

Sep 10
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Colliers Institutional Investor Conference

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President and CEO

Michael J. Tschiderer
Chief Financial Officer

TRANSCAT[®] Trust in every measure

Nasdaq: TRNS

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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," "plans," "aims" 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 Company's response to the coronavirus (COVID-19) pandemic, 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 include those 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

Market Capitalization **\$215.5 Million**

52-Week Price Range **\$16.50- \$34.18**

Recent Price **\$29.07**

Average Daily Volume (3 mo.)

22,030

Common Shares Outstanding

7.4 Million

Ownership: **Institutions**
 Insiders

76%
7%

Two Complementary Segments

Service



- Solid organic growth with a focus on Life Science
- 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

Q1 FY21 TTM
Revenue: \$169.6M
 (Service 55%, Distribution 45%)

- ✓ **Unique value proposition**
- ✓ **Leverage between segments**

Strategic Plan Pillars

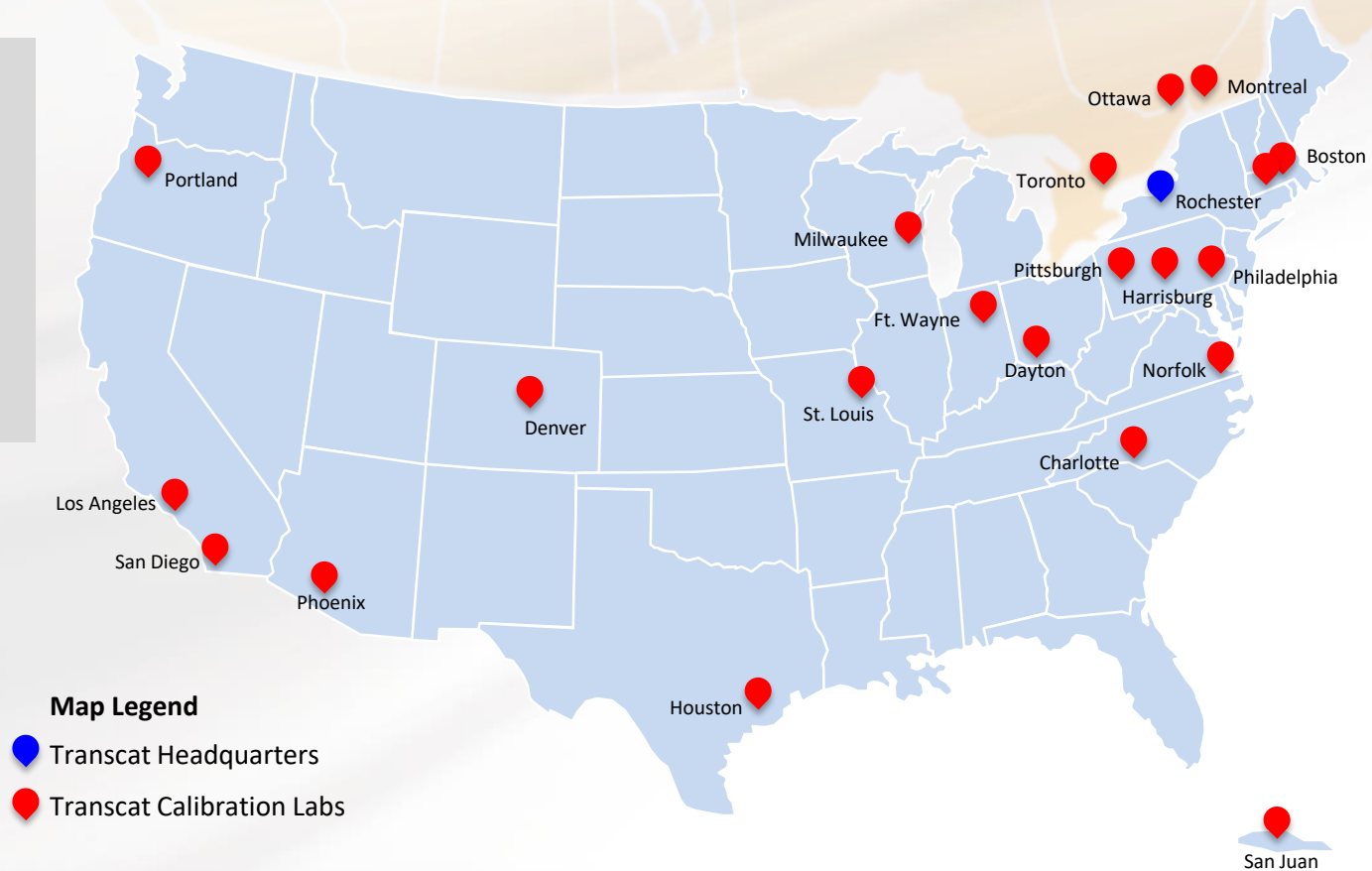


Flexible Service Value Proposition

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



Client-Based Laboratories (“CBL”)

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



Broad and Diverse Blue Chip Customer Base

*Percentage of Service Revenue**

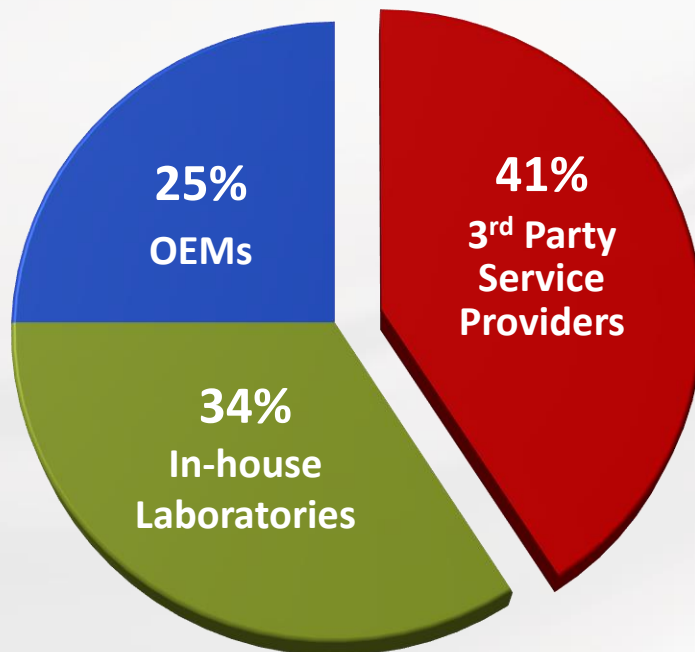


5%	Chemical/Process
6%	Energy/Utilities
11%	Aerospace/Defense
11%	Services
15%	Industrial
4%	Other
48%	Life Science / FDA-regulated

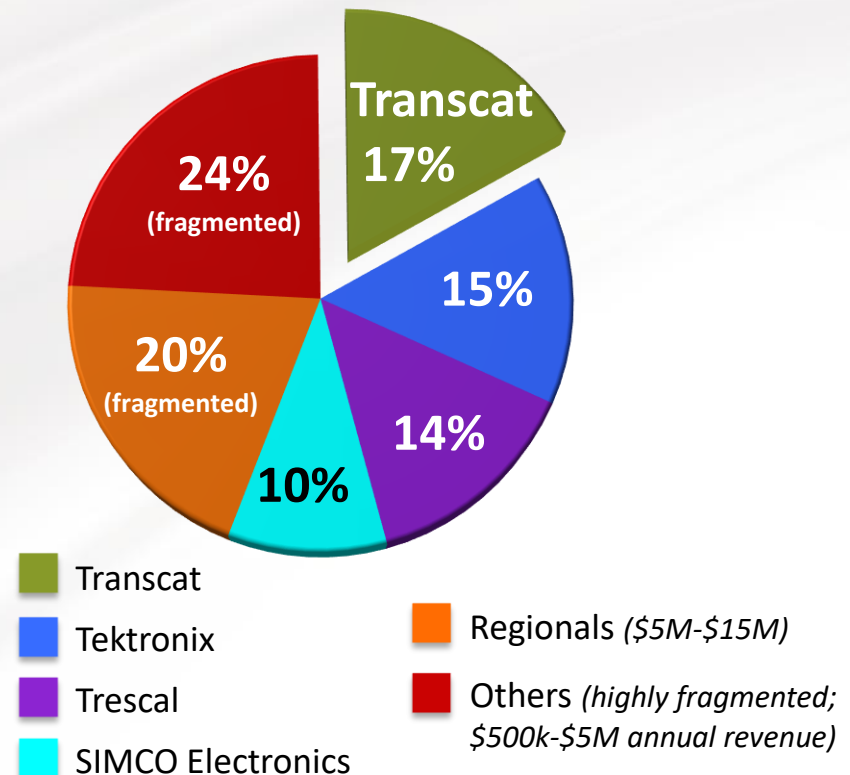


Taking Market Share

\$1.6 Billion Addressable Calibration Services Market¹



Market Share by Revenue for 3rd Party Service Providers²



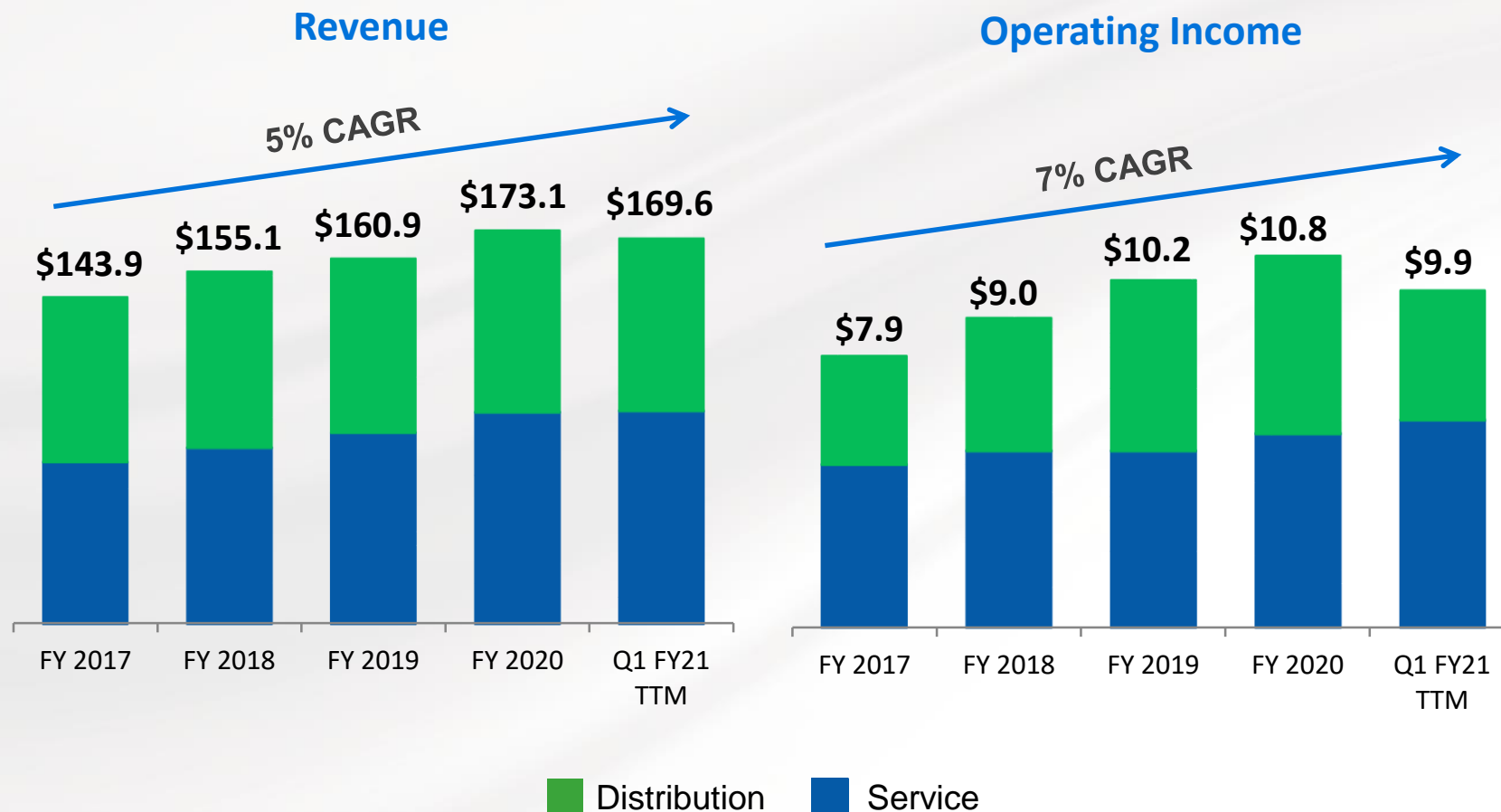
¹ Estimated Addressable North American Calibration Market

² Percentage of Revenue (North America), Company estimates

Financial Results

Consolidated Results

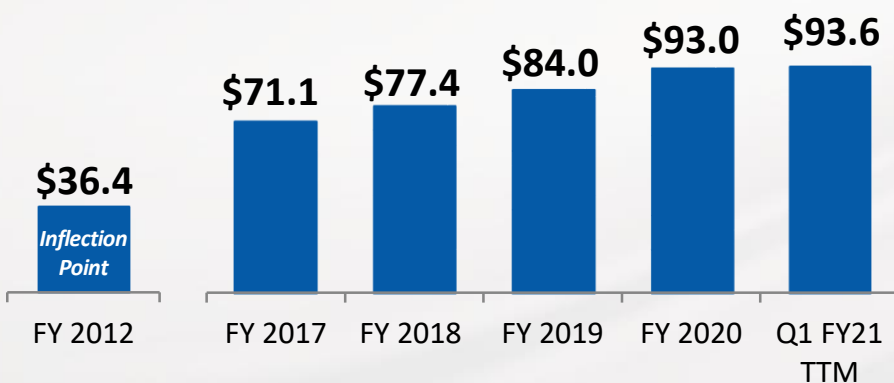
(\$ in millions)



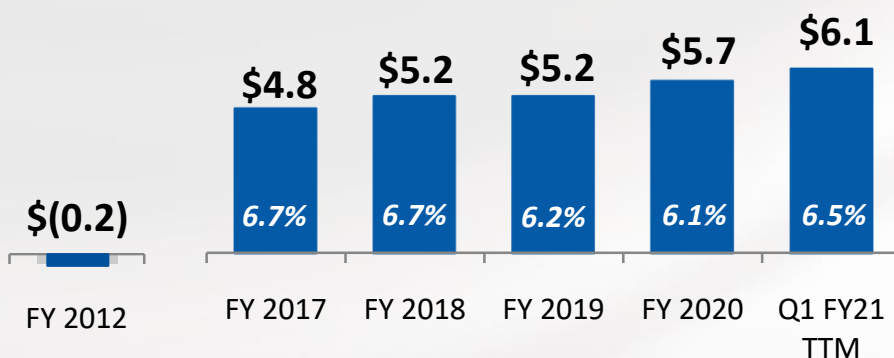
Service Segment: 11+ Years of Quarter-over-Quarter Growth

(\$ in millions)

Service Revenue



Service Operating Income & Margin



Taking market share in Life Sciences and adding new multi-year client-based labs

Incremental revenue from TTE Laboratories (acquired Feb 21, 2020)

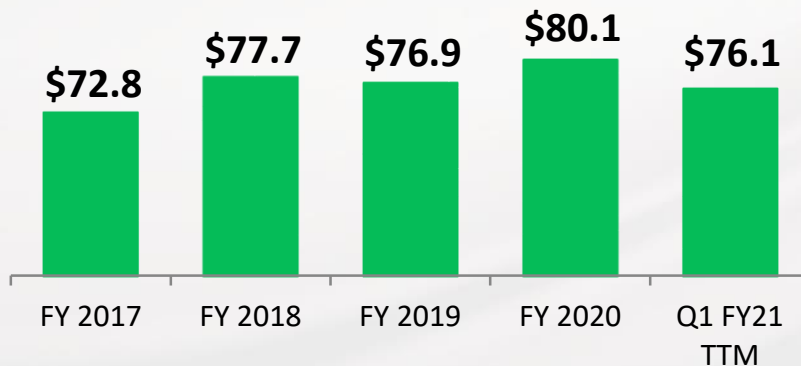
Q1 FY21 up modestly despite COVID-19 impacts

Ongoing productivity initiatives to drive margins

Diversification Supports Distribution

(\$ in millions)

Distribution Sales



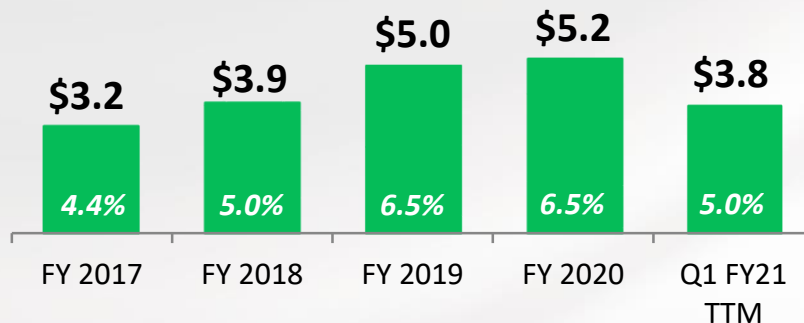
Q1 FY21 reflects expectations given COVID-19 pandemic

Rentals represents ~6% of segment sales

Investments in e-commerce capabilities and web-based marketing

Rentals and focus on core products to drive margin profile

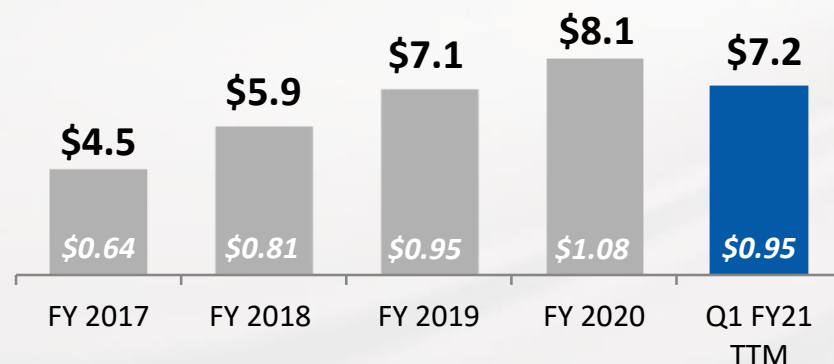
Distribution Operating Income & Margin



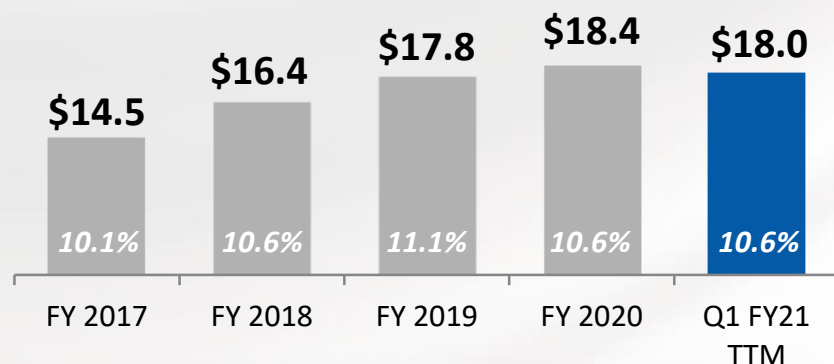
Strong Cash Generation

(\$ in millions)

Net Income and Diluted EPS



Adjusted EBITDA¹ and Margin



16% Net Income CAGR²

Tax rate expectations³

Fiscal 2021: 20% to 21%

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

7% Total Adjusted EBITDA CAGR²

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 CAGR calculated FY 2017 – Q1 FY 21 TTM

³ FY 2021 tax rate expectations provided as of July 21, 2020

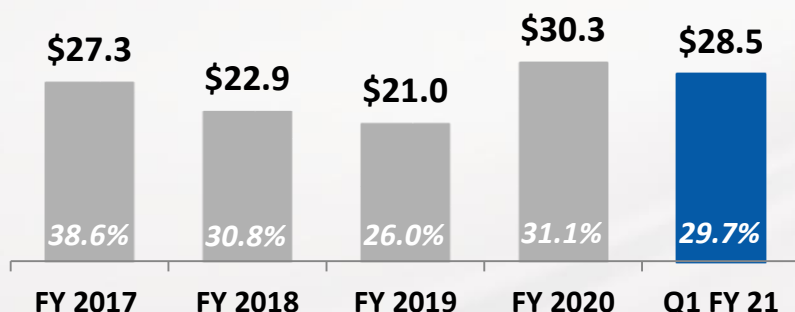
All figures are rounded to the nearest million; therefore, totals shown in graphs may not equal the sum of the segments.

Financial Flexibility Supports Growth Strategy

(\$ in millions)

Total Debt

% - Debt to Total Capitalization



\$23.6 million available from credit facility as of June 27, 2020

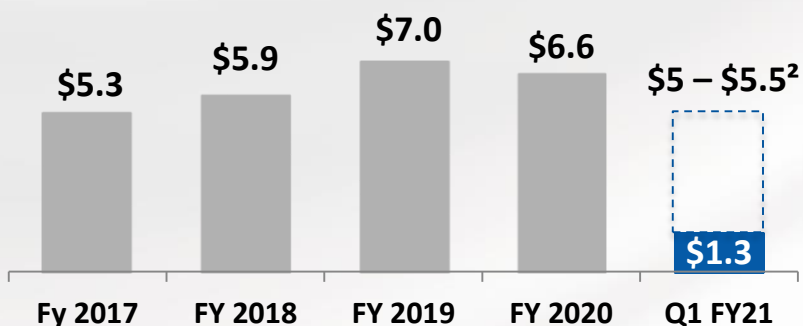
1.50x leverage ratio at quarter-end
(Total debt to TTM Adjusted EBITDA¹)

CapEx focused on technology, Service segment capabilities and rental pool assets

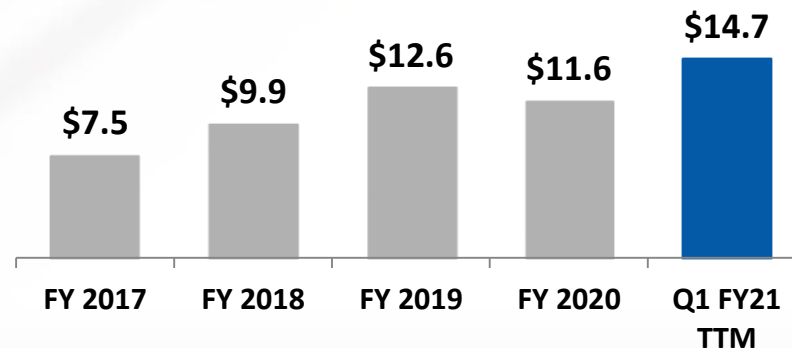
Amended revolving credit facility (May 18, 2020)

- \$10.0M increase in borrowing capacity
- Financial covenant modifications

Capital Expenditures



Cash Flow from Operations



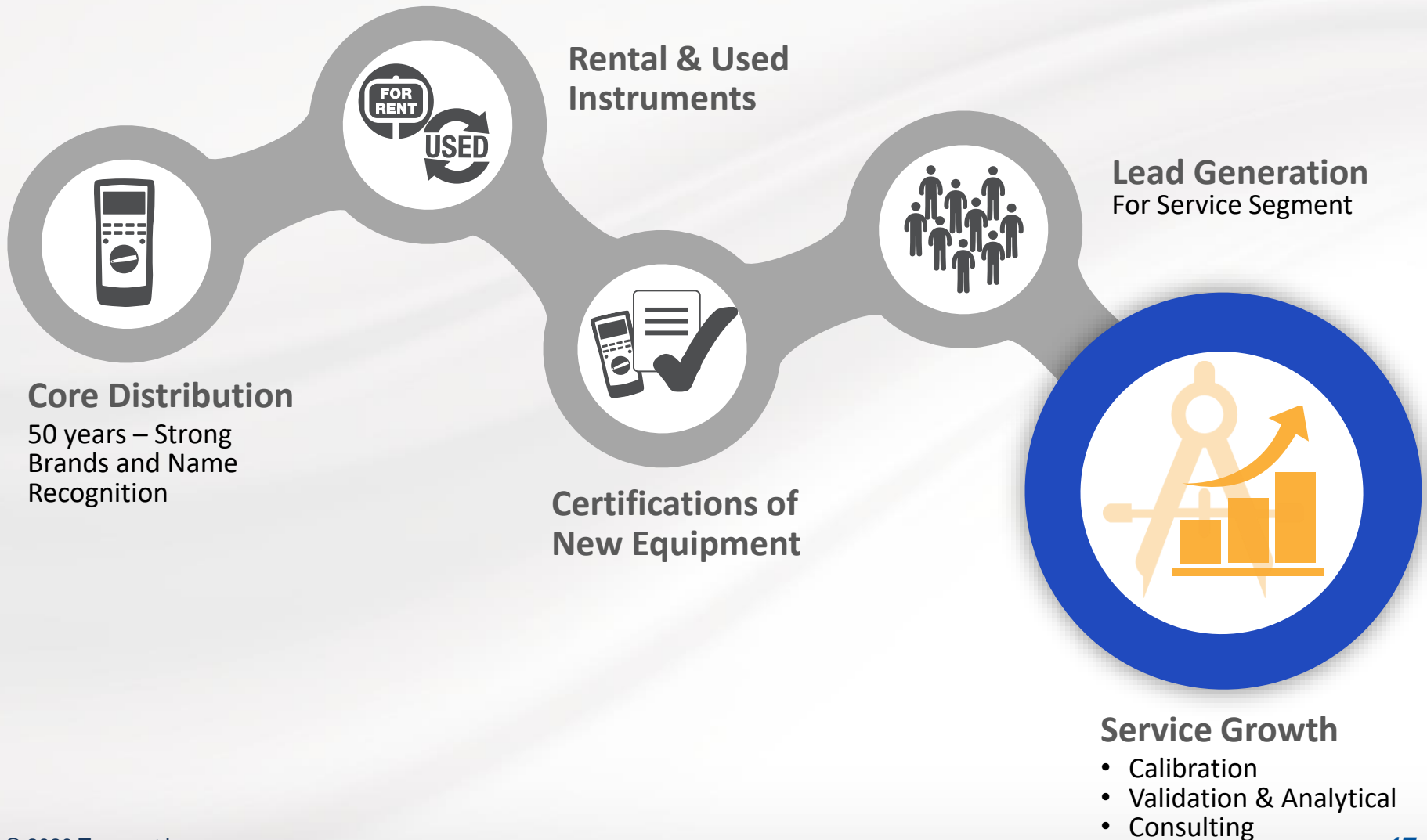
¹ See supplemental slides for a description of this non-GAAP financial measure, for Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA.

² FY 2021 CapEx expectation provided on July 21, 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"

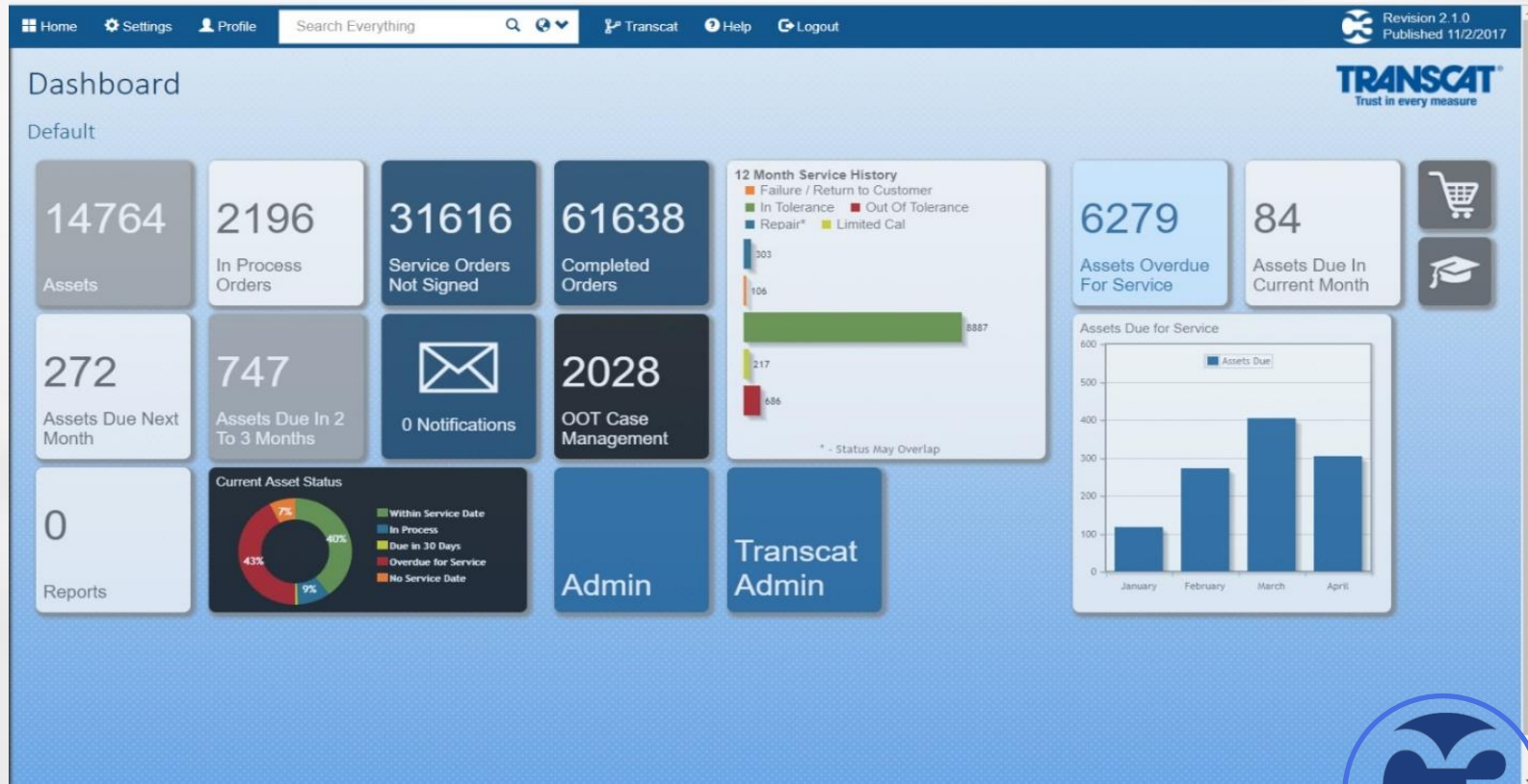
Portal for customer asset management



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

Our focus on life science sector

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

Organic Growth Strategy

Acquisition Strategy

Geographic expansion

Increased capabilities and expertise

Bolt-on/leverage infrastructure

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

Look for minimum 15% IRR

Acquisition of TTE Laboratories Expands Life Science Offerings

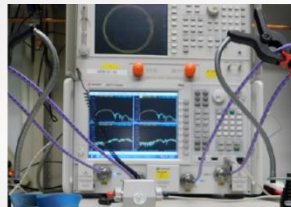
Now refer to as “pipettes.com”



- ✓ Closed Feb 21, 2020
- ✓ \$8 million of annual revenue
- ✓ Increased presence in New England region (**#1 Life Science cluster¹**)
- ✓ Adds new Service capabilities, especially in pipettes
- ✓ Attractive sales synergies with core Transcat Life Science offerings
- ✓ Own www.pipettes.com offering sales and service of pipettes

Acquisition Drivers

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



CALIBRATED
BY **TRANSCAT**[®]

Outlook*

- Believe we are in strong position to navigate this challenging environment
- Believe highly-regulated Life Science and other critical industries will continue to provide a degree of resilience
- Distribution segment sales more susceptible to current economic conditions
- Continuing to make incremental technology investments in line with our strategic plan
- Expect to generate cash under various possible scenarios
- Solid pipeline of Life Sciences opportunities
- Expect increased level of acquisition opportunities to surface; Acquisitions remain a key element of strategic growth plan

Q2 FY 2021 Expectations

Service: Expect revenue to grow modestly versus last fiscal year's second quarter, with an improved gross margin

Distribution: Expect sales will remain relatively unchanged sequentially

Consolidated operating income: Expect to be in the range of \$2 million, approximately double the sequential first quarter level

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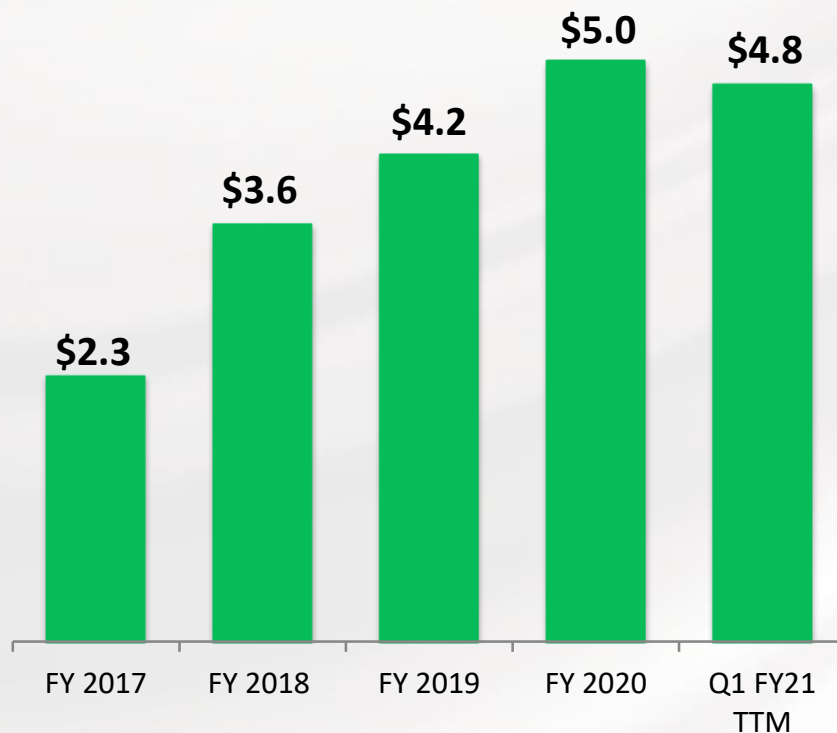
Supplemental Information

Executing Acquisition Strategy



Rental Revenue

(\$ in millions)



Provides higher margin profile

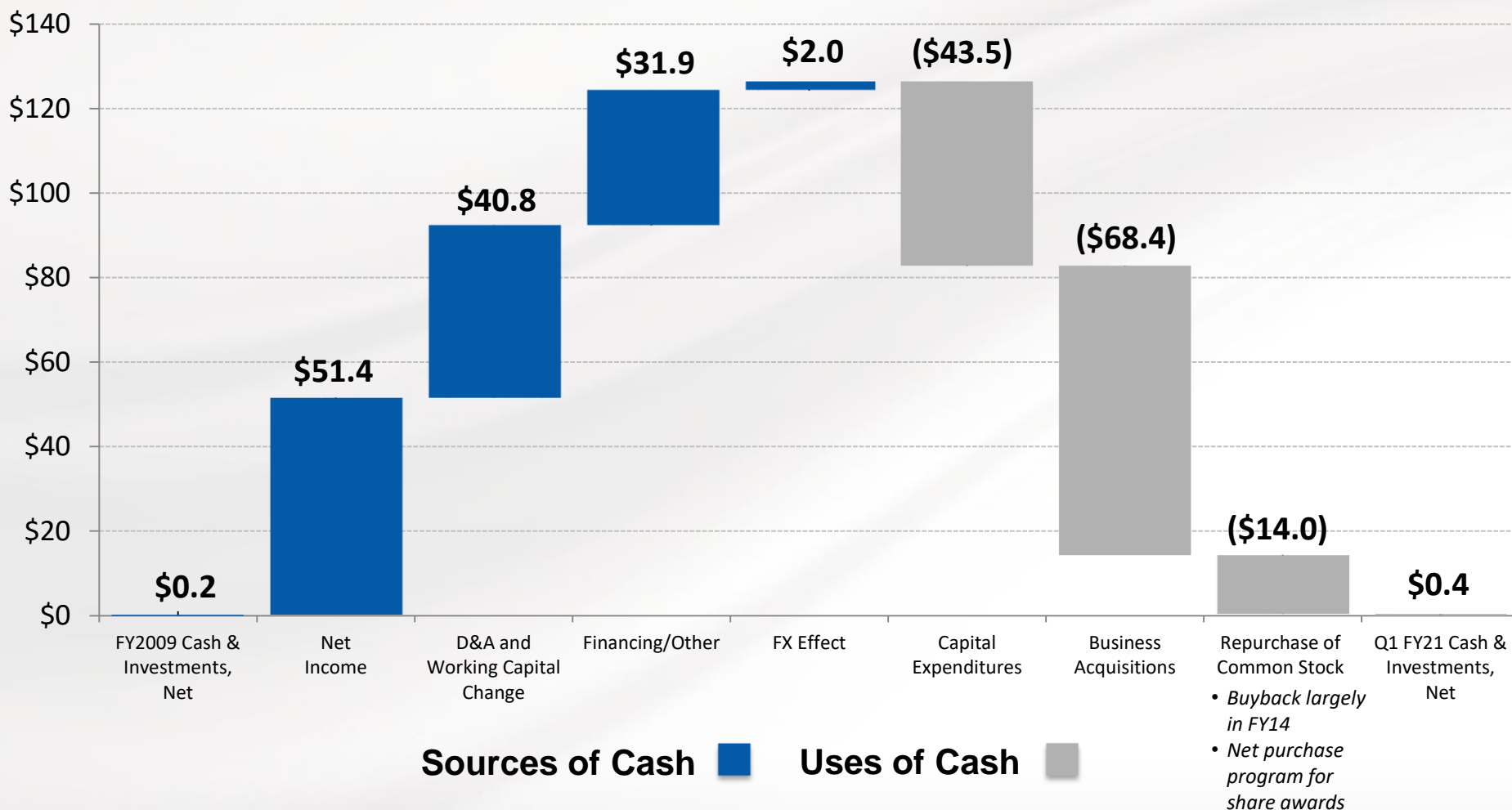
Enhances value proposition and customer options

Used equipment business further complements and diversifies

Generating Cash to Drive Key Investments

FY 2009 (start of acquisition strategy) to Q1 FY21

(\$ 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

Marcy Bosley
*Vice President of
Service Sales*

- 15+ years in calibration services sector
- 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

Adjusted EBITDA Reconciliation

(\$ in thousands)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Q1 FY21 TTM</u>
Net Income	\$ 4,522	\$ 5,922	\$ 7,145	\$ 8,067	\$ 7,147
+ Interest Expense	719	1,018	903	934	914
+ Other Expense / (Income)	51	60	91	186	164
+ Tax Provision	<u>2,642</u>	<u>2,026</u>	<u>2,090</u>	<u>1,663</u>	<u>1,631</u>
Operating Income	\$ 7,934	\$ 9,026	\$ 10,229	\$ 10,850	\$ 9,856
+ Depreciation & Amortization	6,184	5,991	6,361	6,658	6,907
+ Restructuring Expense	-	-	-	-	360
+ Other (Expense) / Income	(51)	(60)	(91)	15	(163)
+ Noncash Stock Compensation	<u>453</u>	<u>1,411</u>	<u>1,327</u>	<u>884</u>	<u>993</u>
Adjusted EBITDA	\$ 14,520	\$ 16,368	\$ 17,826	\$ 18,407	\$ 17,953

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, 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 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Q1 FY21 TTM</u>
Service Operating Income	\$ 4,769	\$ 5,158	\$ 5,202	\$ 5,672	\$ 6,063
+Depreciation & Amortization	4,660	4,397	4,754	4,929	5,103
+Restructuring Expense	-	-	-	-	193
+Other (Expense) / Income	(55)	(61)	(69)	(20)	(112)
+Noncash Stock Compensation	217	706	702	470	520
Service Adjusted EBITDA	<u>\$ 9,591</u>	<u>\$ 10,200</u>	<u>\$ 10,589</u>	<u>\$ 11,051</u>	<u>\$ 11,767</u>
Distribution Operating Income	\$ 3,165	\$ 3,868	\$ 5,027	\$ 5,178	\$ 3,793
+Depreciation & Amortization	1,524	1,594	1,607	1,729	1,805
+Restructuring Expense	-	-	-	-	167
+Other (Expense) / Income	4	1	(22)	35	(52)
+Noncash Stock Compensation	236	705	625	414	473
Distribution Adjusted EBITDA	<u>\$ 4,929</u>	<u>\$ 6,168</u>	<u>\$ 7,237</u>	<u>\$ 7,356</u>	<u>\$ 6,186</u>
Service	\$ 9,591	\$ 10,200	\$ 10,589	\$ 11,051	\$ 11,767
Distribution	<u>4,929</u>	<u>6,168</u>	<u>7,237</u>	<u>7,356</u>	<u>6,186</u>
Total Adjusted EBITDA	<u>\$ 14,520</u>	<u>\$ 16,368</u>	<u>\$ 17,826</u>	<u>\$ 18,407</u>	<u>\$ 17,953</u>

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, 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.