

TRANSCAT[®]

INVESTOR PRESENTATION

November 2023

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This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements other than historical fact are forward-looking statements. 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 “will,” “expects,” “estimates,” “projects,” “anticipates,” “believes,” “could,” “plans,” “target,” “aims” and other similar expressions or variations thereof. All statements addressing operating performance, events or developments that Transcat expects or anticipates will occur in the future, including but not limited to statements relating to anticipated revenue, profit margins, the commercialization of software projects, 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 news release, whether as the result of new information, future events or otherwise.

This presentation is not an offer to sell, nor a solicitation of an offer to buy, any securities.

Non-GAAP Disclaimer:

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. 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

\$783 million
\$88.68

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

61,990
8.8 million
79%
3%

Seasoned Executive Management Team

Today's Speakers



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



Mark Doheny
Chief Operating Officer

- 22+ years of experience in industrial and distribution services, as well as financial management
- Previously, CFO and Treasurer at Transcat and CFO at Wheelabrator Technologies, Tunnel Hill Partners and Vallen Distribution



James M. Jenkins

General Counsel, VP of Corporate Development and Corporate Secretary

- 30+ years of experience in commercial, corporate and securities law, as well as M&A & business development
- Chairman of the Board at Lakeland Industries Inc
- Previously, Partner at Harter Secret & Emery LLP



Theresa A. Conroy

Senior Vice President of Human Resources

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



Harter Secret & Emery LLP
ATTORNEYS AND COUNSELORS



Michael W. West

Senior Vice President of Business Operations

- 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.



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



John Cummins

Vice President, NEXA Enterprise Asset Management

- 18+ years of experience in pharmaceutical and medical device engineering programs; Certified Pharmaceutical Industry Professional
- Previously, President and CEO at NEXA | EAM before its acquisition by Transcat



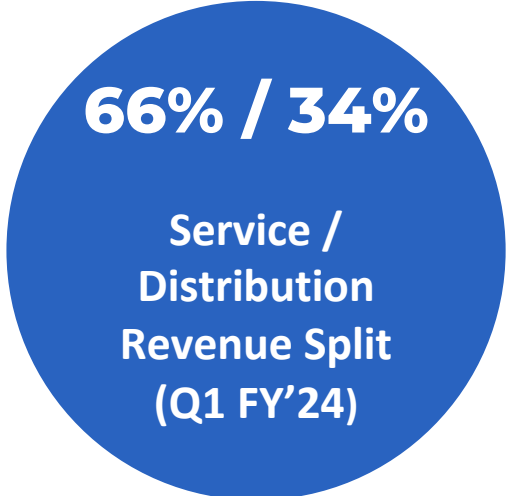
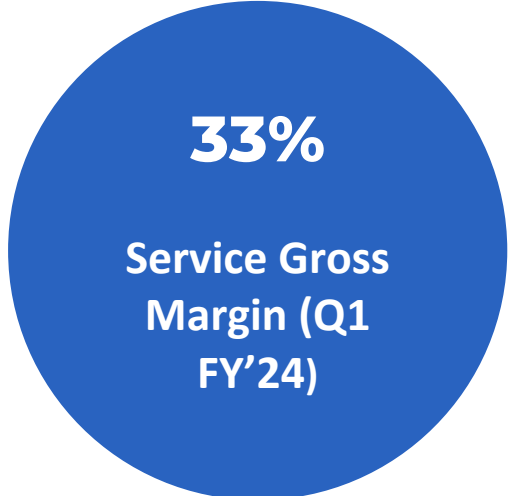
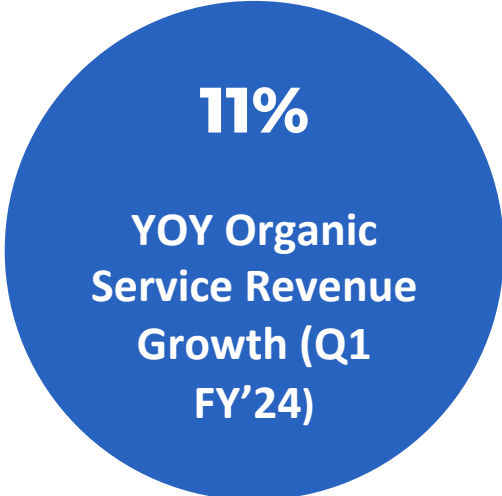
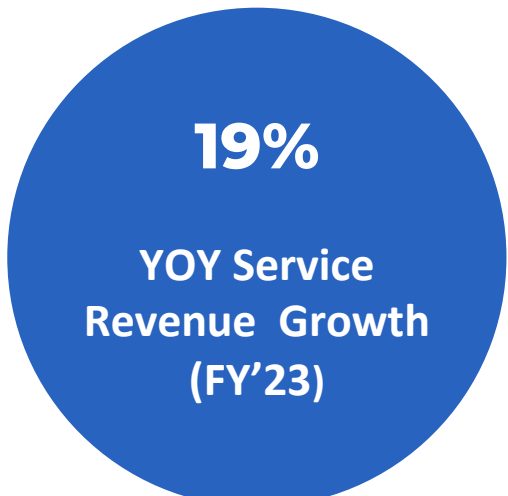
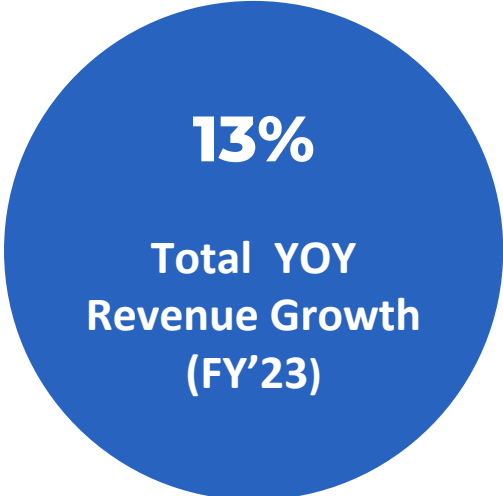
Company Overview

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**
- 57 CONSECUTIVE
QUARTERS OF YOY
SERVICE REVENUE
GROWTH**

Key Customers



**CALIBRATED
BY TRANSCAT**

Building a Services Engine

History

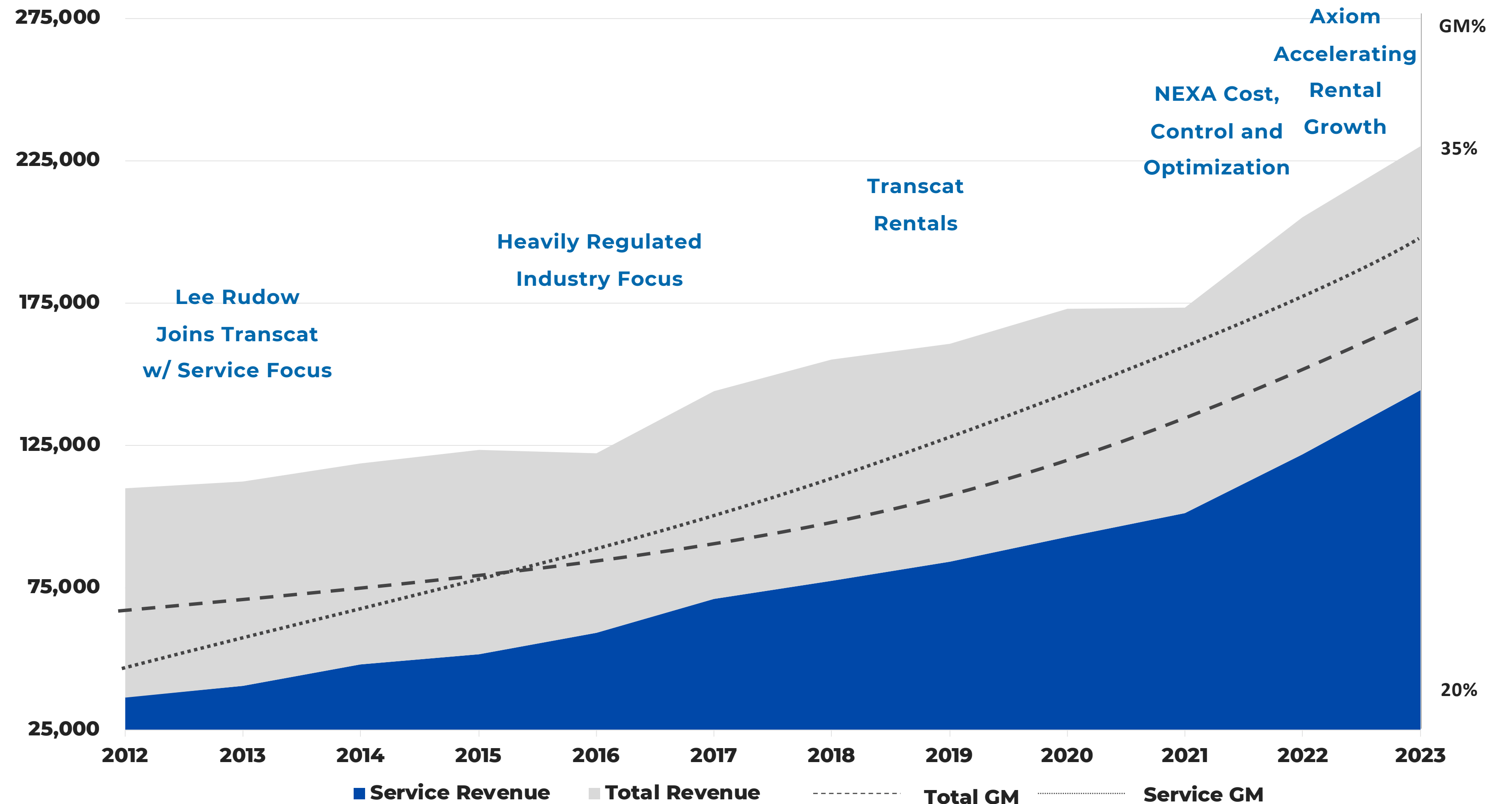
T Transmation
1964-1982
Manufacturing

TRANSCAT[®]
1982-2005
Distribution


CALIBRATED
BY **TRANSCAT**[®]
2005-Present
Services

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

57 Consecutive Quarters of YOY Service Revenue Growth



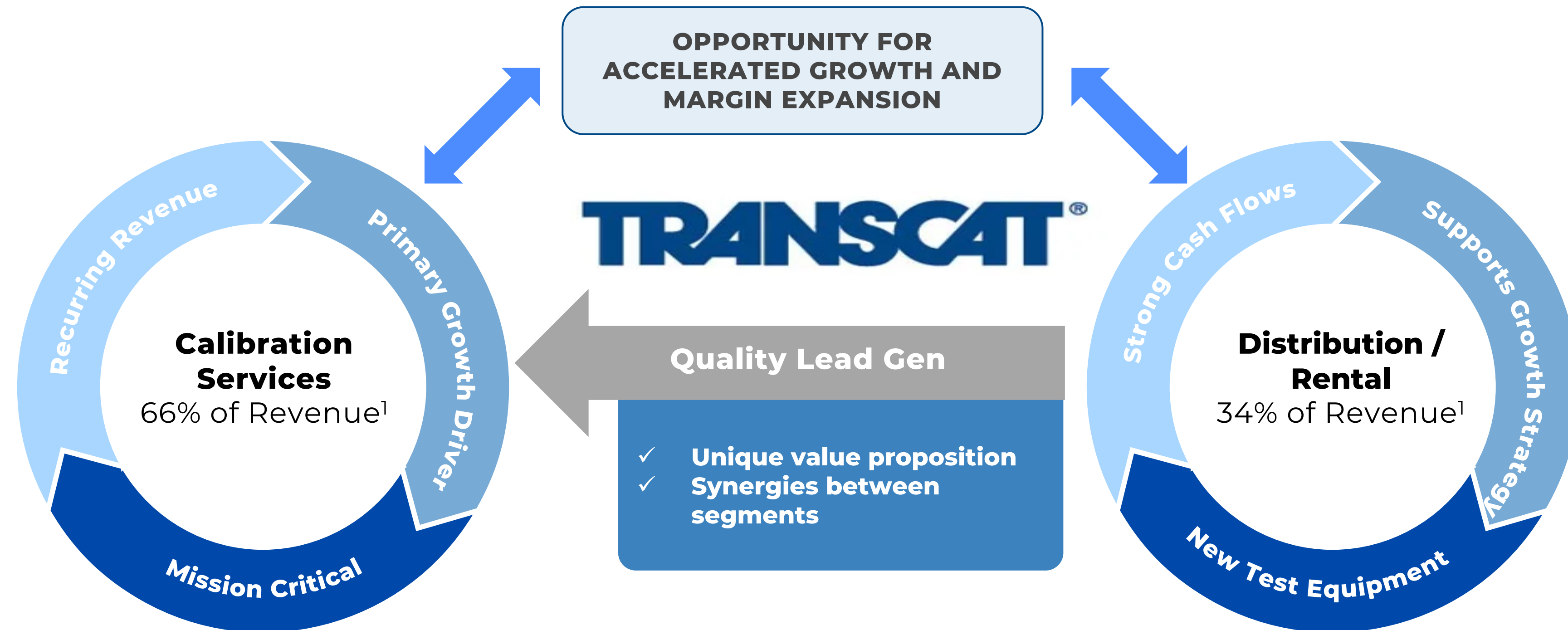
Service Segment: Consistent Performance and Growth

	Fiscal Year											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Service Revenue	\$ 36.4	\$ 40.7	\$ 48.2	\$ 51.8	\$ 59.2	\$ 71.1	\$ 77.4	\$ 84.0	\$ 93.0	\$ 101.3	\$ 122.0	\$ 144.9
Service GM%	23.7%	25.3%	26.6%	27.2%	26.3%	26.8%	25.7%	24.9%	25.3%	30.3%	31.9%	32.2%
Service Op Income	\$ (0.2)	\$ 1.3	\$ 2.4	\$ 3.7	\$ 4.2	\$ 4.8	\$ 5.2	\$ 5.2	\$ 5.7	\$ 10.4	\$ 10.8	\$ 11.4
Service Adjusted EBITDA ¹	\$ 2.0											\$ 22.6

¹ 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**



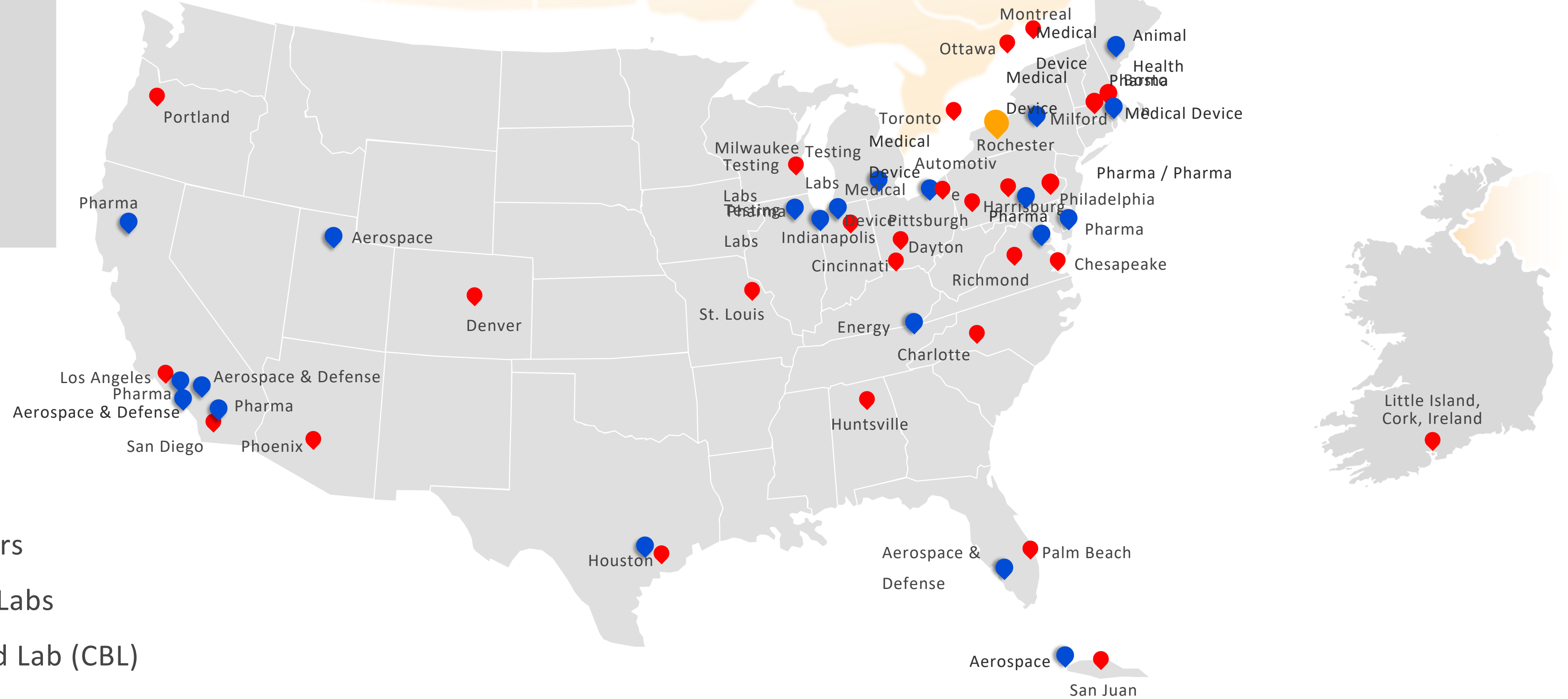
**Execute Sales
Synergies on
Acquired Companies**



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

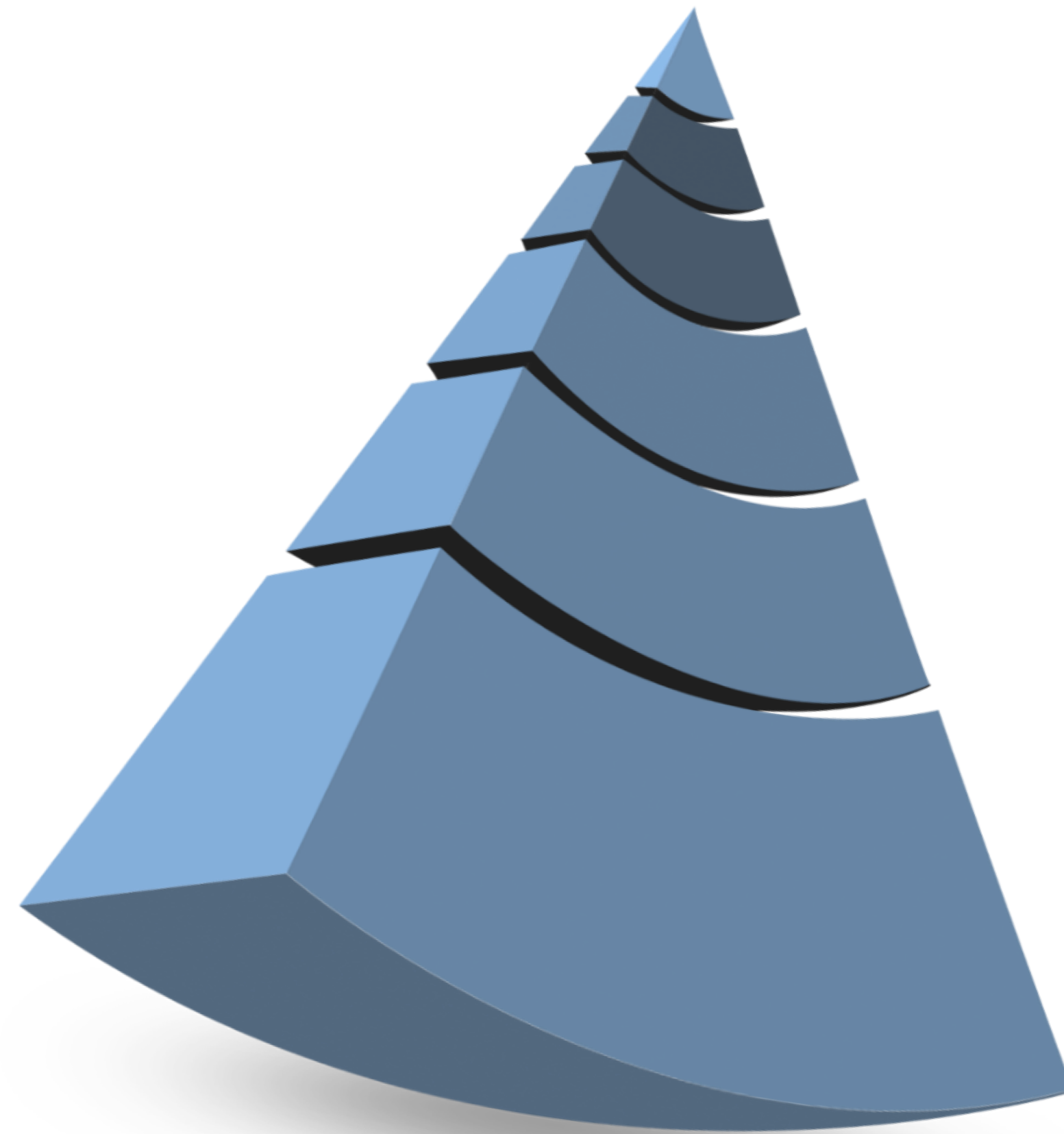
Medical Devices:

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**



* Company estimates based on YTD FY 2024

Recent Acquisition Drivers

Year	Target	Geographic Expansion	Increased Capabilities and Expertise	Leveraged Infrastructure (Bolt-on)
FY24		✓	✓	
FY24			✓	✓
FY24			✓	✓
FY23		✓	✓	
FY22		✓		✓
FY22		✓	✓	
FY22		✓	✓	

FY2024

FY2023

FY2022

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

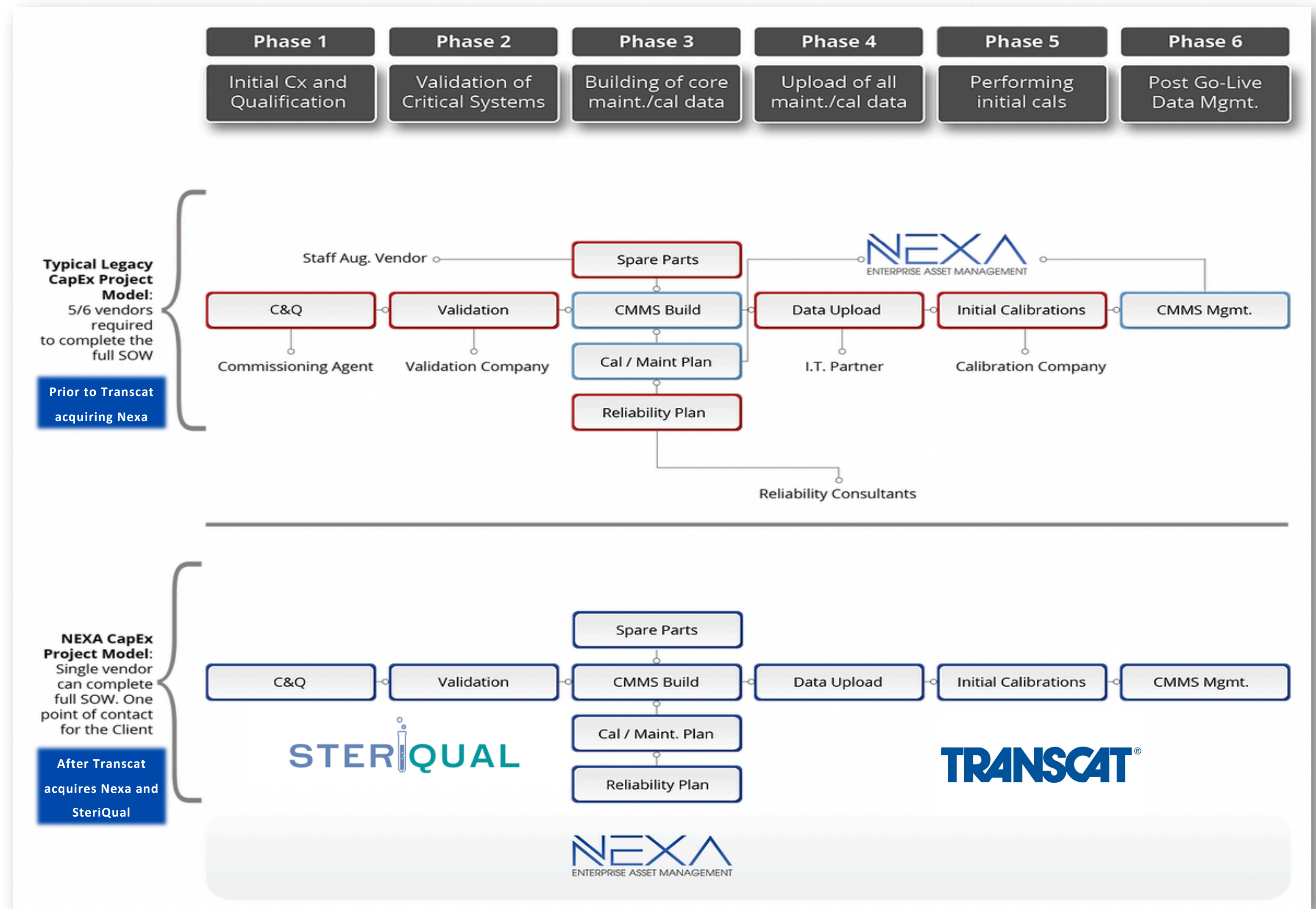
With the
NEXA NS3 (Single Source Solution) + SteriQual + Transcat



Our team serves as the *single point of contact* completing the full scope of CapEx Project work.

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.



Axiom – Rental Business Accelerating Growth



Distribution/Rental

Test and Rental
Equipment

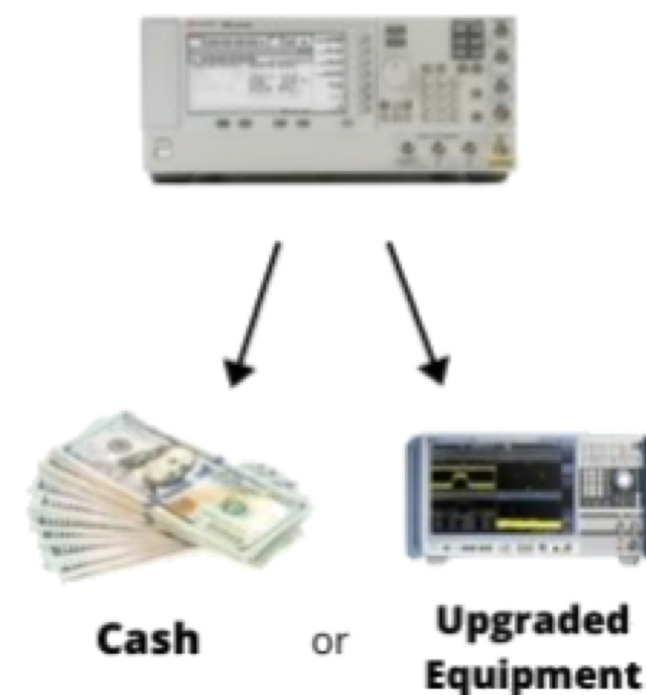


Repair and
Calibration



Sell / Trade
Equipment

Turn Your Surplus
Equipment into



- ✓ **\$38 million purchase price; \$28 million in Company stock and \$10 million in cash**
- ✓ **Existing leadership and staff retained, with Josh Shilts, current Axiom President, continuing to lead the organization**
- ✓ **Little overlap in Rental Asset pools, which we believe presents a compelling cross-selling opportunity**
- ✓ **Distribution and Rentals expected to generate high quality leads for Calibration Services**

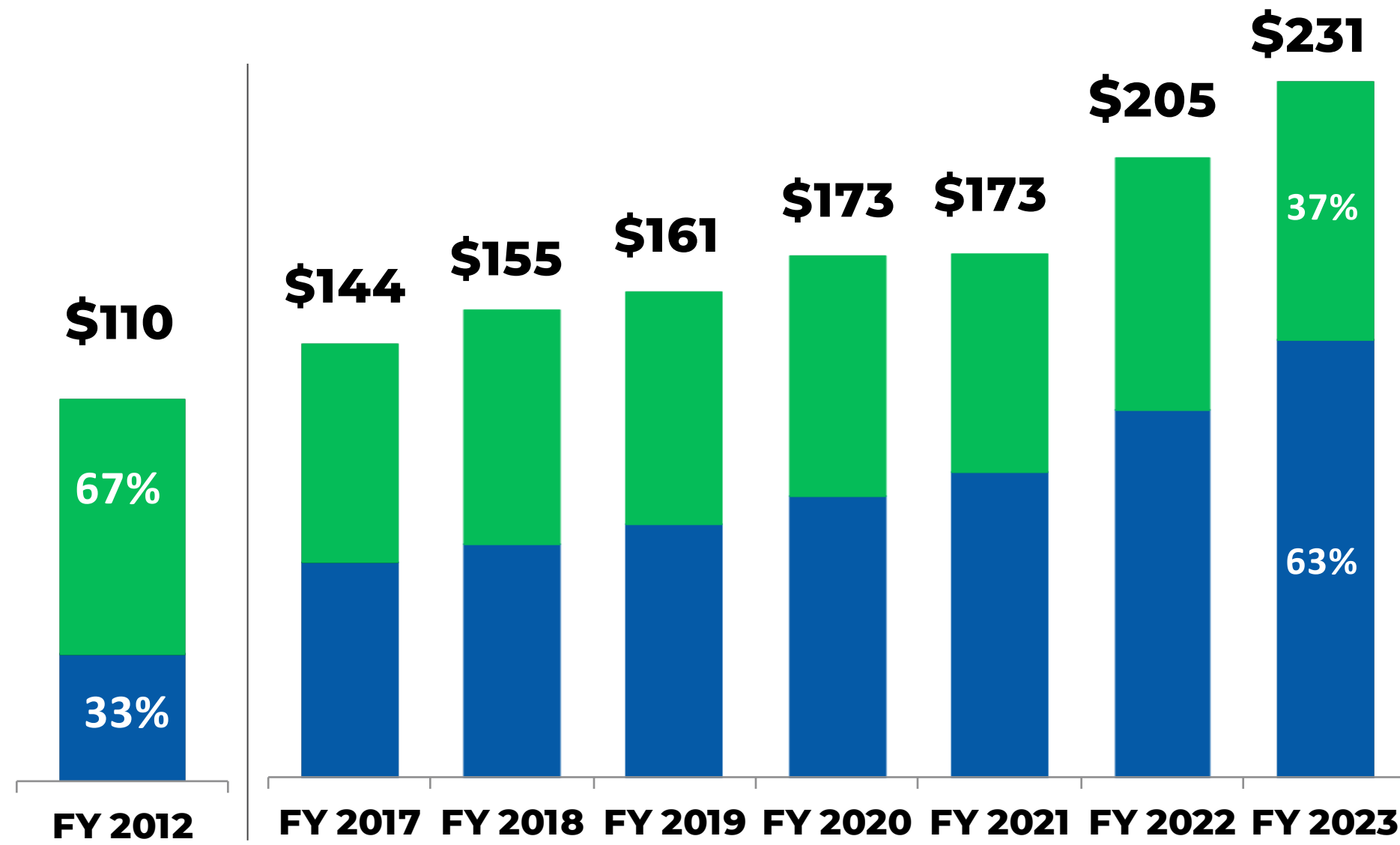
FINANCIAL OVERVIEW

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

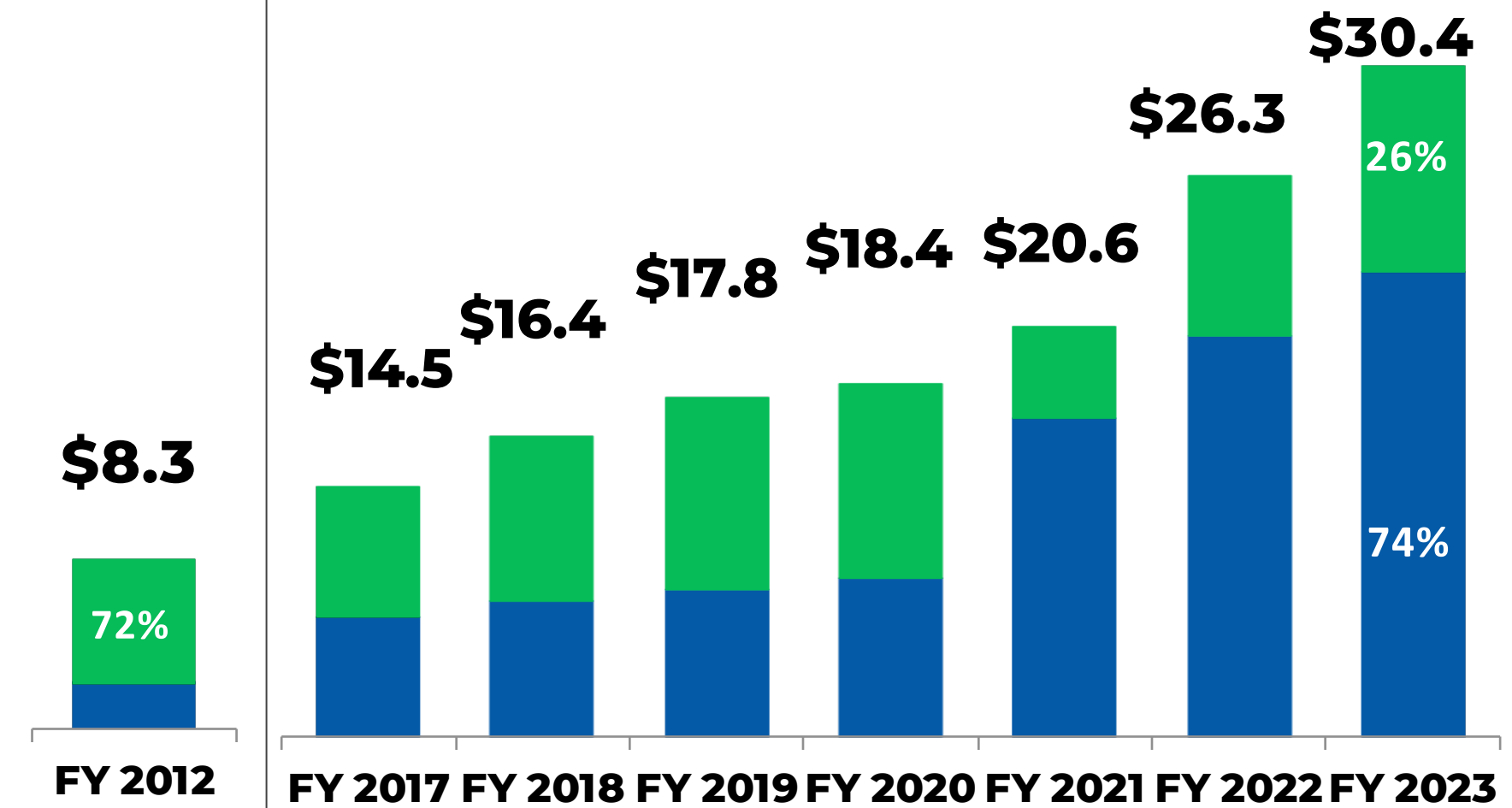
Consolidated Historical Results

(\$ in millions)

Revenue



Adjusted EBITDA

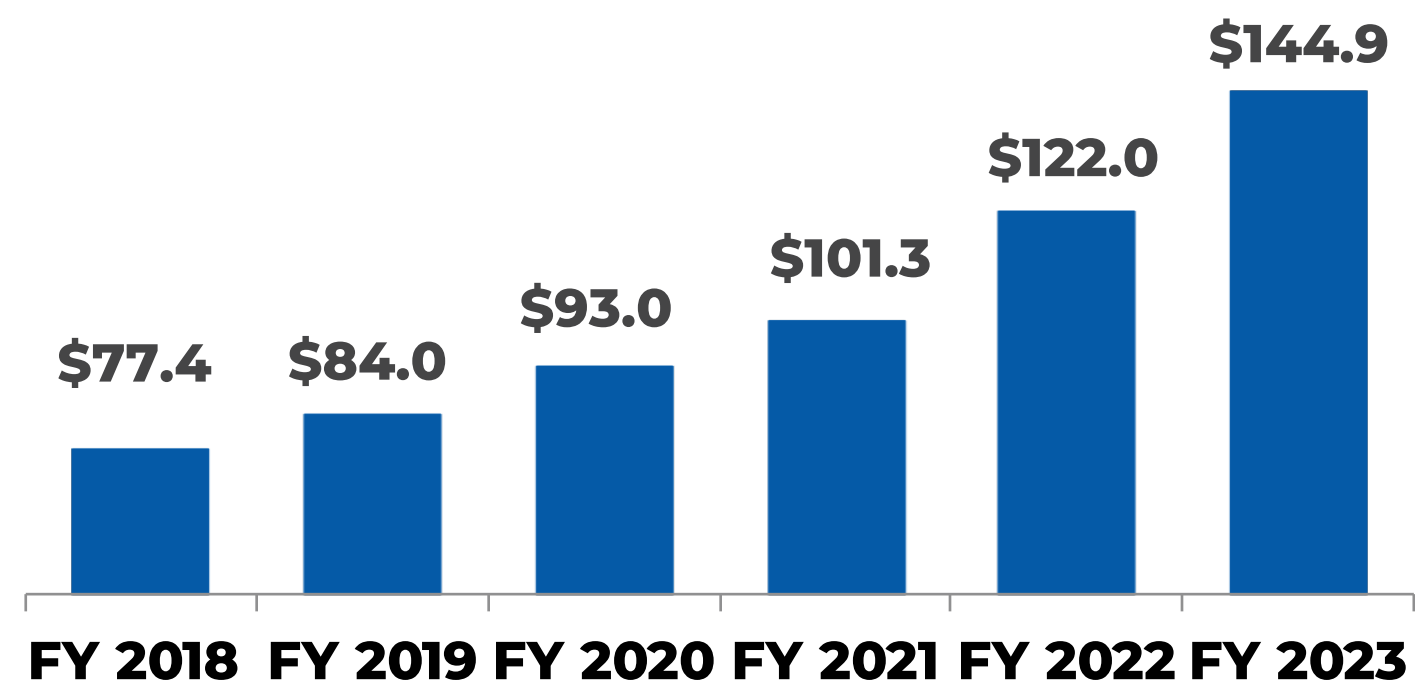


■ Service
 ■ Distribution

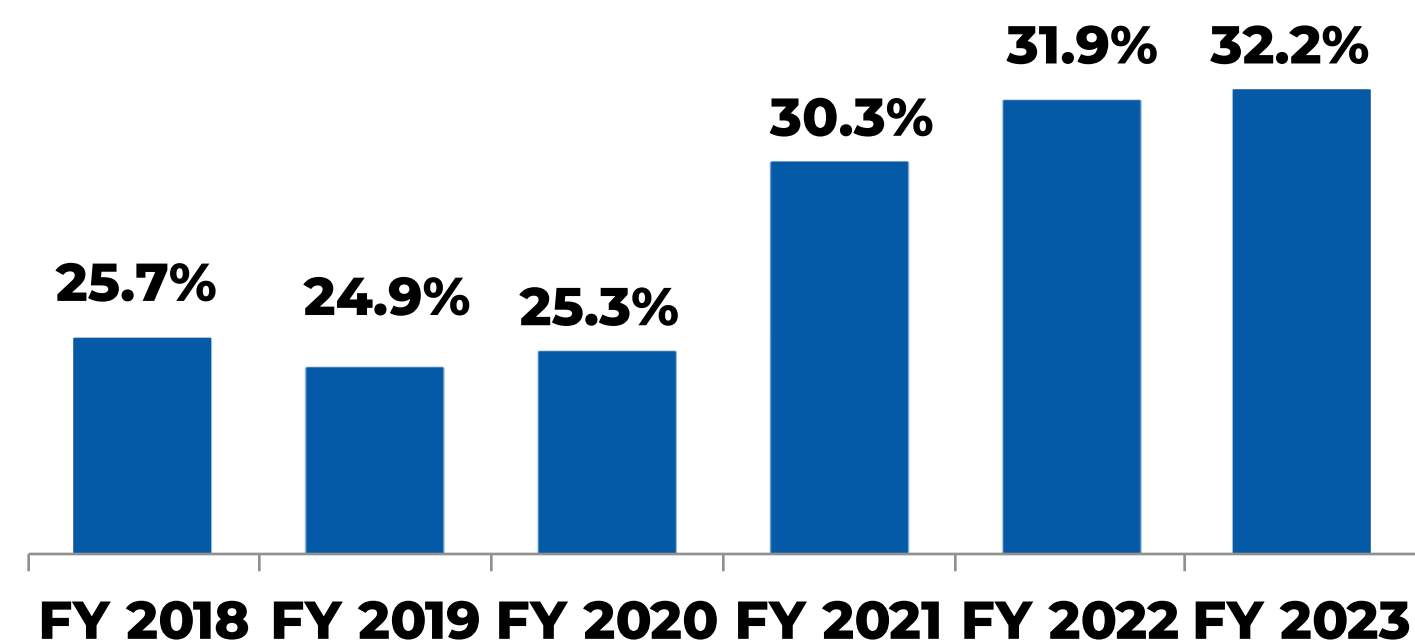
Service Segment Driving Strong Results

(\$ in millions)

Service Revenue



Service Gross Margin %

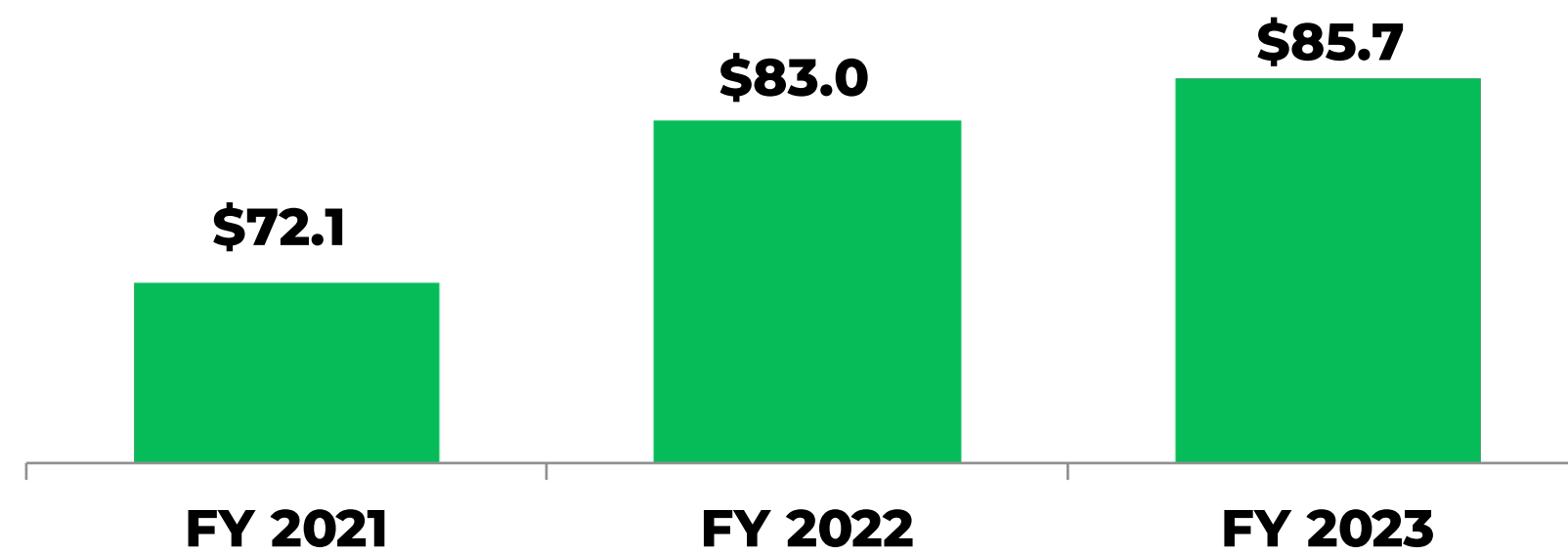


- **Capturing share in highly regulated end markets, including life sciences and Aerospace & Defense**
- **NEXA enterprise asset management acquired on August 31, 2021**
- **Recurring revenue nature of service segment provides for a high degree of visibility into future earnings**
- **Enhanced gross 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

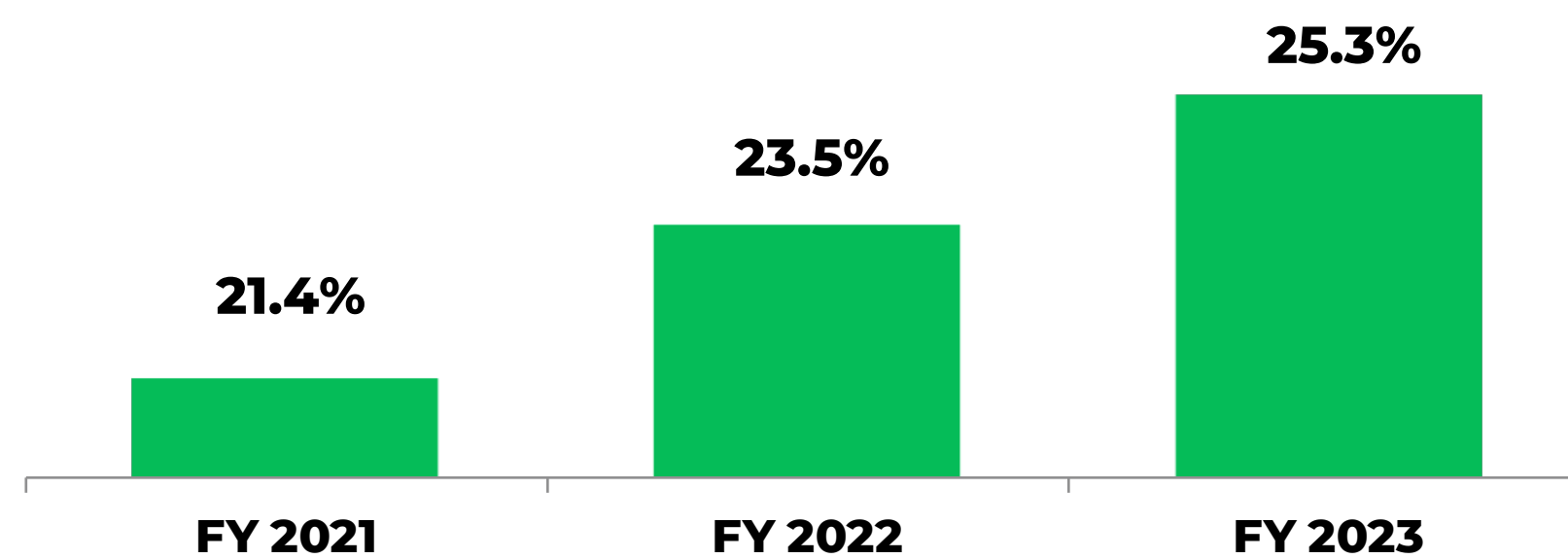
(\$ in millions)

Distribution and Rental Sales



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

Distribution Gross Margin %

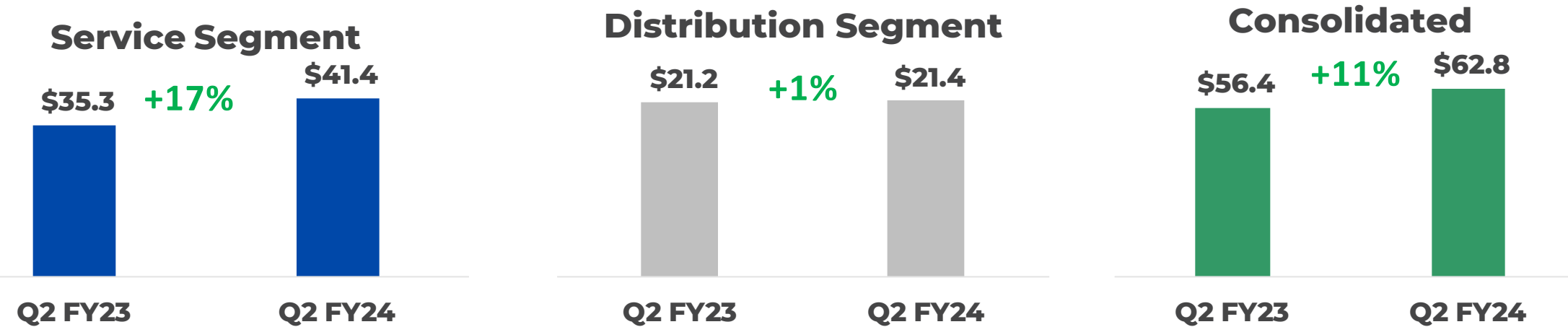


- **Gross margin percentage has improved primarily due to growth of high margin rental business**

Fiscal 2024 Q2 Financial Details

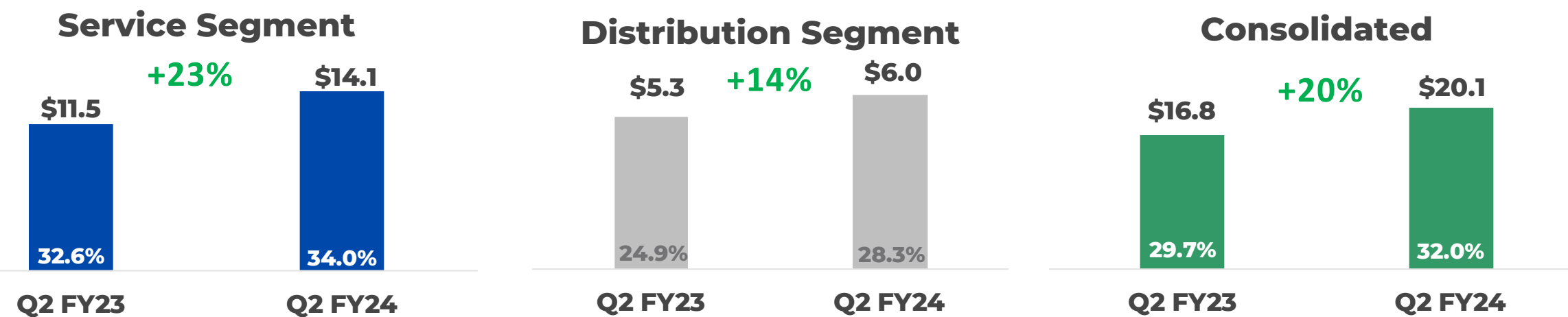
(\$ in millions)

Fiscal 2024 Q2 Revenue



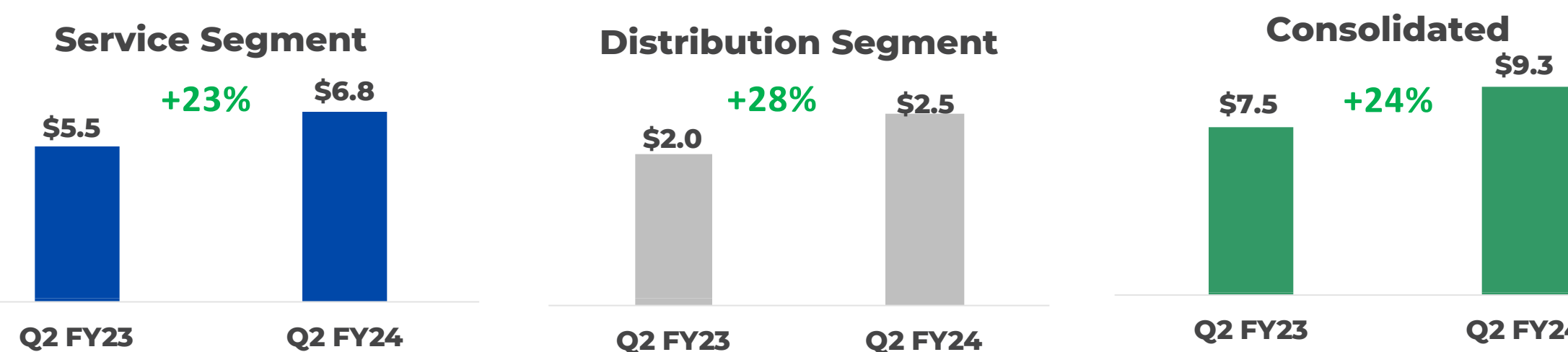
- Q2 Consolidated revenue up 11% on strong Service segment performance
- Service revenue growth of 17%, with double-digit organic growth of 10%
- Q2 Distribution revenue grew 1% versus prior year

Fiscal 2024 Q2 Gross Profit and Margin



- Q2 Consolidated gross margin of 32.0% expanded 230 bps
- Service gross margin of 34.0% expanded 140 basis points primarily due to improved productivity and Service organic revenue growth
- Distribution gross margin expanded 340 bps due to a larger mix of Rental revenue

Fiscal 2024 Q2 Adjusted EBITDA¹



- Consolidated adjusted EBITDA up 24% driven by strong performance from both segments
- Service segment adjusted EBITDA up 23%
- Distribution adjusted EBITDA up 28%

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

Operating Free Cash Flow and Cap Table

(\$ in millions)

Operating Free Cash Flow

	Six Months Ended	
	September 23, 2023	September 24, 2022
<i>Note: Components may not add to totals due to rounding</i>		
Net cash provided by operations	\$16.0	\$5.2
Capital expenditures (CapEx)	(\$5.4)	(\$4.8)
Operating free cash flow (FCF)**	\$10.5	\$0.5

- Cash Flow has improved versus prior year
- Capital expenditures primarily focused on technology, service capabilities/expansion and rental pool assets; 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>	September 23, 2023
Cash and Cash Equivalents	\$1.2
Total Debt	53.3
Total Net Debt	\$52.0
Shareholders' Equity	138.3
Total Capitalization	\$191.5
Debt / Total Capitalization	27.8%
Net Debt / Total Capitalization	27.2%

- 1.37x leverage ratio at quarter-end (Total debt to TTM Adjusted EBITDA)
- \$32.0 M available from credit facility at quarter-end
- Credit facility paid off subsequent to quarter end with the proceeds from Secondary Offering

*Pro forma for the contemplated transaction.

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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
Adjusted EBITDA	\$ 14,520	\$ 16,368	\$ 17,826	\$ 18,407	\$ 20,575	\$26,307	\$30,421

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
Total Adjusted EBITDA	\$8,829	\$30,421

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
Adjusted EBITDA	\$ 7,531	\$ 9,330	\$ 33,394

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
Total Adjusted EBITDA	\$7,531	\$9,330

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.