



# TRANSCAT<sup>®</sup>

## INVESTOR PRESENTATION

November 2024

# Safe Harbor Statement

This investor presentation may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical fact are “forward-looking statements” for purposes of this investor presentation. In some cases, you can identify forward-looking statements by terminology such as “believe,” “expect,” “anticipate,” “could,” “may,” “would,” “strategy,” “estimates,” “target,” “will,” “project,” “potential,” “likely” and similar expressions and variations thereof.

Forward-looking statements are based largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section of the prospectus supplement and the accompanying prospectus and the documents incorporated by reference therein. Moreover, we operate in a competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business. In light of these risks, uncertainties and assumptions, actual results could differ materially and adversely from those anticipated in the forward-looking statements. These statements reflect our current views as of the date of this investor presentation with respect to future events and are based on assumptions and subject to risks and uncertainties.

All written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this disclaimer, the prospectus supplement, and the accompanying prospectus. We caution investors not to rely too heavily on the forward-looking statements we make or that are made on our behalf. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this investor presentation to conform these statements to actual results or to changes in our expectations, except as required by law.

Before you invest, you should carefully read the preliminary prospectus supplement and the accompanying prospectus, together with the information incorporated by reference therein, and other documents the Company has filed with the SEC for more complete information about the Company and this offering. You may obtain a copy of the preliminary prospectus supplement and accompanying prospectus, when available, and the other documents for free by visiting EDGAR on the SEC’s website at [www.sec.gov](http://www.sec.gov). Alternatively, you may obtain a copy of the preliminary prospectus supplement and accompanying prospectus, when available, by contacting Oppenheimer & Co. Inc., Attention: Syndicate Prospectus Department, 85 Broad Street, 26th Floor, New York, NY 10004, or by telephone at (212) 667-8055, or by email at [EquityProspectus@opco.com](mailto:EquityProspectus@opco.com).

## Non-GAAP Disclaimer:

This presentation includes “Non-GAAP financial measures” as that term is defined in Regulation G. Further discussion regarding our use of Non-GAAP financial measures, as well as the most directly comparable GAAP (accounting principles generally accepted in the United States) financial measures and information reconciling these Non-GAAP financial measures to our financial results prepared in accordance with GAAP, are included at the end of this presentation. These non-GAAP measures are presented as supplemental information and reconciled to the appropriate GAAP measures at the end of this presentation. The non-GAAP financial measures presented may be determined or calculated differently by other companies. The non-GAAP financial information presented should not be unduly relied upon.

# A Leader in the Calibration Service Market, Provider of Cost, Control & Optimization Services and Value-add Distributor of Test, Measurement & Control Instrumentation

- ✓ Service segment, consisting of high levels of recurring revenue streams, is our primary growth engine
- ✓ Distribution segment, including expanding Rental business, differentiates with cross-segment synergies, provides economic diversification and customer finance flexibility
- ✓ Complementary segments serving highly regulated, high cost of failure and mission critical industries with a premium offering
- ✓ Blue-chip client base encompassing a diverse set of industries
- ✓ NEXA Cost, Control and Optimization Services provides access to markets that did not exist to Transcat prior to the acquisition
- ✓ Track record of successful acquisitions, which are expected to expand addressable markets, geography and capabilities
- ✓ Proven, experienced leadership team in place to support next level of growth and beyond

**Market Capitalization**  
**Recent Price**

**\$1.22 billion**  
**\$133.75**

**Average Daily Volume (3 mo.)**  
**Common Shares Outstanding**  
**Ownership: Institutions**  
**Insiders**

**41,418**  
**9.1 million**  
**90%**  
**3%**

# Seasoned Executive Management Team



**Lee D. Rudow**  
*President & Chief Executive Officer and Director*

- 33+ years of experience in calibration, distribution and software services
- Demonstrated ability to accelerate growth at companies
- Previously, VP at SIMCO Electronics and President and CEO at Davis Calibration, Inc. and Davis Inotek Corp



**Thomas Barbato**  
*Chief Financial Officer & Treasurer*

- 20+ years of corporate finance experience in electronics and manufacturing services companies
- Previously, CFO of IEC Electronics Corp. and held various positions at Xerox, most recently VP of Finance



**Michael W. West**  
*Chief Operating Officer*

- 15+ years of experience in B2B distribution marketing and consulting
- Previously, VP of Distribution & Marketing at Transcat and principal owner of QuestCom Inc., a marketing and advertising firm

**QuestCom Inc.**



**Theresa A. Conroy**  
*Senior Vice President of Human Resources*

- 25+ years of experience in labor, employment and human resources law
- Previously, Partner at Harter Secrest & Emery LLP



Harter Secrest & Emery LLP  
ATTORNEYS AND COUNSELORS



**Marcy Bosley**  
*Vice President of Sales*

- 19+ years of experience in the calibration industry
- Previously, Senior Director of Sales at Transcat and VP of Sales at SIMCO Electronics, prior to leaving in 2019



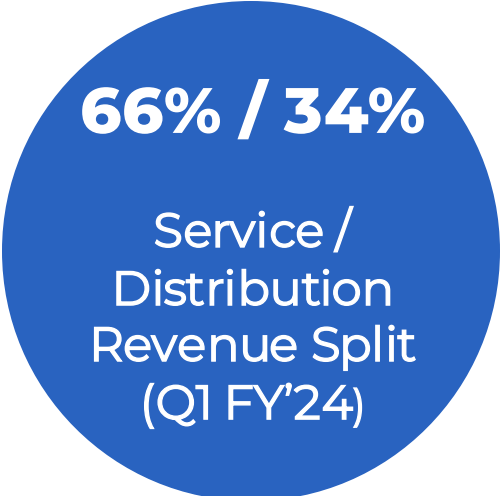
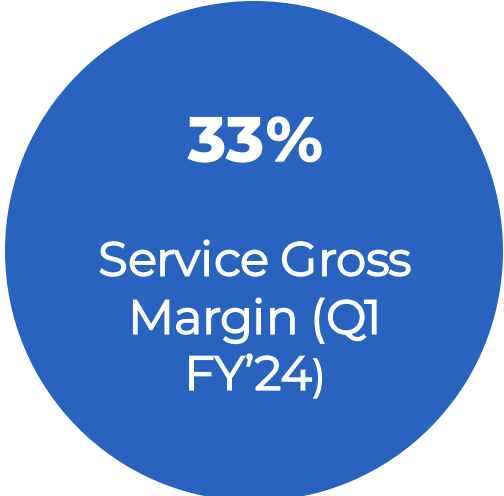
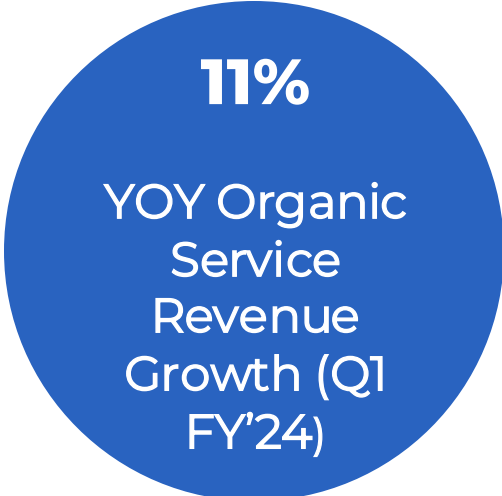
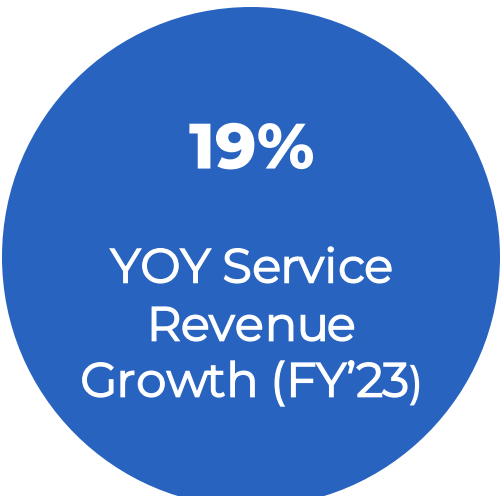
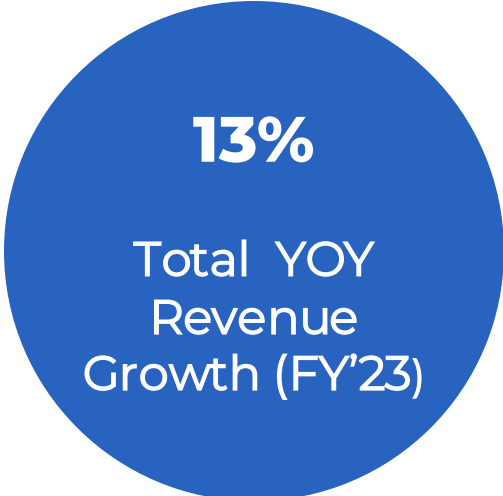
# Company Overview

Industry leading provider of mission critical, accredited calibration services and equipment



- FOUNDED IN 1964**  
OVER 59 YEARS OF INDUSTRY EXPERIENCE
- NASDAQ:TRNS**  
PUBLICLY-TRADED  
COMMERCIAL CALIBRATION LAB
- DISTRIBUTOR AND RENTAL OF TEST AND MEASUREMENT EQUIPMENT**
- FOOTPRINT AND SCALE TO SERVICE LARGE NATIONAL OPPORTUNITIES**
- 28 COMMERCIAL LABS ACCREDITED TO ISO/IEC 17025:2017**
- TRANSCAT UNIVERSITY - BUILD-A-TECH**
- NEXA COST, CONTROL AND OPTIMIZATION SERVICES**
- 60 CONSECUTIVE QUARTERS OF YOY SERVICE REVENUE GROWTH**

## Key Customers



# Building a Services Engine

## History

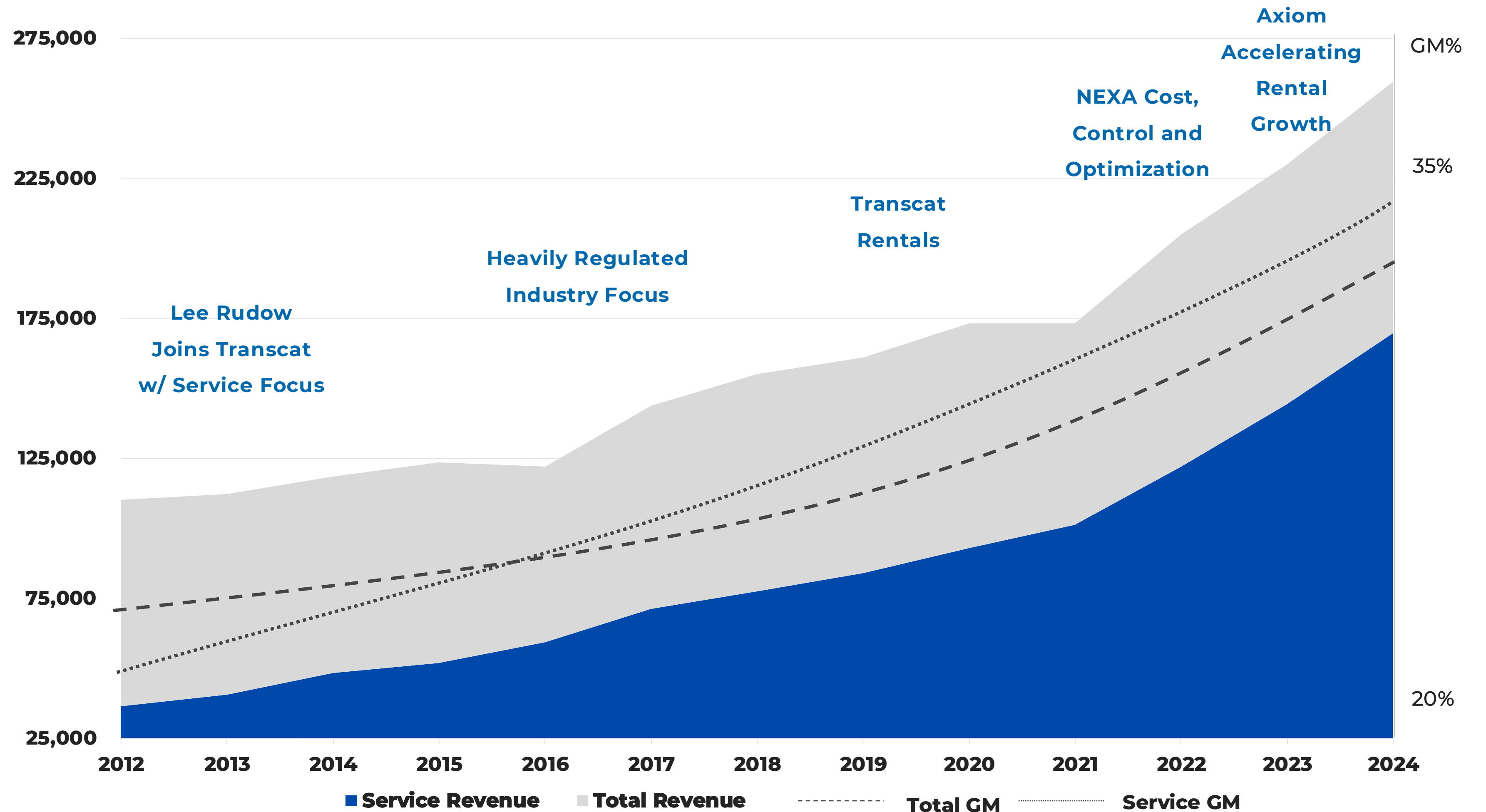
**T** Transmation  
1964-1982  
Manufacturing

**TRANSCAT**<sup>®</sup>  
1982-2005  
Distribution


**CALIBRATED**  
BY **TRANSCAT**<sup>®</sup>  
2005-Present  
Services

**NEXA**  
ENTERPRISE ASSET MANAGEMENT  
2021-Present  
Cost, Control &  
Optimization Services

## 60 Consecutive Quarters of YOY Service Revenue Growth



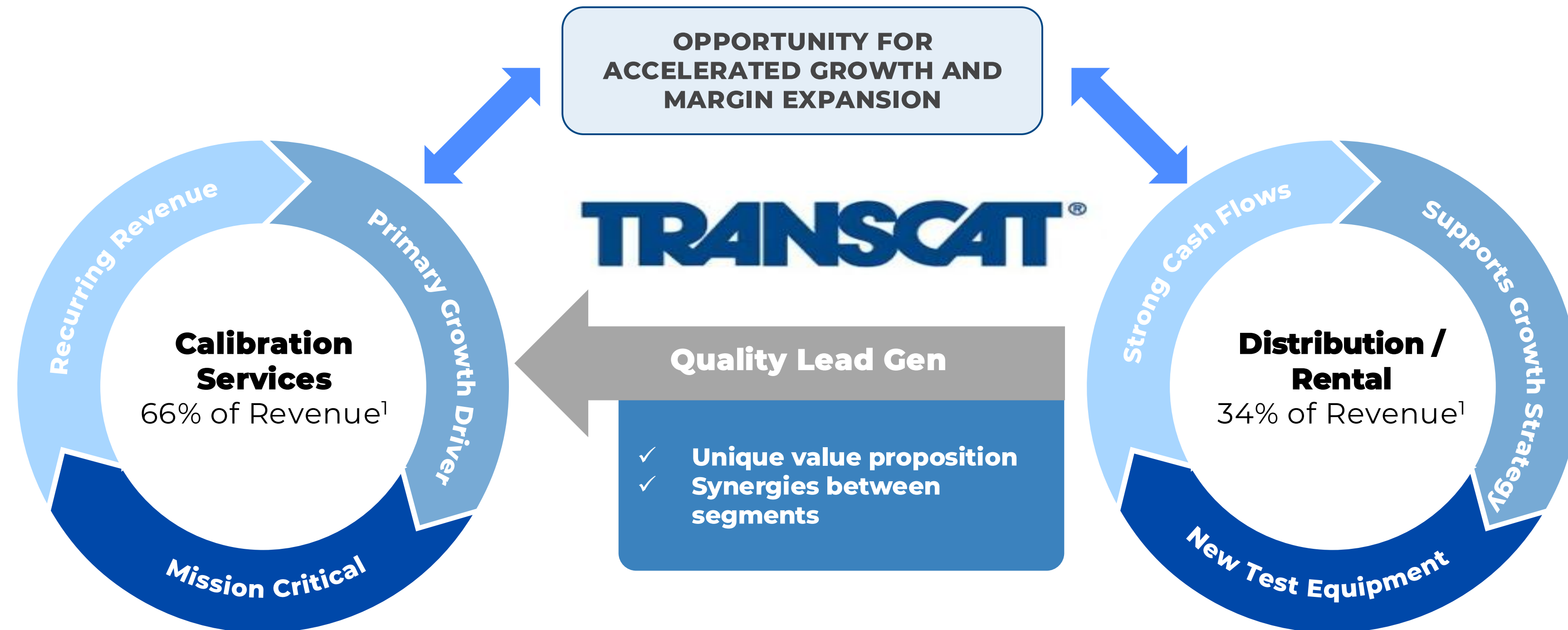
# Service Segment: Consistent Performance and Growth

	Fiscal Year													
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Service Revenue</b>	\$ 36.4	\$ 40.7	\$ 48.2	\$ 51.8	\$ 59.2	\$ 71.1	\$ 77.4	\$ 84.0	\$ 93.0	\$ 101.3	\$ 122.0	\$ 144.9	\$ 169.5	
<b>Service GM%</b>	23.7%	25.3%	26.6%	27.2%	26.3%	26.8%	25.7%	24.9%	25.3%	30.3%	31.9%	32.2%	33.8%	
<b>Service Op Income</b>	<b>\$ (0.2)</b>	\$ 1.3	\$ 2.4	\$ 3.7	\$ 4.2	\$ 4.8	\$ 5.2	\$ 5.2	\$ 5.7	\$ 10.4	\$ 10.8	\$ 11.4	<b>\$ 15.0</b>	
<b>Service Adjusted EBITDA</b> <sup>1</sup>	\$ 2.0												<b>\$ 27.8</b>	

<sup>1</sup> Service Adjusted EBITDA is a non-GAAP financial measure. See further information in the presentation regarding this measure and a reconciliation to the most directly comparable GAAP measure

# Complementary Business Segments

Strong cross-selling opportunities from distribution to calibration services



- ✓ **Approx. 18% service revenue growth, approx. 11% organic growth**
- ✓ **Driven by regulation and high cost of failure, life sciences focus**
- ✓ **Strong operating leverage**

- ✓ **Flat revenue growth with improving gross margins**
- ✓ **Focused growth in higher margin rental business**
- ✓ **Generates calibration services leads**

1. As of Q1 FY 2024 TTM Revenue Ended June 24, 2023.

1. As of Q1 FY 2024, Revenue Ended June 24, 2023.



# Competitive Landscape and Differentiators

## Calibration Industry – Competitive Landscape

### 5 National Players

Transcat

Trescal

Tektronics

Simco Electronics

Applied Technical Services (ATS)

### Numerous Regional Players (\$5m to \$30m in Annual Revenue)

### Hundreds of Other Players (Highly Fragmented (\$500K to \$5M))

## Industry Attributes

Recurring Service  
Revenue Streams

Growing Service  
Market

Driven by  
Regulation and  
High Cost of Failure

**TRANSCAT®**

***Differentiators = Premium Priced Service***



Distribution  
and Rental a  
Source of  
Service  
Leads and  
Cash Flow



NEXA Cost,  
Control and  
Optimization  
Services



Highly  
Regulated  
Life Science  
Target  
Market



Acquisitions  
to Expand  
Addressable  
Markets,  
Geography  
and  
Capabilities



Footprint and  
scale to  
Service Large  
National  
Opportunities



Transcat  
University -  
Build-A-  
Tech

# Strategic, Regulated Vertical Markets

- **Provider of premium, mission critical services to regulated, high cost of failure industries that require long qualification cycles**
- **High switching costs deeply entrench customers on Transcat service platform; high barrier to entry that results in recurring, higher margin revenue**



## Life Sciences

**Pharmaceuticals and  
Medical Device**

**Regulating Bodies:  
FDA, WHO, ICH**



## Aerospace

**R & D / manufacturer of  
flight vehicles**

**Regulating Bodies:  
DOD, FAA, NASA, EPA**



## Government / Defense


**Military / Missile Defense**

**Regulating Bodies:  
FDA, OSHA, CPSC, DOD, FTC,  
FCC, EEOC, FDIC**

# Double-Digit Service Growth Drivers



**New Business  
Current Customers**  
(Leverage NEXA)



**New Business  
New Customers**  
(Leverage NEXA)



**Grow NEXA Current  
& New Customers**  
(Expanded Market)




**Grow Pipette  
Business**  
(Expanded Market)



**Acquisitions Expand  
Geographic Footprint,  
Capabilities, Markets**



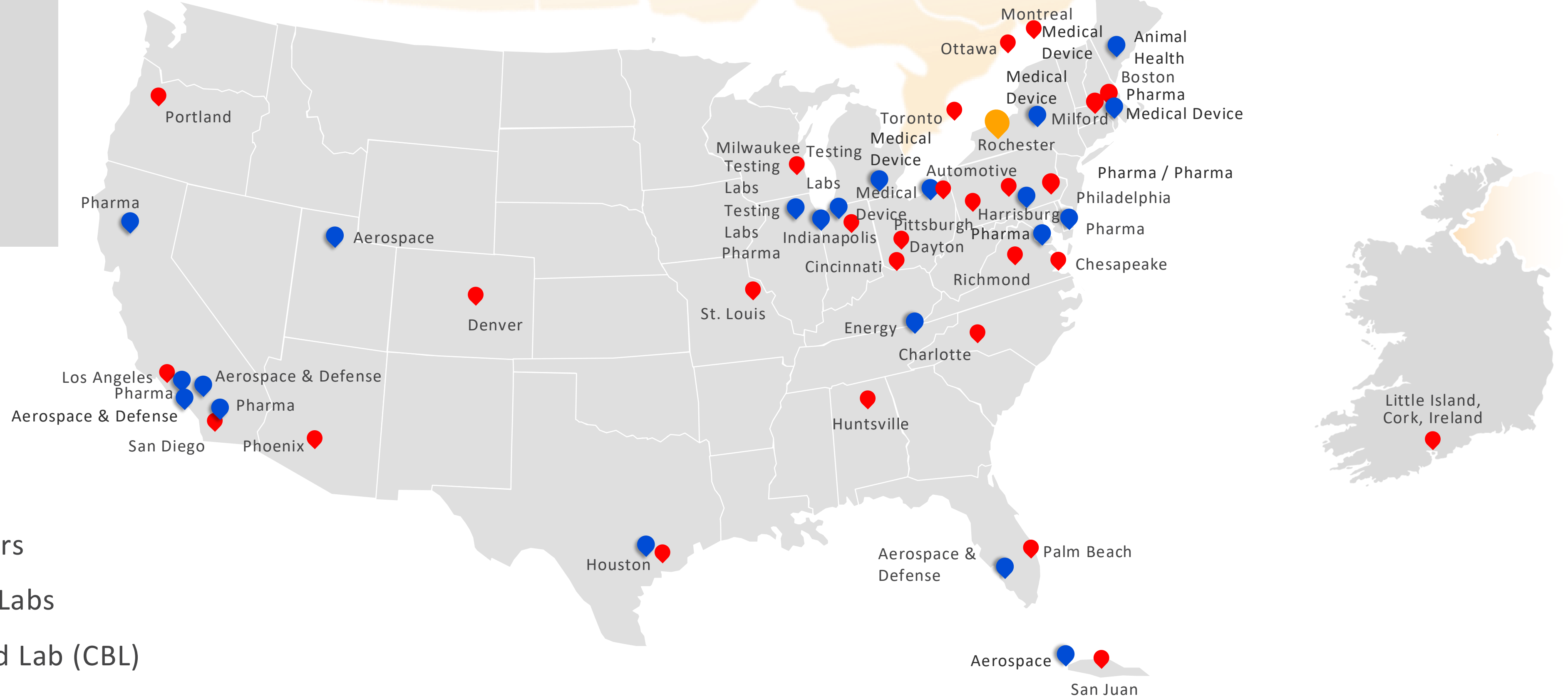
**Execute Sales  
Synergies on  
Acquired Companies**



**Strong Customer Retention**

# 50 Locations Serving the U.S., Canada, Ireland 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
- Transcat Client-Based Lab (CBL)

# Broad and Diverse Blue Chip Customer Base

**Servicing the Fortune 500  
Manufacturers:**

**Pharmaceuticals**

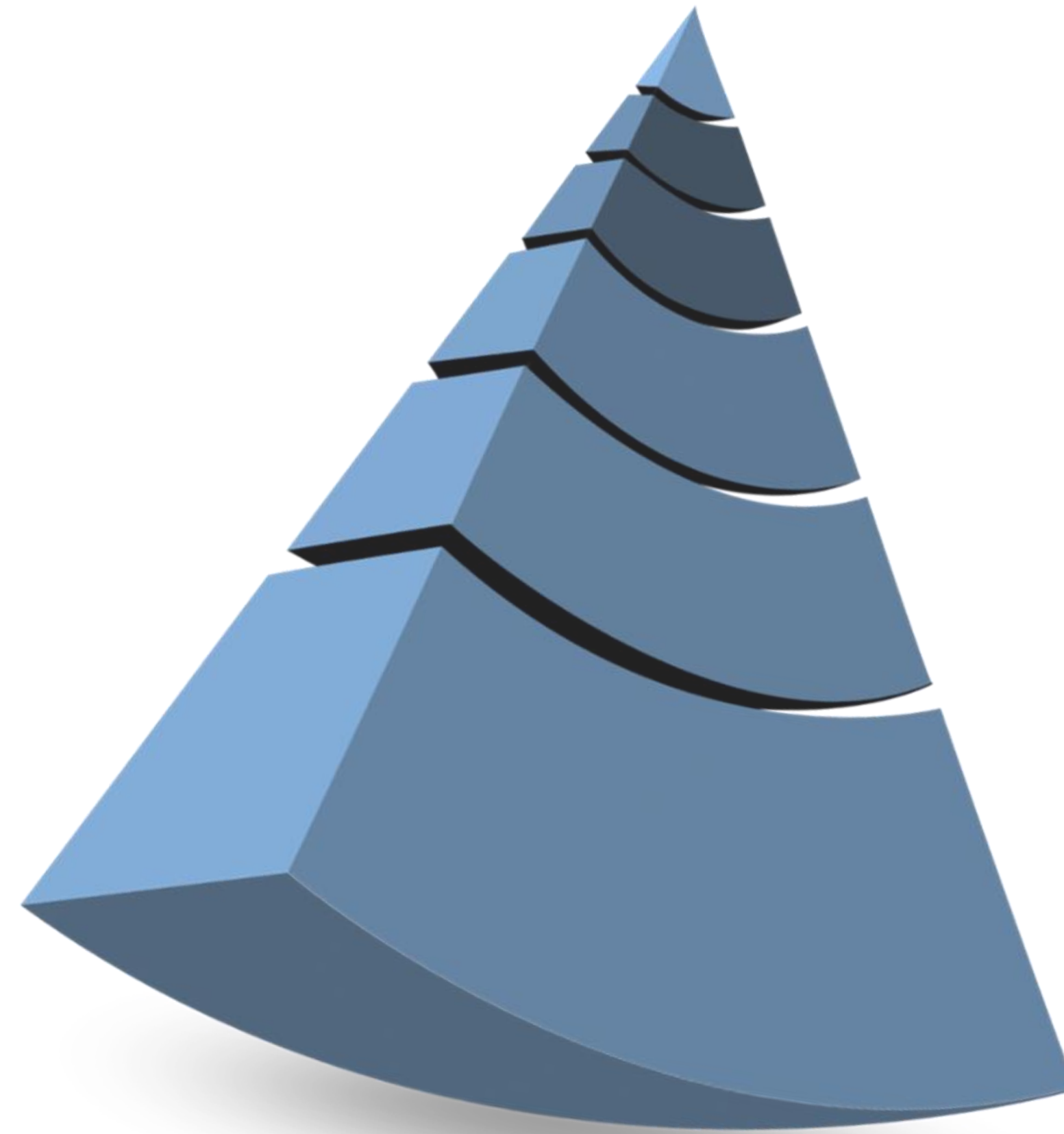
**Medical Devices:**

Orthopedics  
Endoscopy  
Surgical Tools

**Defense Systems**

**Aerospace**

**Uranium Processing / Storage**



**Percentage of Service Revenue \***

**4% Other**

**5% Energy/Utilities**

**7% Services/Consumer  
Goods**










**8% Aerospace/Defense**

**16% Industrial/Materials**

**60% Life Science /  
FDA-regulated**



# Recent Acquisition Drivers

Year	Target	Geographic Expansion	Increased Capabilities and Expertise	Leveraged Infrastructure (Bolt-on)
FY2024		✓	✓	
			✓	✓
			✓	✓
FY2023		✓	✓	
FY2022		✓		✓
		✓	✓	
		✓	✓	
FY2021			✓	✓
FY2021			✓	

# Acquisition and Integration Differentiators

*Transcat's Proven Integration Process Drives Consistent Long-Term Value Capture and Returns*

## Diligence and Decision Making

Disciplined approach with high emphasis on cultural fit

Strategic checklist and assessment process

Expertise and experience

Consistent decision making

## Acquirer of Choice

Sellers consistently chose Transcat, often at a lower price

Transcat has reputation for treating acquired employees fairly

Cultural sensitivity around integration

## Synergy Capture

Leveraging Transcat's broad capabilities and brand to accelerate top-line growth (sales synergy)

Marketing expertise

Reduction of outsourcing by leveraging Transcat full scope of services (cost synergy)

## Track Record of Success

20+ acquisitions over the last 10 years, with remarkable success

# Brand Extension and Expanded Addressable Markets – Portfolio of Service Companies



## Calibration Services

Instrument Calibration	Test & Rental Equipment	Product Distribution
------------------------	-------------------------	----------------------



## Enterprise Asset Management Service Tracks

Calibration	Maintenance & Spares	Reliability
CMMS	Quality & Compliance	Validation



## Consulting Services

CQV	Process Engineering	Facilities Engineering
Quality Assurance	Quality Engineering	Project Management

**Strong brand recognition and strategic acquisitions have expanded capabilities and synergies**

**Immediate cross selling potential with complete "family" of services – in both *Technical Services* (Transcat Traditional Labs, CBLs, Pipettes, Biomedical) and *Professional Services* (NEXA, Validation, SteriQual)**

**NEXA name retention for professional services "group" will help to separate these service offerings (i.e. Transcat may lose a bid, but the client still engages with NEXA)**

**SteriQual expected to roll up to the NEXA name (after brand recognition for CQV delivery)**



# LIFE SCIENCES CAPITAL PROJECT ECOSYSTEM

World-class cost, control, and optimization services to enable world-class production for the life science industry

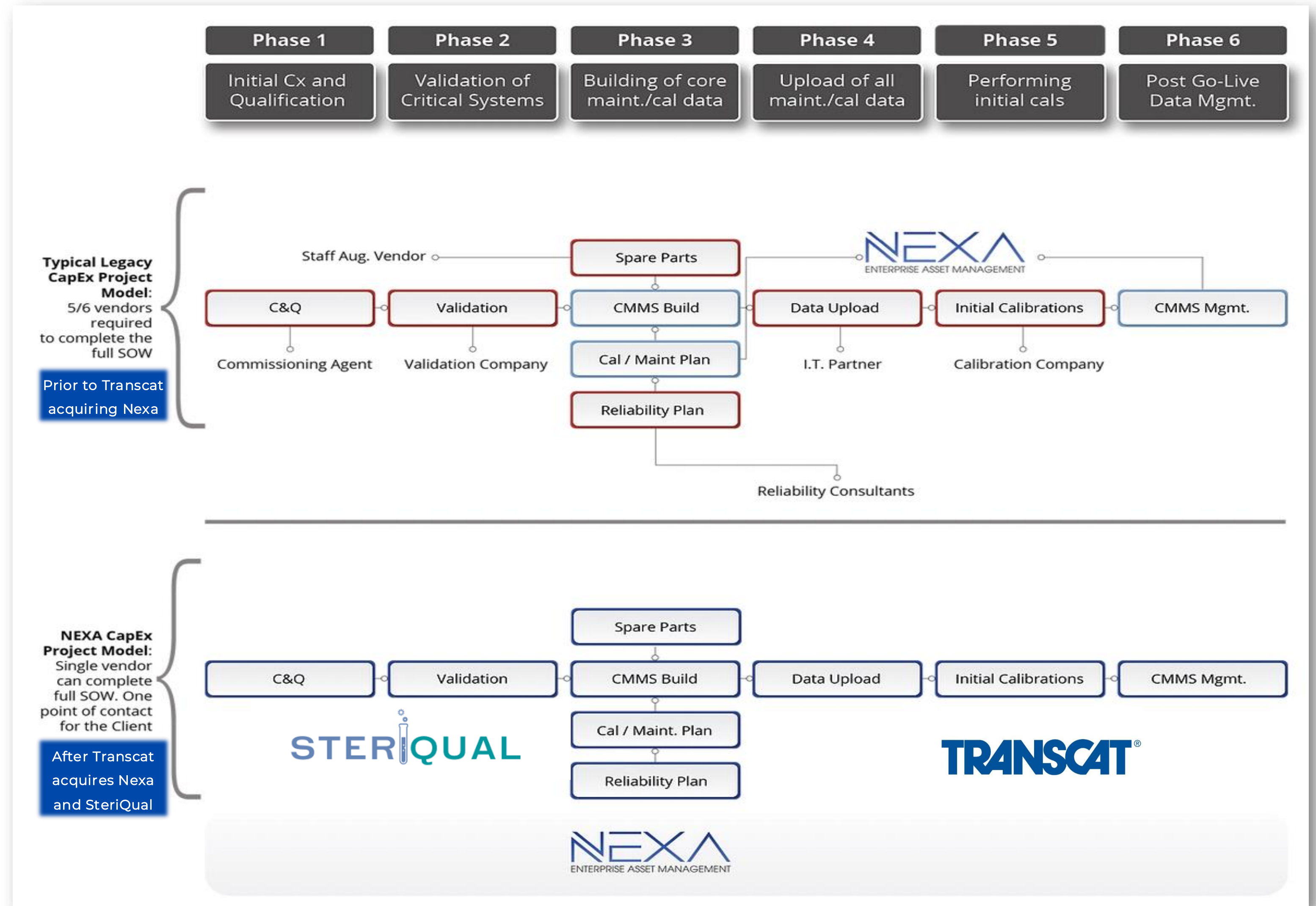
With the  
**Transcat TS3 (Single Source Solution) + SteriQual + Transcat**



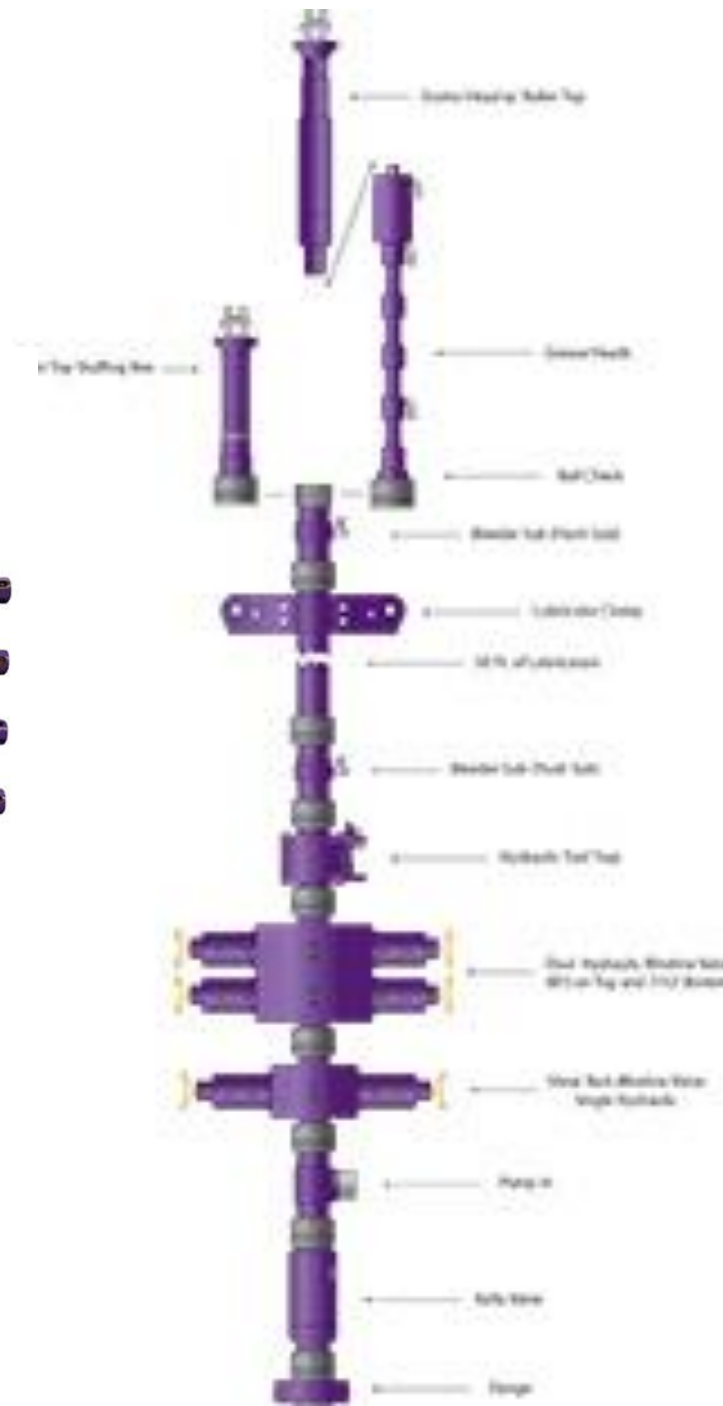
Comprehensive value proposition, full suite of services, sold to high level decision makers for new capital projects and existing operations

This will ensure the project is delivered in the Client's best interest carried out across all our Service Tracks.

We believe there is a major opportunity in this space - only officially launched in the last month.



# Becnel Rental Tools – Rental Business Accelerating Growth



- ✓ **\$50 million purchase price; \$33 million in Company stock and \$17 million in cash**
- ✓ **Existing leadership and staff retained, with Jason Becnel, current Becnel Owner/President, continuing to lead the organization**
- ✓ **Rental equipment used in highly regulated end markets associated with decommissioning and maintenance of oil wells**
- ✓ **Growth opportunities driven by regulation and not tied to price of oil.**
- ✓ **Strong customer relationships should provide opportunities for cross-selling Transcat services, products and rentals**

# FINANCIAL OVERVIEW

Note: Amounts shown in the graphs that follow may be rounded. Therefore, totals shown in the graphs may not be equal to the sum of the segments

# Fiscal Year 2025 Q2 Performance

\$ millions

## Consolidated

**Revenue**



+8% vs.  
prior year

**Gross Profit**



+5% vs.  
prior year

**EBITDA**

(Earnings before  
interest, taxes,  
depreciation/amort.)



Decreased 5%  
from PY

## Service



+6% vs.  
prior year



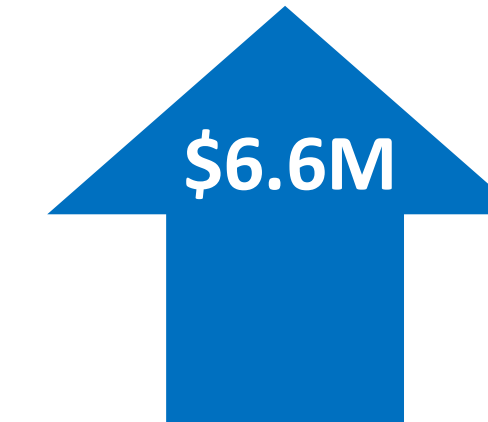
+4% vs.  
prior year

Revenue growth due to consistent demand in core Calibration business partially offset by NEXA; Organic revenue growth 9% excluding Nexa

## Distribution



+11% vs.  
prior year



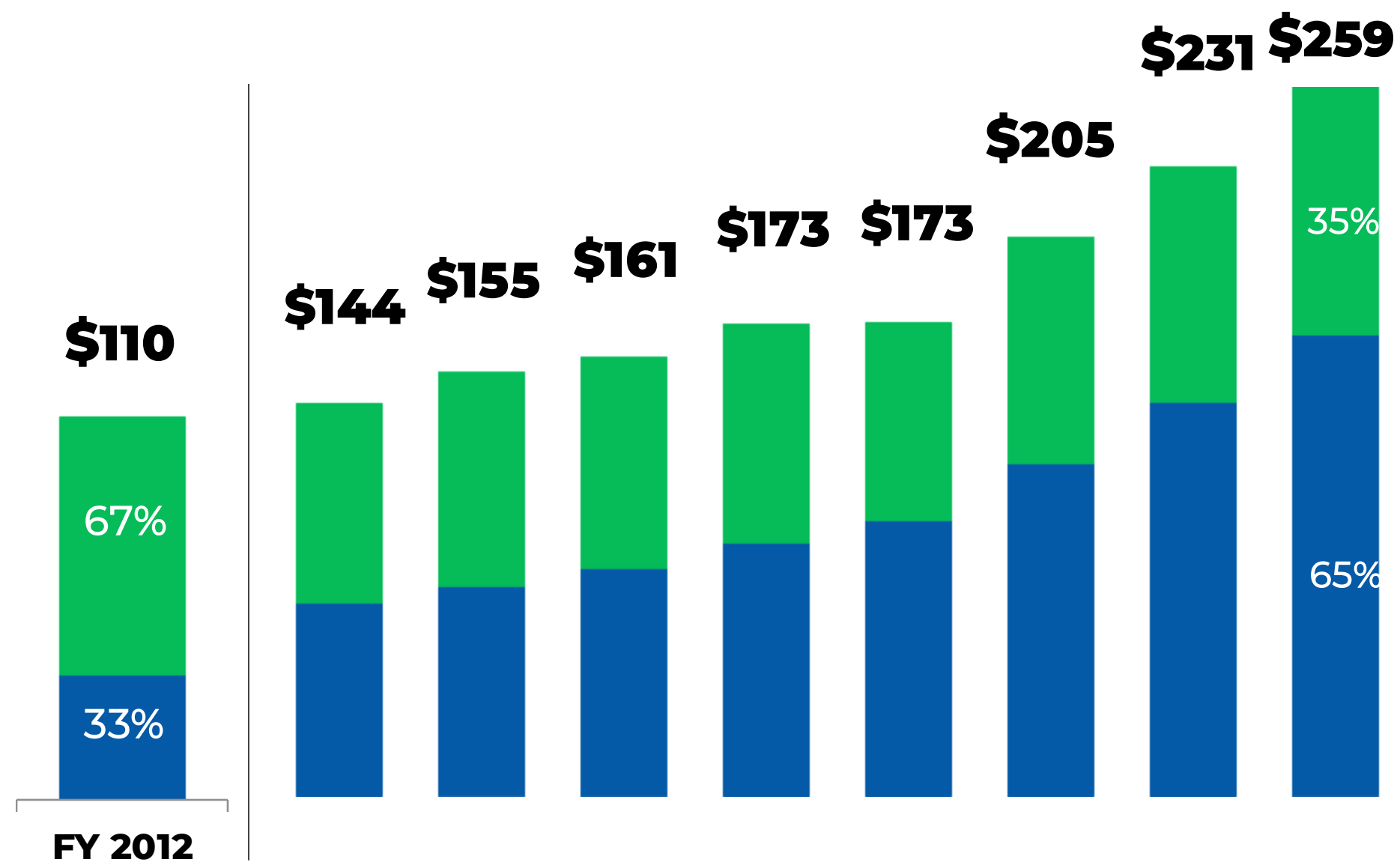
+10% vs.  
prior year

Double-digit revenue growth driven by strong Rental performance and acquisitions led to growth in gross profit

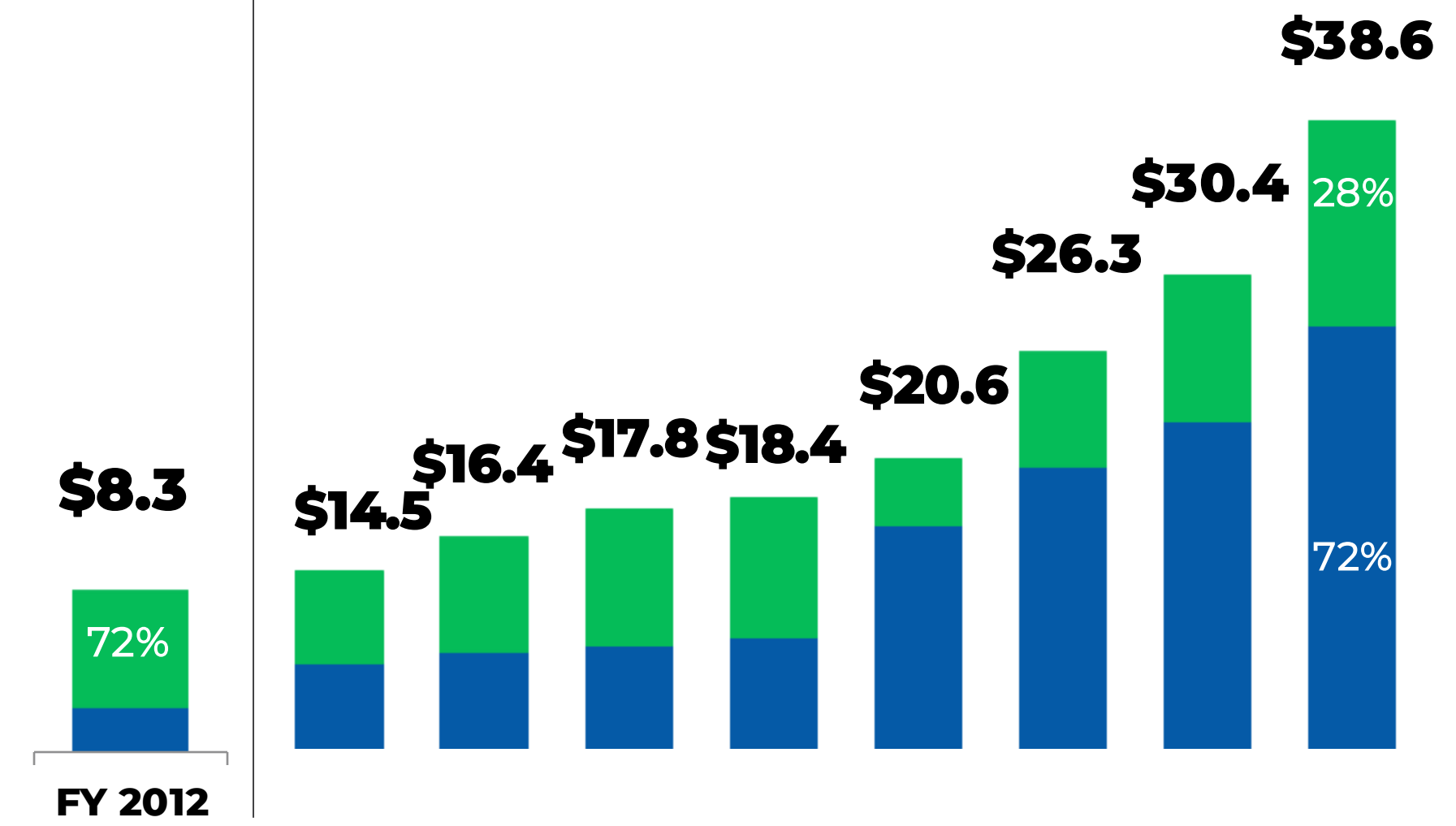
# Consolidated Historical Results

(\$ in millions)

## Revenue



## Adjusted EBITDA

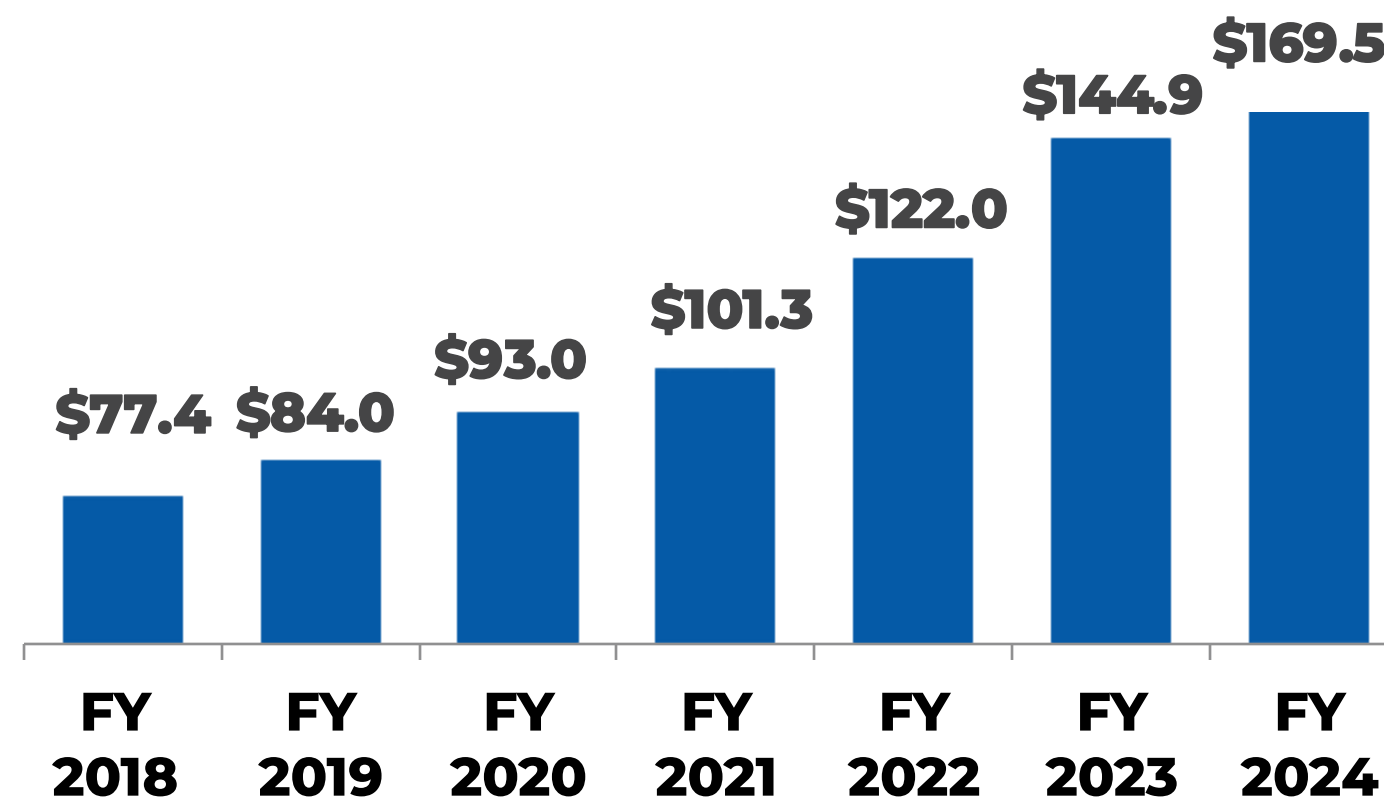


■ Service ■ Distribution

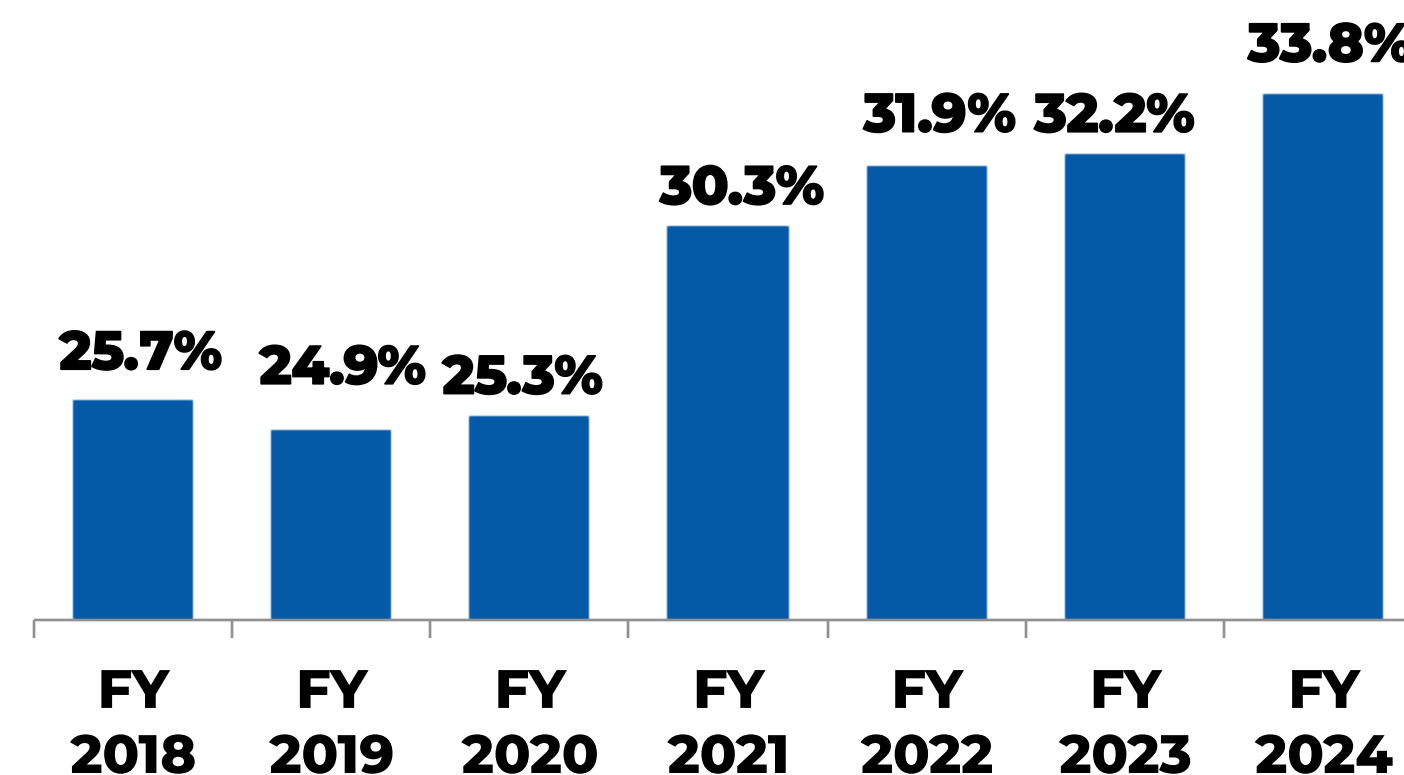
# Service Segment Driving Strong Results

(\$ in millions)

## Service Revenue



## Service Gross Margin %

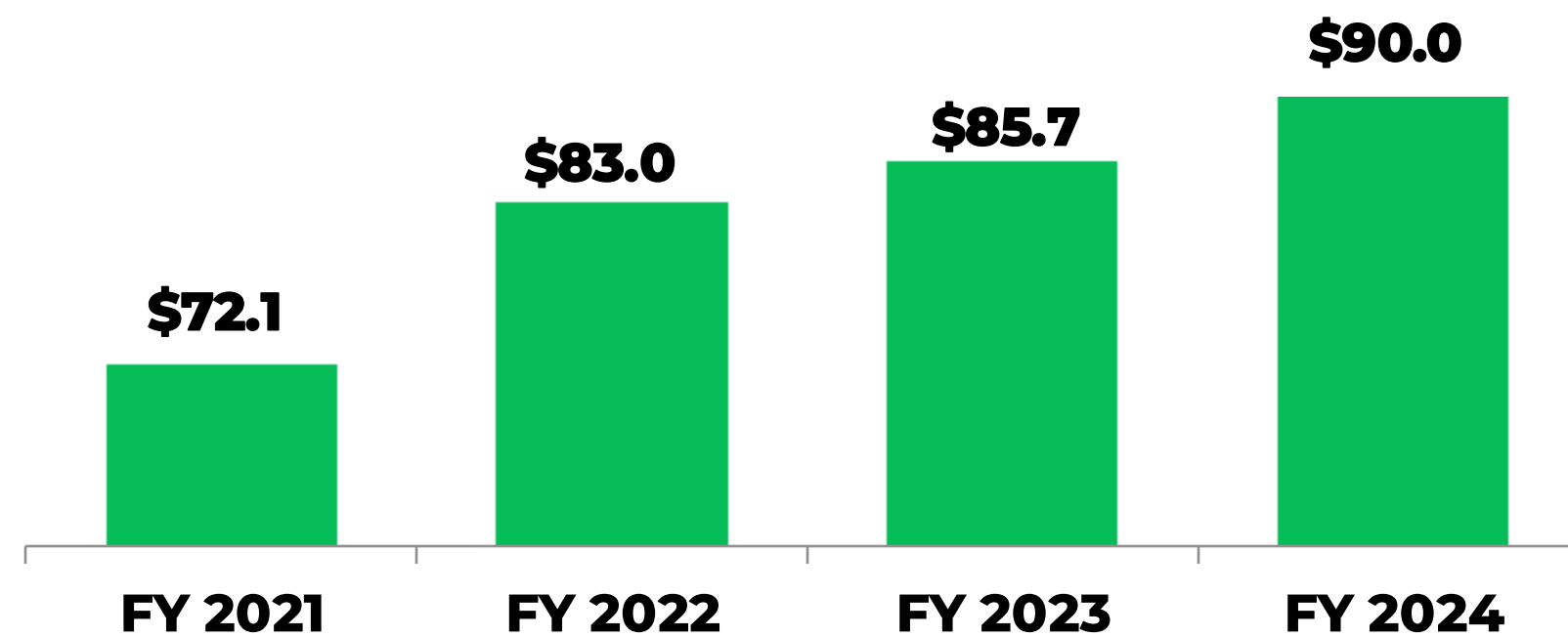


- **Capturing share in highly regulated end markets, including life sciences and Aerospace & Defense**
- **NEXA enterprise asset management acquired on August 31, 2021**
- **Recurring revenue nature of service segment provides for a high degree of visibility into future earnings**
- **Enhanced gross margin profile:**
  - **Driven by operating leverage on organic growth and improved technician productivity**
  - **Operational focus on calibration automation and continuous process improvement**

# Distribution Supports Growth Strategy

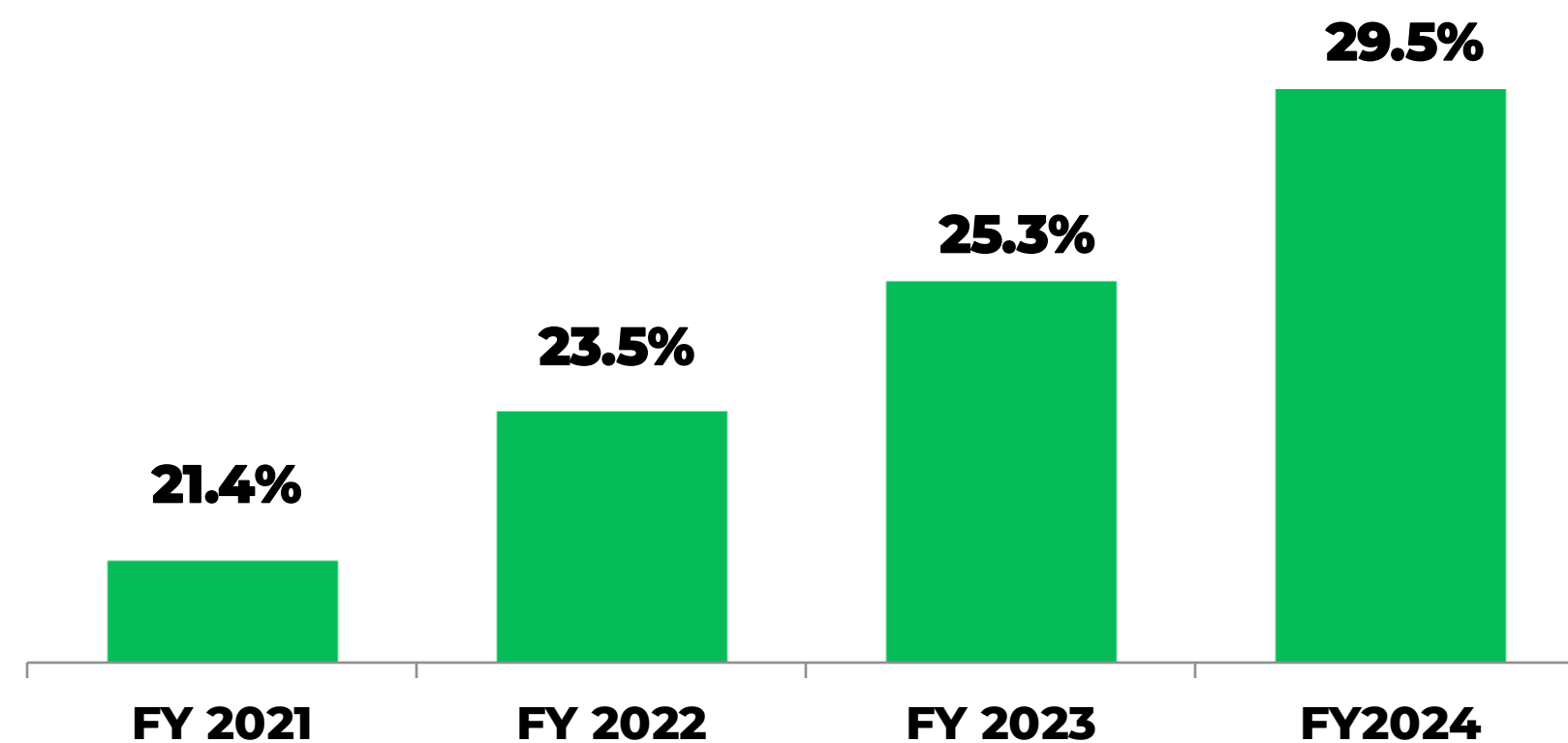
(\$ in millions)

## Distribution and Rental Sales



- **Stable performance, which is in line with our strategy to drive service segment growth**

## Distribution Gross Margin %



- **Gross margin percentage has improved primarily due to growth of high margin rental business**

# Operating Free Cash Flow and Cap Table

(\$ in millions)

## Operating Free Cash Flow

	Full Year	
	March 30, 2024	March 25, 2023
<i>Note: Components may not add to totals due to rounding</i>		
Net cash provided by operations	\$32.6	\$17.0
Capital expenditures (CapEx)	(13.3)	(9.4)
<b>Operating free cash flow (FCF)**</b>	<b>\$19.3</b>	<b>\$7.5</b>

- Cash Flow has significantly improved vs prior year
- Capital expenditures up \$4 million year over year and remain focused on Service capabilities/expansion, rental pool assets and technology; in line with expectations

\*\* In addition to reporting net cash provided by operations, a U.S. generally accepted accounting principle ("GAAP") measure, we present operating free cash flow (net cash provided by operations less capital expenditures), which is a non-GAAP measure. We believe operating free cash flow is an important liquidity measure that reflects the cash generated by the business, after the purchases of technology, capabilities and assets, that can then be used for, among other things, strategic acquisitions, investments in the business, and funding ongoing operations. Operating free cash flow 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 cash provided by operations and, therefore, should not be used in isolation of, rather in conjunction with, the GAAP measure. Operating free cash flow, 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.

## Capitalization Supports Growth Strategy

Capitalization		
<i>Note: Components may not add to totals due to rounding</i>	March 30, 2024	March 25, 2023
Cash and cash equivalents	\$35.2	\$1.5
Total debt	4.2	49.1
<b>Total net debt</b>	<b>(\$31.0)</b>	<b>\$47.6</b>
Shareholders' equity	225.9	99.6
<b>Total capitalization</b>	<b>\$230.1</b>	<b>\$148.7</b>
Debt/total capitalization	1.8%	33.0%
Net debt/total capitalization	-13.5%	32.0%

- 0.1x leverage ratio at quarter-end (Total debt to TTM Adjusted EBITDA\*)
- \$80.0M available from credit facility at quarter-end
- Revolving credit facility was paid off with the proceeds from the Secondary Offering.

\*Pro forma for the contemplated transaction.



# CALIBRATED BY TRANSCAT<sup>®</sup>

## Questions & Answers

# Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Net Income	\$ 4,522	\$ 5,922	\$ 7,145	\$ 8,067	\$ 7,791	\$11,380	\$10,688
+Interest Expense	719	1,018	903	934	850	810	2,417
+Other (Expense) / Income	51	60	91	186	241	143	344
+Tax Provision	2,642	2,026	2,090	1,663	2,191	1,810	2,799
Operating Income	\$ 7,934	\$ 9,026	\$ 10,229	\$ 10,850	\$ 11,073	\$14,143	\$16,248
+Depreciation & Amortization	6,184	5,991	6,361	6,658	7,580	9,077	10,955
+Restructuring Expense	-	-	-	-	650	-	-
+Acquisition Related Add-Back	-	-	-	-	-	902	185
+Other (Expense) / Income	(51)	(60)	(91)	15	(241)	(143)	(344)
+Noncash Stock Compensation	453	1,411	1,327	884	1,513	2,328	3,377
<b>Adjusted EBITDA</b>	<b>\$ 14,520</b>	<b>\$ 16,368</b>	<b>\$ 17,826</b>	<b>\$ 18,407</b>	<b>\$ 20,575</b>	<b>\$26,307</b>	<b>\$30,421</b>

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 compensation expense, restructuring expense and non-cash loss on sale of building), 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, stock-based compensation expense and other items, 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, rather 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

<i>(\$ in thousands)</i>	FY 2012	FY 2023
Service Operating Income	\$ (175)	\$ 11,422
+ Depreciation & Amortization	\$ 1,959	\$ 8,800
+ Transaction Expense		\$ 185
+ Other (Expense) / Income	\$ (37)	\$ (247)
+ Noncash Stock Compensation	\$ 263	\$ 2,463
Service Adjusted EBITDA	\$ 2,010	\$ 22,623
Distribution Operating Income	\$5,603	\$4,826
+ Depreciation & Amortization	937	2,155
+ Transaction Expense		-
+ Other (Expense) / Income	(11)	(97)
+ Noncash Stock Compensation	290	914
Distribution Adjusted EBITDA	\$6,819	\$7,798
Service Adjusted EBITDA	\$2,010	\$22,623
Distribution Adjusted EBITDA	\$6,819	\$7,798
<b>Total Adjusted EBITDA</b>	<b>\$8,829</b>	<b>\$30,421</b>

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 compensation expense, restructuring expense and non-cash loss on sale of building), 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, stock-based compensation expense and other items, 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, rather 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.

# Adjusted EBITDA Reconciliation

<i>(\$ in thousands)</i>	FY 2023 Q2	FY 2024 Q2	FY 2024 Q2 TTM
Net Income	\$ 2,357	\$ 460	\$ 8,668
+Interest Expense	550	890	3,211
+Other (Expense) / Income	(13)	(49)	576
+Tax Provision	732	342	2,846
Operating Income	\$ 3,626	\$ 1,643	\$ 15,301
+Depreciation & Amortization	2,778	3,269	11,595
+Acquisition Related Add-Back	-	3,128	3,468
+Other (Expense) / Income	13	49	(576)
+Noncash Stock Compensation	1,114	1,241	3,606
<b>Adjusted EBITDA</b>	<b>\$ 7,531</b>	<b>\$ 9,330</b>	<b>\$ 33,394</b>

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 compensation expense, restructuring expense and non-cash loss on sale of building), 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, stock-based compensation expense and other items, 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, rather 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

<i>(\$ in thousands)</i>	FY 2023 Q2	FY 2024 Q2
Service Operating Income	\$ 2,507	\$ 742
+Depreciation & Amortization	2,246	2,325
+Acquisition Related Add-Back	-	2,876
+Other (Expense) / Income	3	29
+Noncash Stock Compensation	793	826
Service Adjusted EBITDA	\$ 5,549	\$ 6,798
Distribution Operating Income	\$ 1,119	\$ 901
+Depreciation & Amortization	532	944
+Acquisition Related Add-Back	-	252
+Other (Expense) / Income	10	20
+Noncash Stock Compensation	321	415
Distribution Adjusted EBITDA	\$ 1,982	\$ 2,532
Service EBITDA	\$5,549	\$6,798
Distribution EBITDA	\$1,982	\$2,532
<b>Total Adjusted EBITDA</b>	<b>\$7,531</b>	<b>\$9,330</b>

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 compensation expense, restructuring expense and non-cash loss on sale of building), 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, stock-based compensation expense and other items, 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, rather 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.