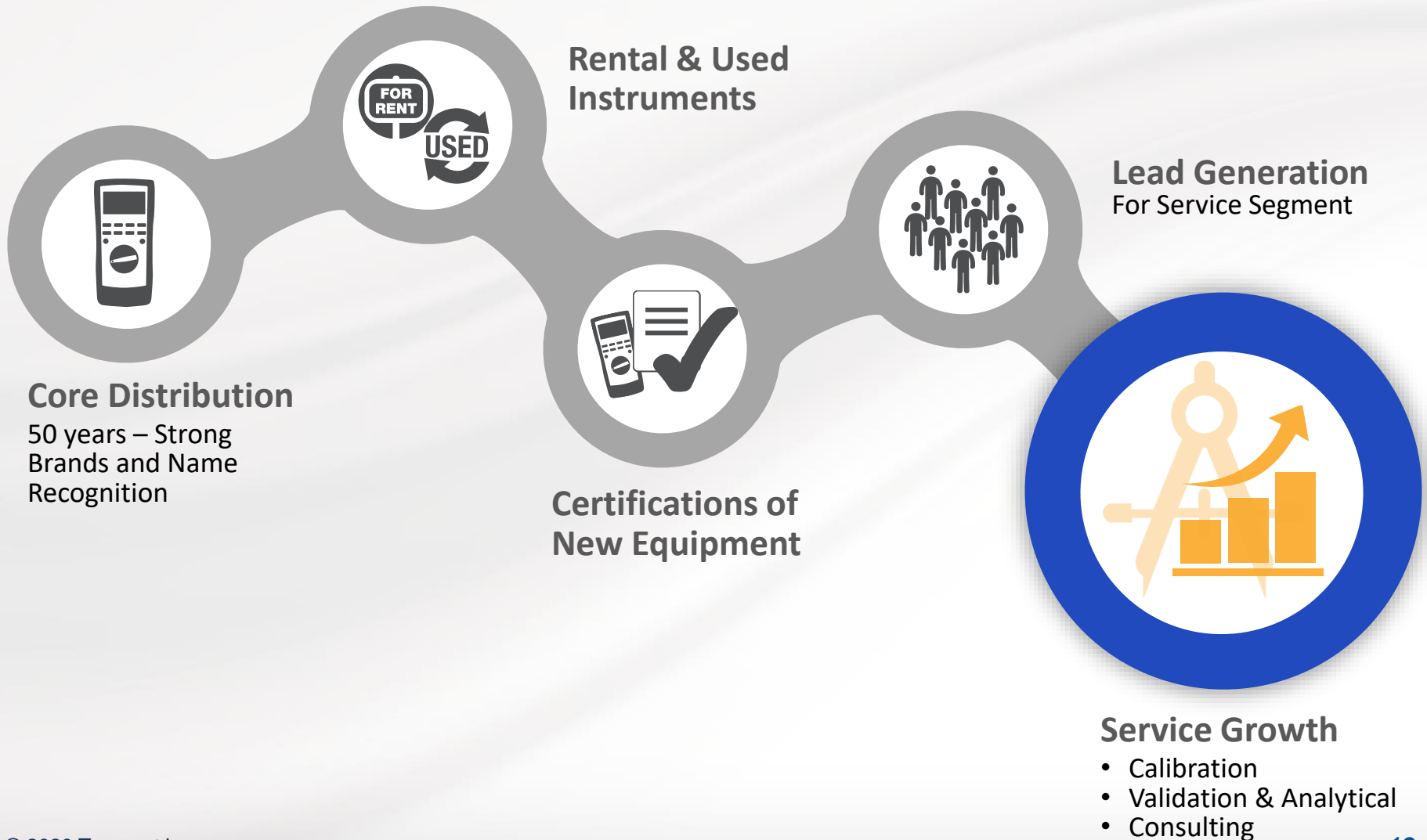
² See supplemental slides for a description of this non-GAAP financial measure, for Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA.

³ Outlook provided as of February 4, 2020

Growth Strategy

What makes Transcat Unique

Why We Win...



Leverage Technology as a Competitive Advantage



Digital Transformation

With industry leading web domain authority



Proprietary "C3"

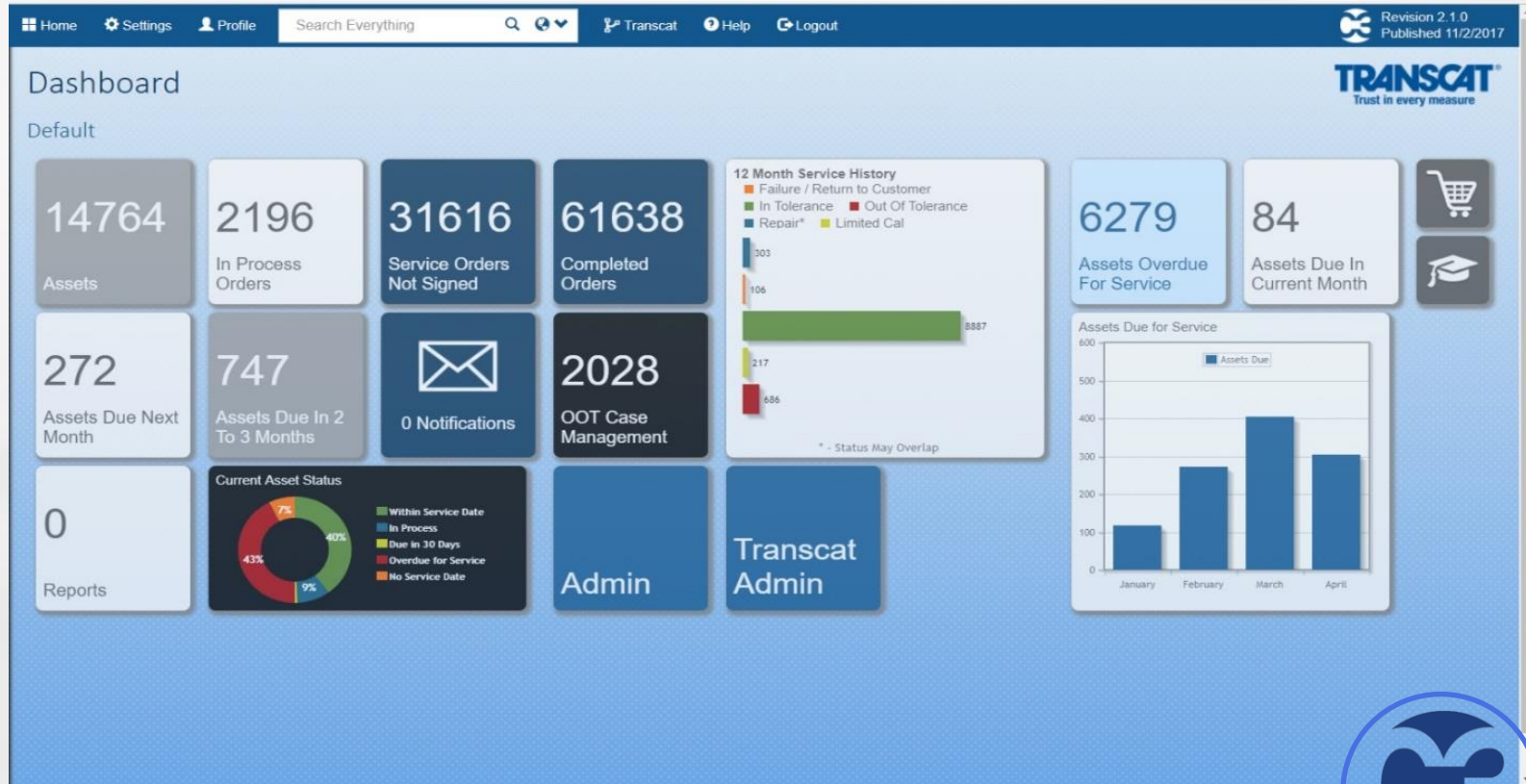
Portal for customer asset management



Operational Excellence

Productivity focus
Lean/best practices
Process automation
Better customer experience

Our C3 Advantage



Proprietary "C3"
Portal for customer
asset management



Drive Double-Digit Service Growth

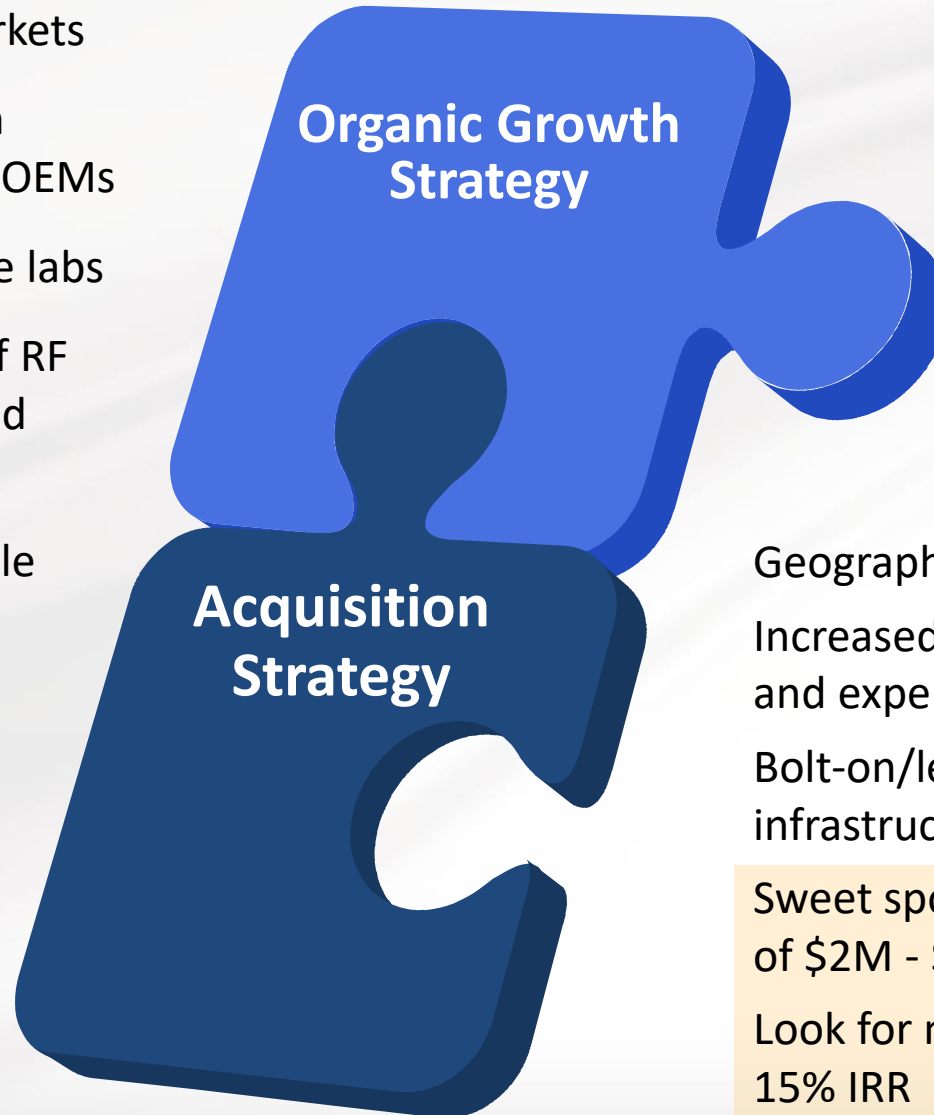
Dominate our local markets

Take market share from
3rd party providers and OEMs

Outsourcing of in-house labs

Continued expansion of RF
microwave and high-end
electronics capabilities

Expanded fleet of mobile
calibration labs



Geographic expansion

Increased capabilities
and expertise

Bolt-on/leverage
infrastructure

Sweet spot = revenue
of \$2M - \$6M

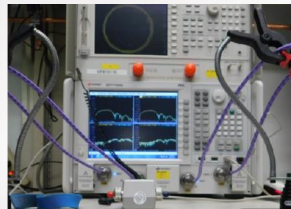
Look for minimum
15% IRR

Executing Acquisition Strategy



Acquisition Drivers

	<i>Geographic Expansion</i>	<i>Increased Capabilities and Expertise</i>	<i>Leveraged Infrastructure</i>
TTE Laboratories		✓	✓
Infinite Integral Solutions (CalTree software)		✓	
Gauge Repair Service		✓	✓
Angel's Instrumentation	✓	✓	
NBS Calibrations		✓	✓



CALIBRATED
BY **TRANSCAT**[®]

Building for the Long Term



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Nasdaq: TRNS

Supplemental Information

Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Q3 FY20 TTM</u>
Net Income	\$ 4,124	\$ 4,522	\$ 5,922	\$ 7,145	\$ 8,234
+ Interest	247	719	1,018	903	953
+ Other Expense / (Income)	48	51	60	91	102
+ Tax Provision	<u>1,883</u>	<u>2,642</u>	<u>2,026</u>	<u>2,090</u>	<u>1,453</u>
Operating Income	\$ 6,302	\$ 7,934	\$ 9,026	\$ 10,229	\$ 10,742
+ Depreciation & Amortization	3,946	6,184	5,991	6,361	6,579
+ Other (Expense) / Income	(48)	(51)	(60)	(91)	98
+ Noncash Stock Compensation	<u>359</u>	<u>453</u>	<u>1,411</u>	<u>1,327</u>	<u>968</u>
Adjusted EBITDA	\$ 10,559	\$ 14,520	\$ 16,368	\$ 17,826	\$ 18,387

In addition to reporting net income, a U.S. generally accepted accounting principle (“GAAP”) measure, we present Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, and non-cash stock compensation expense), which is a non-GAAP measure. We believe Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and others to evaluate and compare the performance of our core operations from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, and stock-based compensation expense, which is not always commensurate with the reporting period in which it is included. As such, we use Adjusted EBITDA as a measure of performance when evaluating our business segments and as a basis for planning and forecasting. Adjusted EBITDA is not a measure of financial performance under GAAP and is not calculated through the application of GAAP. As such, it should not be considered as a substitute or alternative for the GAAP measure of net income and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. Adjusted EBITDA, as presented, may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

Segment Adjusted EBITDA Reconciliation

(\$ in thousands)

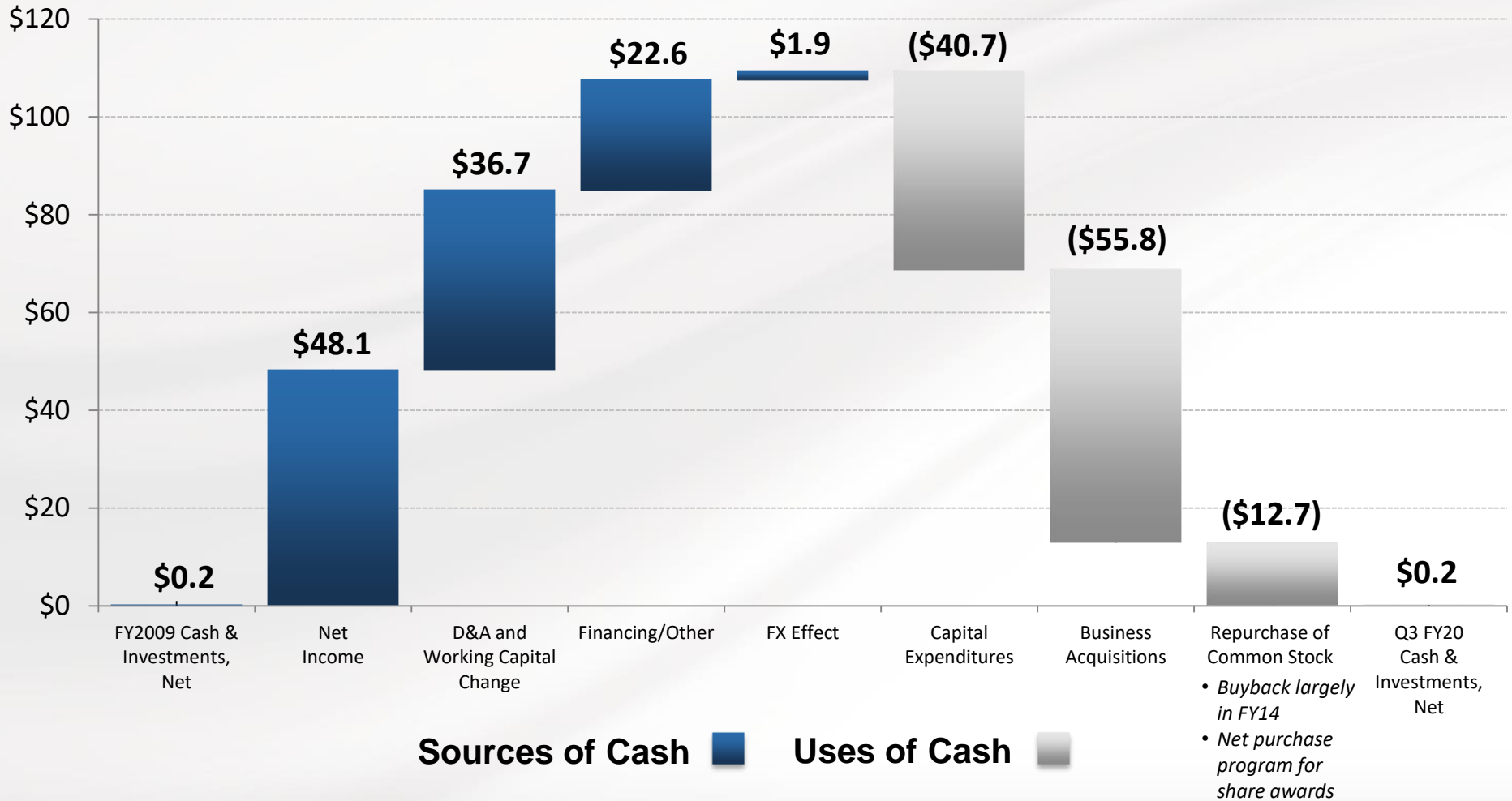
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>Q3 FY20 TTM</u>
Service Operating Income	\$ 4,155	\$ 4,769	\$ 5,158	\$ 5,202	\$ 5,494
+Depreciation & Amortization	3,216	4,660	4,397	4,754	4,873
+Other (Expense) / Income	(64)	(55)	(61)	(69)	32
+Noncash Stock Compensation	171	217	706	702	519
Service Adjusted EBITDA	<u>\$ 7,478</u>	<u>\$ 9,591</u>	<u>\$ 10,200</u>	<u>\$ 10,589</u>	<u>\$ 10,918</u>
Distribution Operating Income	\$ 2,147	\$ 3,165	\$ 3,868	\$ 5,027	\$ 5,248
+Depreciation & Amortization	730	1,524	1,594	1,607	1,706
+Other (Expense) / Income	16	4	1	(22)	66
+Noncash Stock Compensation	188	236	705	625	449
Distribution Adjusted EBITDA	<u>\$ 3,081</u>	<u>\$ 4,929</u>	<u>\$ 6,168</u>	<u>\$ 7,237</u>	<u>\$ 7,469</u>
Service	\$ 7,478	\$ 9,591	\$ 10,200	\$ 10,589	\$ 10,918
Distribution	<u>3,081</u>	<u>4,929</u>	<u>6,168</u>	<u>7,237</u>	<u>\$ 7,469</u>
Total Adjusted EBITDA	<u>\$ 10,559</u>	<u>\$ 14,520</u>	<u>\$ 16,368</u>	<u>\$ 17,826</u>	<u>\$ 18,387</u>

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Generating Cash to Drive Key Investments

FY 2009 (start of acquisition strategy) to Q3 FY 2020

(\$ in millions)



Seasoned Executive Team Driving Growth

Lee D. Rudow

**President and
Chief Executive Officer**

- 30+ years of industry experience
- Demonstrated growth record
- Joined Transcat in 2011

Leanne E. Branham
*Vice President of
Service Operations*

- 30+ years of operations, fulfillment and marketing experience
- Joined Transcat in 2019

Jennifer J. Nelson
*Vice President of
Human Resources*

- Comprehensive HR experience in different sectors
- Joined Transcat in 2012

Andrew J. Quaranto
*Vice President of
Information
Technology*

- Proven ability to leverage technology with infrastructure, cloud and software solutions
- Joined Transcat in 2017

Michael W. West
*Vice President of
Distribution &
Marketing*

- 15+ years of B2B distribution marketing and consulting expertise
- Joined Transcat in 2014

Michael J. Tschiderer
*Chief Financial
Officer*

- Public company, PE and VC experience
- Joined Transcat in 2015