



**Transcat, Inc.**

**Second Quarter Fiscal Year 2025 Financial Results Conference Call**

**October 29, 2024**

## CORPORATE PARTICIPANTS

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

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

**Michael West**, *Chief Operating Officer*

## CONFERENCE CALL PARTICIPANTS

**Scott Buck**, *H.C. Wainwright*

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

**Edward Jackson**, *Northland Securities*

**Zhihua "Martin" Yang**, *Oppenheimer & Co*

## PRESENTATION

### Operator

Greetings and welcome to Transcat, Inc's Second Quarter Fiscal Year 2025 Financial Results Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star zero on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Tom Barbato, Chief Financial Officer. Thank you, Mr. Barbato. You may begin.

### Thomas Barbato

Thank you, Operator, 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, Mike West.

We'll begin the call with some prepared remarks, and then we'll open up the call for questions.

Our earnings release crossed the wire after market closed yesterday. Both the earnings release and the slides that will be referenced during our prepared remarks can be found on our website, [transcat.com](https://www.transcat.com), in the Investor Relations section.

If you would please refer to Slide 2. As you are aware, we 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](https://www.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 this 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.

Transcat delivered strong performance from our core calibration services business again in the second quarter of fiscal 2025.

Consolidated revenue was up 8% to \$67.8 million, driven by the consistent demand for our calibration services, as well as solid performance in our traditional rental business, which includes both our Transcat and Axiom rental platforms.

Consolidated gross profit grew 5%, was driven by growth in both our service and distribution segments. In the second quarter, service recorded its 62 straight quarter of year-over-year revenue growth, as our calibration services continued to perform at a very high level.

Overall, service revenue growth was 6% and 4% organic growth. The 6% growth is below historical trends and was significantly impacted by a decline in our NEXA cost control and optimization services business that was beyond the magnitude of what we anticipated. We've identified the root causes that need to be addressed, which primarily center around the immediate need for NEXA to be fully integrated into Transcat's dynamic and proven sales and marketing processes.

In addition, we are renaming the business Transcat Solutions to fully leverage Transcat's industry-leading brand. All of these actions are underway with NEXA. We are making meaningful progress, and we're

committed to reverting back to growth in the near future.

On a positive note, when excluding NEXA in the second quarter, we generated organic service growth of 9% versus prior year. We have a strong pipeline of new business opportunities entering the back half of the fiscal year. The core service business continues to benefit from recurring revenue streams, as well as our industry-leading value proposition, which continues to resonate throughout the highly regulated markets we serve, including both life sciences and aerospace and defense.

Turning to distribution, in second quarter gross profits grew 10% on double-digit revenue growth. However, Becnel revenue and profit was negatively impacted by two hurricanes in the Gulf of Mexico, which pressured second quarter distribution margins.

Overall, Transcat's core business performed well in the second quarter of fiscal 2025, and our exceptional team is working to overcome the near-term NEXA challenges, which we believe are very fixable and include channel marketing and pipeline expansion, which is already strengthening. We are confident that business will return to growth in the first quarter of fiscal 2026.

Becnel continues to be a well-run company and a strong niche market with significant opportunity for sustainable growth. We fully expect Becnel to deliver sequential improvements in the third and fourth quarters and distribution margins to return to levels consistent with the second half of fiscal 2024.

The balance sheet remains strong, our revolving credit facility was paid off last year, and we are in an excellent capital position to support our strategic growth plan that includes a very active M&A initiative.

With that, I'll turn things over to Tom for a more detailed look at the second quarter financial results.

**Thomas Barbato**

Thanks, Lee.

I'll start on Slide 4 of the earnings deck posted on our website, which provides detail regarding our revenue on a consolidated basis and by segment for the second quarter of fiscal 2025.

Second quarter consolidated revenue of \$67.8 million was up 8% versus prior year.

Looking at it by segment, service revenue grew 6% with 4% of the growth coming organically and the other 2% from acquisition. As Lee mentioned, service revenue grew 9% organically when excluding NEXA.

Turning to distribution, revenue of \$23.7 million grew 11%, and we continue to see good performance from the higher margin traditional rental businesses.

Turning to Slide 5, our consolidated gross profit for the second quarter of \$21.2 million was up 5% from prior year. Service gross profit increased 4% versus prior year. We continue to leverage higher levels of technician productivity and our differentiated value proposition, but that could not offset the pressure we saw as a result of the lower-than-expected NEXA revenue.

Distribution segment gross profit of \$6.6 million was up 10%, but margins were lower than expected as a result of the two Gulf of Mexico hurricanes impacting Becnel results in the quarter.

Turning to Slide 6, Q2 net income of \$3.3 million was up from \$0.5 million in the prior year. Q2 of last year included a \$2.8 million non-cash charge related to the amended NEXA earn out agreement.

Diluted earnings per share came in at \$0.35, up 29%—or \$0.29 for the prior year. We reported adjusted diluted earnings per share as well to normalize for the impact of upfront and ongoing acquisition related costs. Q2 adjusted diluted earnings per share was \$0.52.

Flipping to Slide 7, where we show our Adjusted EBITDA and Adjusted EBITDA margin. We use Adjusted EBITDA, which is non-GAAP, to gauge the performance of our business because we believe it is the best measure of our operating performance and ability to generate cash. 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, second quarter consolidated Adjusted EBITDA of \$8.9 million was down 5% from the same quarter in the prior year, as lower than expected NEXA revenue negatively impacted services EBITDA and Becnel pressure distribution EBITDA. 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, operating cash flow was mostly consistent with last year. Q2 capital expenditures were \$2.2 million higher than prior year and continue to be centered around service segment capabilities, rental pool assets, technology, and future growth projects. The spend was in line with expectations.

Slide 9 highlights our strong balance sheet. At quarter-end, we had total net cash of \$20.8 million with a leverage ratio of 0.08X. We had \$80 million available from our credit facility.

Lastly, we expect to file our Form 10-Q on November 6.

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

**Lee Rudow**

Okay. Thanks, Tom.

Over the past 12 years, we've successfully and consistently delivered organic service revenue growth, sustainable gross margin expansion, and delivered strong free cash flow. We expect these metrics to improve in the back half of fiscal 2025 and return to more normal levels in the first half of fiscal 2026.

Given the temporary setback in the NEXA's sales channel, for the full 2025 fiscal year, we expect organic service revenue growth in the mid-single digits when normalized for the extra week in fiscal 2024.

Our M&A strategy has been very successful and will continue to be an important component of our overall growth plan as we look to continue to strengthen our core business and expand our adjustable markets.

Through acquisitions, we expect to expand our geographical footprint, capabilities, and expertise. And, of course, we're always interested in bolt-on opportunities where we can leverage our current infrastructure to drive both cost synergies and growth opportunities.

We currently have a very robust acquisition pipeline with the potential to increase the trajectory of our business. As I mentioned earlier, we have a strong balance sheet, which will continue to support the conversion of our M&A pipeline. We will continue to leverage continuous process improvement and automation as key enablers to future margin expansion, and we expect service gross margin expansion for the full 2025 fiscal year.

As we move through the back half of fiscal 2025, our dedicated and talented team will continue to focus on generating sustainable long-term value for our shareholders.

With that Operator, please open the line for questions.

**Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your questions from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. The first question comes from the line of Scott Buck with H.C. Wainwright. Please go ahead.

**Scott Buck**

Hey, good morning, guys. Thanks for taking my questions. Lee, can you give us a sense of when you started to recognize that NEXA was falling short of expectations?

**Lee Rudow**

Listen, we have—Scott, we have multiple sales channels throughout the organization, probably 10 or so, and at any given time and any given quarter, they're not all going to be operating to full capacity, all cylinders, if you will. There's always little pockets that you keep your eye on, and I think we probably saw some of that in the first quarter, but nothing that would have led us to believe that we would have the drop-off we had in Q2. That came up a little unexpected. Like I said in the earnings script, we dove right into the root causes. It's a really good business, but we dove right into the root causes and just saw that there was just some very fixable processes within their—the way they manage their pipeline. We're all over it, and we'll get them turned around pretty quickly. It's subtle in the first quarter and just hit us a little bit unexpected in the second. That's how I would characterize it.

**Scott Buck**

I appreciate that. It sounds like there's no additional read-through on the rest of the business, or any kind of macroeconomic read-through based on the softness you saw in the second quarter there?

**Lee Rudow**

No, I don't think so. Like I said, the core calibration business organically grew 9%. We like not only the performance in the second quarter, we like the pipeline going into the back half of the year. That's steady. Certainly, the rental business, which is a big component these days of the distribution segment, that's very strong, and we expect Becnel to perform well. As we look in the back half of the year now, I think the other areas of the Company are performing as we would expect. We just had this isolated miss that we're going to fix.

**Scott Buck**

No, that's helpful. On M&A, besides the larger deal at the beginning of the year, it's been relatively slow. Can you talk a little bit about pricing and what you're seeing there? Clearly you guys are open to doing deals, so I'm just curious what the other side of those transactions look like today.

**Lee Rudow**

Right. From an M&A pipeline perspective, I don't have any concern. We have as good of an M&A pipeline as robust, we like to use that word. I think it characterizes it well and accurately. We have a great pipeline. We're working strategic deals that we think are a good fit for the Company. It appears quiet externally, I get that. Internally, it's not quiet at all. We'll continue to work that pipeline. I think you'll see—you look at what we've done in the past, you'll see that layout in the near future as time goes by. We have the capacity to get even more deals done if they're appropriate and they're a good fit than we've got done in the past because we built the infrastructure, Scott, to do that. No concern on my end. I like the way the pipeline looks.

**Scott Buck**

Great. Appreciate that, Lee. Last one, Tom, just curious, OpEx for the second half of the year, is the first half a fair run race or should we see some operating expense creep there as you support some of these growth initiatives?

**Thomas Barbato**

Yes, I would expect some increase sequentially in the Q3 and Q4.

**Scott Buck**

Okay, perfect. I appreciate the time, guys. Thank you.

**Lee Rudow**

Thank you.

**Operator**

Thank you. Next question comes from the line of Greg Palm with Craig-Hallum Capital Group. Please go ahead.

**Greg Palm**

Yes, thanks. Good morning, and thanks for taking the questions. I wanted to follow up a little bit on NEXA. It wasn't too long ago that you were characterizing that business as exceeding the expectations. I think it was even, I don't know, end of last year or earlier this year, where you talked about that business more than doubled since being acquired. I guess I'm still a little bit confused on what went wrong in such a short amount of time. Maybe you can just dig into that a little bit more if you can.

**Lee Rudow**

Yes, I get the question. Thanks, Greg. Yes, look, this business, the first couple of years since we acquired them, the first couple of years was really flying high. We're talking about high growth rates, really performing well. I think because of that, we probably gave them more autonomy than we typically would for an acquisition. Greg, we integrate quickly. We do a good job integrating. We get the synergies. We bring these companies together. That's what makes us different. I think we didn't run that playbook, to be honest, with NEXA because we have a company that was doing so well for the first couple of years. We're not talking quarters. We're talking years, four quarters.

I made the decision. It's on me and the team made the decision to support me. Let's let them keep doing

what they're doing. We collaborated. They helped us win calibration business, but we didn't get involved with the day-to-day operations, the processes, the procedures, the pipeline, the marketing. We just let them do their thing. I think that was probably a mistake. We probably went too long. We got it now. We got it. We have all of our top people working on expanding their pipeline, coordinating the marketing, and making them a Transcat company, under the name Transcat Solutions. We're very confident that'll solve the problem. Sometimes success hides some flaws. That's probably a fair way to characterize it. Again, highflyer for two plus years, that's why it caused a little bit off guard, but we'll get good stuff.

**Greg Palm**

Yes. No, I appreciate that. That's helpful color. If you're able to, can you provide the revenue decline specific to NEXA? I don't know if you've got the year-to-date level as well. Just remind us, is it mostly project-based revenue? I'm just curious to know what the visibility is like.

**Lee Rudow**

Yes, we're not going to get into the specific numbers, but it's a combination. They've got some project-based business. They've got some ongoing business. It depends on what channel within their company, but it's a mix that leans towards project-based, which is probably some of the core issues around what we got behind on without the recognition. We know how to combat that and fix it. Hopefully, it won't be an issue once we get them turned around.

**Greg Palm**

Yes. Just to be clear, it sounds like you're characterizing this as more company-specific than something market-related, competitively related, something of that nature. It sounds fixable. I guess that's what I'm trying to get at.

**Lee Rudow**

I think so. I don't see a problem with the industry. We have other areas of our Company that serve the exact same industry, almost in the exact same way. If you remember, we acquired a company called SteriQual. We've got validation business that operates in the same space with some of the same attributes and characteristics as the NEXA business, and they're performing well. We don't see it. That's not to say there aren't certain pockets of industry slowdown within life sciences that cycle in and out quarter-to-quarter, but nothing systemic. I think that's why it's isolated and fixable.

**Thomas Barbato**

One thing I want to just mention, Greg, and maybe just correct something, is when Lee, in his prepared remarks, talked about, we're confident the business will return to growth. I think he might have misspoke. We said that business, we believe, will return to growth in the first half of fiscal 2026. When we talk about it being fixable, we talk about the timeframe to fix it. It's a near-term fix in our mind.

**Greg Palm**

Yes. Okay. My other last question, just on Becnel, you talked about a little bit of issues related to the hurricanes. Was there a revenue issue as well, or was it mostly on the cost side? Are you able to quantify what that impact was? I don't know if you can give a gross margin, ex-Becnel, kind of like you gave the organic service, ex-NEXA, but any clarification there would be helpful as well.

**Lee Rudow**



Yes. Just to clarify, Greg, to the issue with the hurricanes caused a revenue issue. It's both a revenue and profit issue. Had we not seen those issues, and I think the way we've got it in the press release is that we expect distribution margins in the second half of this year to be more in line with what we saw in the second half of last year, so certainly north of 30%.

**Greg Palm**

Got it. Okay. Okay. All right. I will leave it there. Thanks.

**Lee Rudow**

Thanks, Greg.

**Operator**

Thank you. Next question comes from the line of Ted Jackson with Northland Securities. Please go ahead.

**Edward Jackson**

Hey. Good morning. Thanks for taking my questions.

**Thomas Barbato**

Hey, Ted.

**Lee Rudow**

Good morning, Ted.

**Edward Jackson**

I'm going to beat the dead horse of NEXA or Transcat Services now. With the fall off in business there and the things that you're doing to repair it, you mentioned a couple of things. One of them was sales channels and how you had various sales channels, and some were stronger, and some were weaker, and that you were going to basically go in in terms of management of those channels to make some repairs there. On that front, I'm curious, when you get into maybe some discussion around what are the different channels from which you go to market with that business and where were the issues? With regards to pipeline management, what's the difference between how Transcat manages the pipeline in your processes vis-a-vis NEXA? What are the actual changes that you're making there to refill the pipeline? I've got some things outside of NEXA to ask after that. Thanks.

**Lee Rudow**

Let me start with your last question first. When you think about pipeline development and you look at the way NEXA perform sales, execute their sales and marketing plan, you know they had one salesperson, for example, and they grew with that salesperson, like I said. Transcat has 80 salespeople. If you count inside salespeople and customer service people as well and business development people, strategic account managers, we've got a lot of touches into the marketplace, particularly in life sciences where you see the NEXA services, soon-to-be Transcat Solutions, operate. It's the difference of, had we gotten our sales engine behind this sooner, it just would have helped. It would have helped in a big way. That's the

most obvious and clear solution.

Plus, from a marketing perspective, from a brand perspective, Transcat has such a strong, strong brand within the instrumentation world. Whether you're talking distribution or calibration services, there's just no—we're second to none in terms of brand strength. When you put that brand strength behind the solutions business, which was NEXA, you're going to get a lot of benefit. We have a core—we do work with almost every single pharmaceutical company, med device company in North America. Maybe not all of them, but most. Had we opened up those channels earlier and instead of collaborating really integrated, I think we wouldn't have this problem today. That's what we're doing now.

As far as one of your other questions, Ted, about channels, I think we have pipette channels, we have rental channels, biomedical, marine. Like I said, generally most of them perform well, but in any given quarter, you might see softness here or timing there. You could have ships deployed to the Middle East, which could affect our marine business. There's just different things that can happen, but that's normal. That's normal, and you don't dive into those numbers as long as you think you're going to hit your aggregated organic number, which we have just very, very consistently. There's a type of challenge that we were talking about. Again, that's how we characterize it. I hope I got to all your questions. If I didn't, just shoot it back at me.

#### **Edward Jackson**

No, you did. Actually, I'm going to ask a little bit more around NEXA before I move on. My perception with regards to how you were managing NEXA, and granted it was being very successful, was that you were letting them—you were building a business around them, if you would, and really letting them operate. You can correct me if I'm wrong. To me, this is why I think it seems like such a shift for us on the outside because we're not on the inside seeing everything that happens. NEXA, with such a shift and bringing Transcat processes and channels and—because at the end of the day, it really is somewhat of a restructuring for NEXA. NEXA is at its core a consulting business, which is really more of a person business. Should there be some concern with regards to turnover within some of the talent base of NEXA? If you go through and if you change your go-to market and your pipeline management and bring it in to have it be more managed in the structure of Transcat (multiple speakers). It's a culture change and that's where I'm going with it. Just some discussion around that, and then I'll drop NEXA, I promise.

#### **Lee Rudow**

Okay. I don't see that as a concern at all. When I look at what NEXA does well and still does well, it's the capabilities they have and the delivery of their services. You mentioned consulting services and some of them fit well with that—characterizing it that way. They've always had strong delivery of their services. I don't see—and probably 90% of their staff, to 95%, that's exactly what they do. They do the CMMS work, they do the reliability work, they do the interval and optimization adjustments. That's not going to change. What we're bringing is really incremental. We're bringing sales and marketing leadership and a strong brand incrementally to the process that they have because their problem is with sales. In hindsight, it was predictable this was going to happen at some point. I think when we put the companies together, it really starts to become a one plus one equals three. They'll keep doing what they do well. We'll interject, intercede, and integrate where we have the expertise. I think both companies get better. That's different than the collaboration we've done in the past. That's integration and I'll be it late to the game by a quarter or two but that's where we are today. That's why my confidence level is high. We bring the incremental benefits and brand to their core delivery of their services, which has always been strong. I don't see a cultural change at all.

#### **Edward Jackson**

Okay. The other ones might be easy. Going over to back now, the hurricanes impacted the business, and this is just because I'm ignorant with regards to how the business might flow, but say you get into like construction equipment and things like that, a lot of times after you have an event, in this case two events, that there's actually—it's more than just the business. You have a disruption in the business but then because there's additional maintenance, additional things that need to be done to actually repair because of the hurricanes that you actually have some extra wind in your sails. Would that be the case with Becnel, or is it just to get it—it'll bounce back to its normal state to where it would have been? Do you understand what I'm asking there?

**Thomas Barbato**

Yes, it'll be more normal state, Ted. The amount of incremental that could be generated is not meaningful.

**Edward Jackson**

Okay. Okay. The next question, your inventory dropped by, I don't know, close to \$3 million sequentially. Is there something that drove that down? How would we think about that as we go beyond—we go into that third quarter, fourth quarter and beyond?

**Thomas Barbato**

No. It's something that myself and Mike West have been hyper-focused on the past couple of quarters. As you know when you could focus on inventory, it takes a little time to build some momentum. Obviously, it's just looking to improve the cash conversion cycle. We've been hyper-focused on that, and it's not indicative of any changes in that distribution business.

**Edward Jackson**

No, so would that be the new norm then if I would—you know how much I care about cash flow.

**Thomas Barbato**

No, absolutely. No, I'm sorry. I missed making that point, right, is that yes, we would expect that to be the new norm. On occasion, as you know, we get opportunities to make strategic buys at additional discounts. We'll continue to do that where it makes good financial sense. Hopefully, when we do that, it'll work its way through in the current quarter or maybe the subsequent quarter. Yes, think of it as more of the norm.

**Edward Jackson**

On the gross margin side, particularly as it relates to the distribution business, your number there was at a level not seen since, I guess, the first quarter of last year. Is that all Becnel? Is there anything else that went on in there that caused that to go down? Or it was just really this one time?

**Thomas Barbato**

No, it's primarily Becnel. It's primarily Becnel, and that's why we're comfortable saying that for the second half of the year, we should be back more to levels we had in the second half of last year, which are north of 30%.

**Edward Jackson**

Okay. That's it for me. Your 10-Q will be out later today?

**Thomas Barbato**

No, on Wednesday, November 6.

**Edward Jackson**

Oh, okay.

**Thomas Barbato**

A week from tomorrow.

**Lee Rudow**

All right. Thank you, Ted.

**Edward Jackson**

All right.

**Thomas Barbato**

Thank you.

**Edward Jackson**

Thanks. Bye-bye.

**Operator**

Thank you. Next question comes from the line of Martin Yang with Oppenheimer & Co. Please go ahead.

**Zhihua "Martin" Yang**

Hi. Good morning. Thanks for taking my question. Can you help us get a sense of how big is NEXA in revenue contribution on an annual basis?

**Lee Rudow**

Yes, it's when we look at services, I'm going to say, and Tom, correct me if I'm wrong, but it's somewhere between 5% and 10%, probably right in the middle.

**Thomas Barbato**

Yes, closer to 10%.

**Lee Rudow**

Closer to 10%, and that's what's so interesting. It's such a small part of the business, but where you didn't get labor out and you didn't anticipate that some of the changes in revenue, Martin, it's just that you can

see the effect it has on the business. Again, we'll—we got our arms around it now. Yes, I think that range is accurate. Yes.

**Zhijia "Martin" Yang**

Thanks. One more question on organic growth for services. In the past quarters, as well as this just reported quarter, when you track all the other acquired business, are they all—all of them growing, have grown organically?

**Lee Rudow**

The way...

**Michael West**

We don't really talk about performance at the individual unit level. Keep in mind that from a service standpoint, most of our growth is impacted by organic growth because we haven't had a—we haven't acquired a services business since April of last year. The point we made is that when you back out NEXA our organic growth is at 9% and the businesses are all...

**Lee Rudow**

Contributing.

**Michael West**

...contributing to that growth.

**Zhijia "Martin" Yang**

Got it. One last question for me. Given what you have seen in NEXA, would you apply perhaps a bit more scrutiny to other acquired business in terms of sales marketing or other business processes?

**Lee Rudow**

Interesting—I get the question. My knee-jerk reaction is, of course, we always will and do, but remember, we integrate all the businesses we acquire. When we run the Transcat acquisition playbook, it's always our intention to integrate fast and then integrate completely. We think we're really good at it. Historically, our track record shows that. NEXA was an exception. It was a different business, although related and very much in the ecosystem in which we perform our calibration services, they were a highflyer. They were performing very, very well for an extended period of time and we decided not to run the playbook, Martin. I don't think this applies. The other businesses—some businesses have better quarters than others. Generally speaking, we always review this at the board level and internally as well. These businesses perform very well across the board and through the year. I think NEXA is more of an outlier and an exception. We did learn from it. There's no question about that and I wouldn't expect that to happen again. I think we'll get better in that respect for sure.

**Zhijia "Martin" Yang**

Got it. Thanks, Lee.

**Lee Rudow**

Okay, no problem.

**Operator**

Thank you. A reminder to all the participants that you may press star and one to ask a question.

As there are no further questions at this time, ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to turn the floor over to Lee Rudow for closing comments.

**Lee Rudow**

Thank you all for joining us on today's call. We appreciate your continued interest in Transcat.

We'll be attending the Craig-Hallum Fifteenth Annual Alpha Select Conference, which is in New York City on November 19. Tom and I will be there. Feel free to check in with us at the conference or really any other time. Otherwise, we'll talk to everybody after the third quarter results. Again, thanks for participating. Take care.

**Operator**

Thank you. This concludes our today's teleconference. You may disconnect your lines at this time. Thank you for your participation.