Q3 Fiscal 2025 | Financial Results

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Q3 FY25 Summary

Consolidated Results

Q3 revenue grew 2.4% vs prior year to $66.8M

Gross margin of 29.5% declined 260bps

Net Income of $2.4M or $0.25 per diluted share decreased $0.13

Adjusted EBITDA decreased 13.2% from prior year to $7.9M

Service Segment

Q3 Service revenue of $41.6M grew 0.1% vs prior year

Service organic revenue declined 3.8%

Gross Profit decreased 8% with gross margin of 29.7%

Distribution Segment

Q3 Distribution revenue of $25.2M grew 6.5%

Gross margin of 29.1% declined 240bps from prior year

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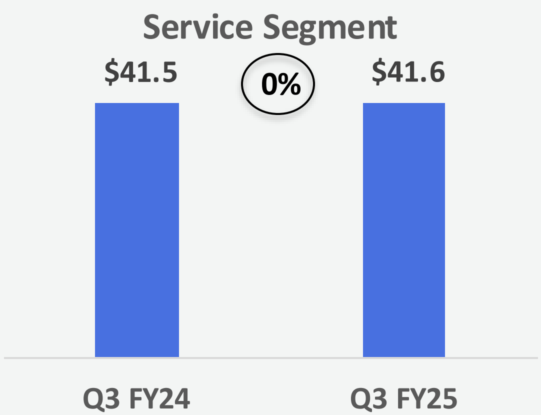
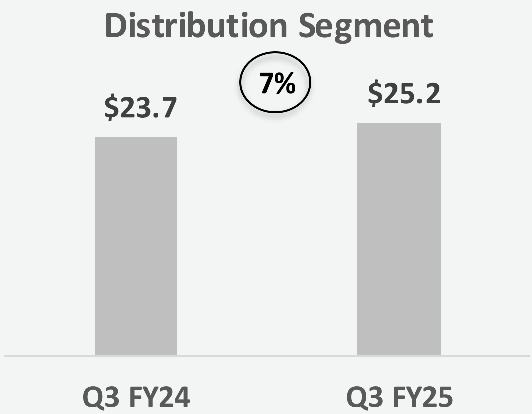
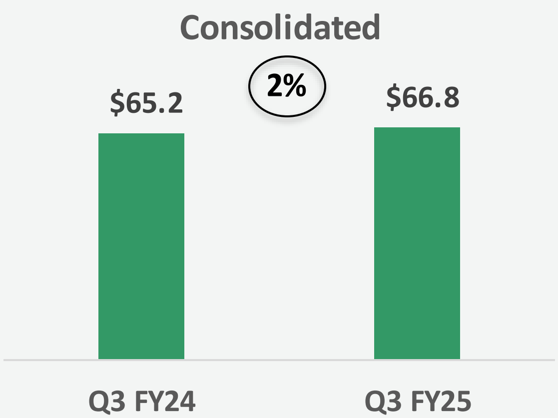
Revenue

($ in millions)







Consolidated revenue grew 2.4% year over year

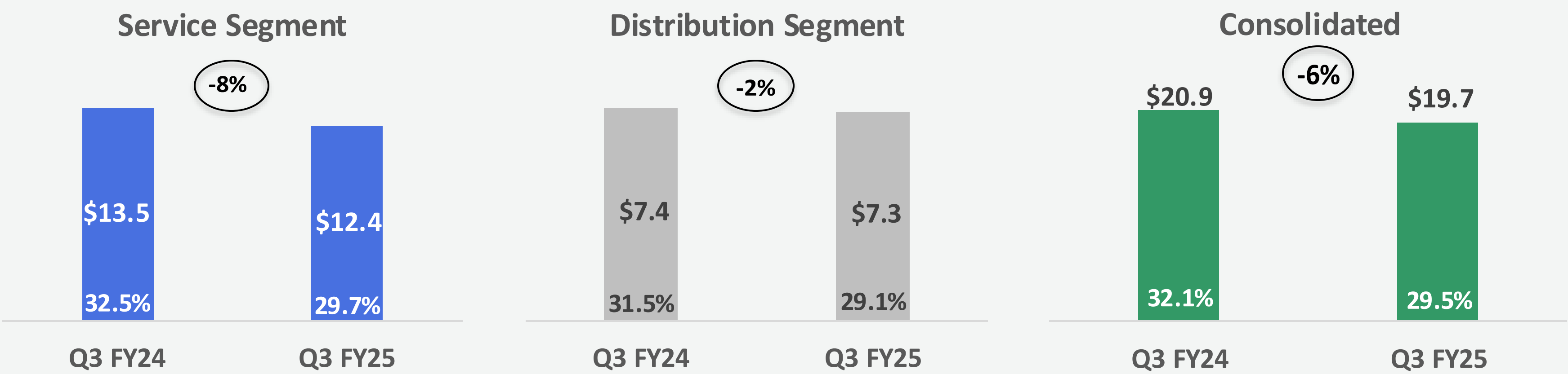
Service total revenue growth of 0.1%; organic revenue declined 3.8% as the segment was negatively impacted by the unexpected, extended December holiday closures, as well as the anticipated year over year decline in the Transcat Solutions (Nexa) channel

Distribution revenue growth of 6.5%

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

Gross Profit and Margin

($ in millions)



Consolidated gross profit of $19.7M decreased 6.0% vs prior year

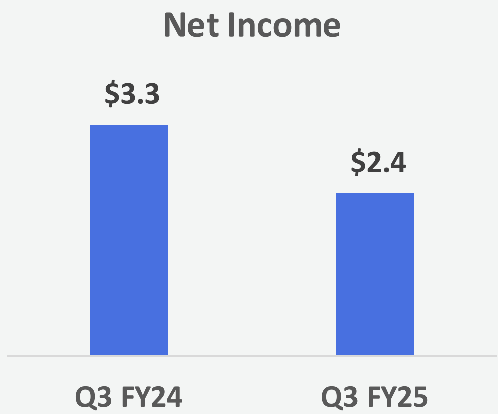
Service gross profit of $12.4M declined 8.4%

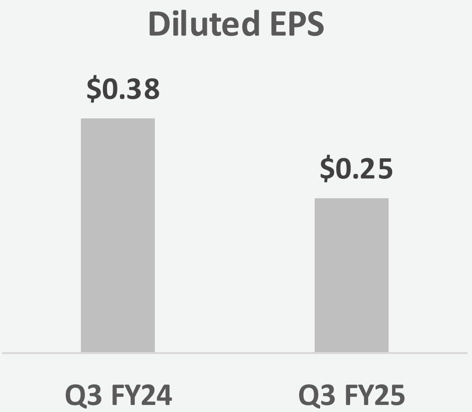
Distribution gross profit decreased 2% to $7.3M

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

Net Income, Diluted EPS, Adjusted Diluted EPS*

($ in millions, except EPS)





Q3 Net Income of $2.4M decreased 29.6% from prior year

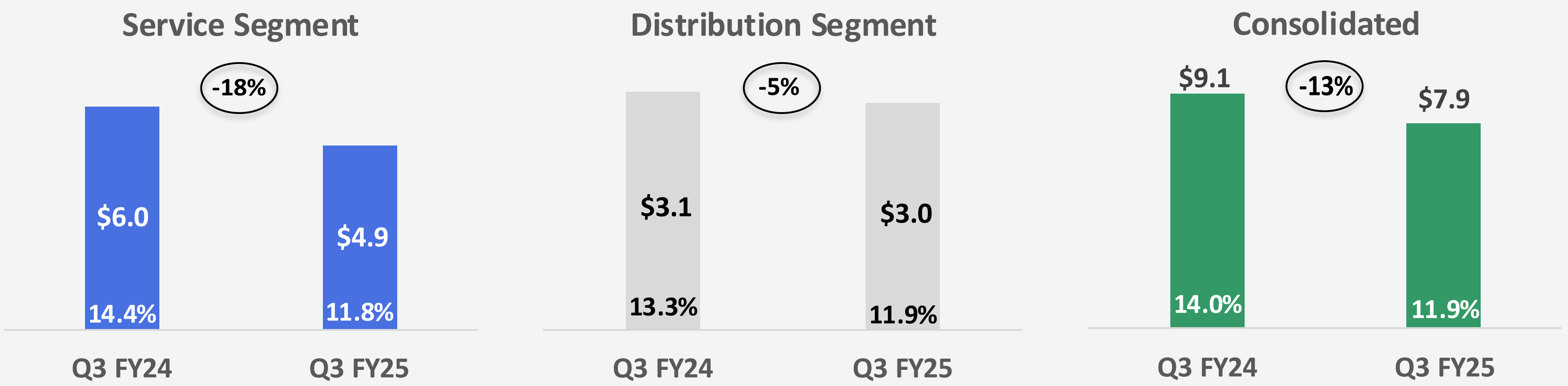
Diluted EPS of $0.25 vs. $0.38 in prior year

Adjusted EPS of $0.45

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

Adjusted EBITDA* and Margin

($ in millions)



Consolidated adjusted EBITDA down 13.2%

Service segment adjusted EBITDA down 17.7%

Distribution adjusted EBITDA decreased 4.7%

** See supplemental slides for a description of this non-GAAP financial measure, Adjusted EBITDA reconciliation and other important information regarding Adjusted EBITDA. All figures are rounded to the nearest tenth of a million. Therefore, totals shown in graphs may not equal the sum of the segments.*

Operating Free Cash Flow

($ in millions)

	Nine Months Ended	
Note: Components may not add to totals due to rounding	**December 28, 2024**	**December 23, 2023**
Net cash provided by operations	$28.4	$26.9
Capital expenditures (CapEx)	(10.5)	(9.1)
Operating free cash flow (FCF)**	**$17.9**	**$17.8**

Cash Flow from operations consistent with prior year

Capital expenditures up $1.4 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.*

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Balance Sheet Supports Growth Strategy

($ in millions)

Capitalization		
Note: Components may not add to totals due to rounding	**December 28, 2024**	**December 23, 2023**
Cash, cash equivalents, & marketable securities	$4.6	$35.2
Total debt	41.9	4.7
Total net debt	**$37.3**	**($30.5)**
Shareholders’ equity	281.2	218.5
Total capitalization	**$323.1**	**$223.2**
Debt/total capitalization	13.0%	2.1%
Net debt/total capitalization	11.5%	-13.7%

0.97x leverage ratio at quarter-end *(Total debt to TTM Adjusted EBITDA*)*

$39.5M available from credit facility at quarter-end

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

Outlook*

2025 Expectations

Service segment: For Fiscal 2025, we expect Service organic revenue growth in the mid-to-low single digits, when normalized for the extra week in fiscal 2024

Total Transcat: We expect the fiscal 2025 income tax rate to be in the range of 21% to 23%.

Mid-to-long Term Outlook

- Strong organic growth in our Service segment remains a centerpiece of our strategy
- Our business continues to benefit from a predominantly life science-oriented market, driven by regulation and recurring revenue streams
- We have generated sustainable margin improvement over the past several years and we believe the improvement will continue
- We anticipate demonstrating more leverage on the S,G&A investments we have made in the years ahead
- Acquisitions that strengthen our fundamental value proposition will continue to be an important component of our go-forward strategy

** Outlook provided as of May 15, 2024*

Conference Call and Webcast Playback

- Replay Number: **412-317-6671** *passcode: 13750934*
  Telephone replay available through **Tuesday, February 4th, 2024**

- Webcast / Presentation / Replay available at
  https://www.transcat.com/investor-relations

Supplemental Information

Adjusted EBITDA Reconciliation

($ in thousands)	FY 2024 Q3	FY 2025 Q3	FY 2025 Q3 TTM
Net Income	$ 3,348	$ 2,357	$ 16,941
+ Interest Expense / (Income), net	(266)	(20)	(901)
+ Other Expense / (Income)	289	(1,009)	(635)
+ Tax Provision	923	772	4,733
Operating Income	$ 4,294	$ 2,100	$ 20,138
+ Depreciation & Amortization	3,783	4,430	16,578
+ Transaction Expense	78	778	(1,077)
+ Acquisition Earn-Out Adjustment	87	-	-
+ Other (Expense) / Income	(289)	154	(218)
+ Noncash Stock Compensation	1,167	452	3,249
Adjusted EBITDA	$ 9,120	$ 7,914	$ 38,670

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

($ in thousands)	FY 2024 Q3	FY 2025 Q3
Service Operating Income	$ 2,966	$ 1,412
+ Depreciation & Amortization	2,362	2,451
+ Transaction Expense	30	778
+ Acquisition Earn-Out Adjustment	87	-
+ Other (Expense) / Income	(203)	94
+ Noncash Stock Compensation	737	186
Service Adjusted EBITDA	$ 5,979	$ 4,921
Distribution Operating Income	$ 1,328	$ 688
+ Depreciation & Amortization	1,421	1,979
+ Transaction Expense	48	-
+ Other (Expense) / Income	(86)	60
+ Noncash Stock Compensation	430	266
Distribution Adjusted EBITDA	$ 3,141	$ 2,993
Service EBITDA	$5,979	$4,921
Distribution EBITDA	$3,141	$2,993
Total Adjusted EBITDA	$9,120	$7,914

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 Diluted EPS Reconciliation

($ in thousands)

($ in thousands except per share data)		
	FY 24 Q3	FY 25 Q3
GAAP Net Income	$ 3,348	$ 2,357
Add back (deduct)	$ 1,509	$ 1,797
Amortization of Intangibles	1,674	1,879
Acquisition deal costs	78	778
Acq Stock Expense	265	(261)
Acquisition Amortization of backlog	24	-
Income Tax Effect at 25%	(532)	(599)
Acquisition Earn-Out Adjustment	87	-
Non-GAAP adjusted net income	$ 4,944	$ 4,154
Average diluted shares outstanding	8,752	9,326
Diluted income per share - GAAP	$ 0.38	$ 0.25
Diluted income per share - Non-GAAP	$ 0.56	$ 0.45

In addition to reporting Earnings Per Share, a GAAP measure, we present Adjusted Diluted Earnings Per Share (net income plus acquisition related amortization expense, acquisition related transaction and integration expenses, acquisition amortization of backlog and restructuring expense), which is a non-GAAP measure. Our management believes Adjusted Diluted EPS is an important measure of our operating performance because it provides a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance.

Adjusted Diluted Earnings Per Share 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 Earnings Per Share and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. Adjusted Diluted Earnings Per Share, 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.