TRANSCAT INC
Form 10-Q
November 06, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

[ ] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended: September 29, 2018

or

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission File Number: 000-03905

TRANSCAT, INC.

(Exact name of registrant as specified in its charter)

Ohio	**16-0874418**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

35 Vantage Point Drive, Rochester, New York 14624
(Address of principal executive offices) (Zip Code)

(585) 352-7777
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [ ]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [ ]

The number of shares of common stock, par value $0.50 per share, of the registrant outstanding as of November 2, 2018 was 7,203,497.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 29, 2018	**September 23, 2017**	**September 29, 2018**	**September 23, 2017**
Service Revenue	$ 19,902	$ 18,239	$ 39,227	$ 36,721
Distribution Sales	18,977	17,688	36,310	35,485
Total Revenue	38,879	35,927	75,537	72,206
Cost of Service Revenue	15,095	13,919	29,501	27,765
Cost of Distribution Sales	14,645	13,854	27,784	27,596
Total Cost of Revenue	29,740	27,773	57,285	55,361
Gross Profit	9,139	8,154	18,252	16,845
Selling, Marketing and Warehouse Expenses	4,020	4,005	8,052	8,097
General and Administrative Expenses	2,943	2,691	5,999	5,879
Total Operating Expenses	6,963	6,696	14,051	13,976
Operating Income	2,176	1,458	4,201	2,869
Interest and Other Expense, net	195	271	420	543
Income Before Income Taxes	1,981	1,187	3,781	2,326
Provision for Income Taxes	493	406	865	689
Net Income	$ 1,488	$ 781	$ 2,916	$ 1,637
Basic Earnings Per Share	$ 0.21	$ 0.11	$ 0.41	$ 0.23
Average Shares Outstanding	7,200	7,131	7,187	7,102
Diluted Earnings Per Share	$ 0.20	$ 0.11	$ 0.39	$ 0.23
Average Shares Outstanding	7,520	7,286	7,486	7,242

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 29, 2018	**September 23, 2017**	**September 29, 2018**	**September 23, 2017**
Net Income	$ 1,488	$ 781	$ 2,916	$ 1,637
Other Comprehensive Income (Loss):				
Currency Translation Adjustment	92	336	(4)	377
Other, net of tax effects	8	17	11	25
Total Other Comprehensive Income	100	353	7	402
Comprehensive Income	$ 1,588	$ 1,134	$ 2,923	$ 2,039

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)

	(Unaudited) September 29, 2018	(Audited) March 31, 2018
ASSETS		
Current Assets:		
Cash	$ 571	$ 577
Accounts Receivable, less allowance for doubtful accounts of $300 and $296 as of September 29, 2018 and March 31, 2018, respectively	24,053	24,684
Other Receivables	1,623	1,361
Inventory, net	14,161	12,651
Prepaid Expenses and Other Current Assets	1,227	1,240
Total Current Assets	41,635	40,513
Property and Equipment, net	19,591	17,091
Goodwill	34,120	32,740
Intangible Assets, net	6,197	5,505
Other Assets	870	973
Total Assets	$ 102,413	$ 96,822
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 12,903	$ 13,535
Accrued Compensation and Other Liabilities	5,160	5,240
Income Taxes Payable	624	232
Current Portion of Long-Term Debt	2,143	2,143
Total Current Liabilities	20,830	21,150
Long-Term Debt	23,153	20,707
Deferred Tax Liabilities	1,708	1,709
Other Liabilities	1,856	1,908
Total Liabilities	47,547	45,474
Shareholders' Equity:		
Common Stock, par value $0.50 per share, 30,000,000 shares authorized; 7,201,589 and 7,155,050 shares issued and outstanding as of September 29, 2018 and March 31, 2018, respectively	3,601	3,578
Capital in Excess of Par Value	15,599	14,965
Accumulated Other Comprehensive Loss	(274)	(281)
Retained Earnings	35,940	33,086
Total Shareholders' Equity	54,866	51,348
Total Liabilities and Shareholders' Equity	$ 102,413	$ 96,822

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	(Unaudited) Six Months Ended September 29, 2018	September 23, 2017
Cash Flows from Operating Activities:		
Net Income	$ 2,916	$ 1,637
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Loss on Disposal of Property and Equipment	6	25
Deferred Income Taxes	(1)	41
Depreciation and Amortization	3,067	2,984
Provision for Accounts Receivable and Inventory Reserves	74	203
Stock-Based Compensation Expense	606	831
Changes in Assets and Liabilities:		
Accounts Receivable and Other Receivables	856	760
Inventory	(1,172)	(1,020)
Prepaid Expenses and Other Assets	101	(145)
Accounts Payable	(706)	(1,747)
Accrued Compensation and Other Liabilities	(1,271)	(1,458)
Income Taxes Payable	389	(456)
Net Cash Provided by Operating Activities	4,865	1,655
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(3,703)	(3,942)
Proceeds from Sale of Property and Equipment	-	6
Business Acquisitions, net of cash acquired	(3,614)	-
Net Cash Used in Investing Activities	(7,317)	(3,936)
Cash Flows from Financing Activities:		
Proceeds from Revolving Credit Facility, net	3,517	3,110
Repayment of Term Loan	(1,071)	(714)
Issuance of Common Stock	132	761
Repurchase of Common Stock	(143)	(344)
Stock Option Redemption	-	(90)
Net Cash Provided by Financing Activities	2,435	2,723
Effect of Exchange Rate Changes on Cash	11	(659)
Net Decrease in Cash	(6)	(217)
Cash at Beginning of Period	577	842
Cash at End of Period	$ 571	$ 625
Supplemental Disclosure of Cash Flow Activity:		
Cash paid during the period for:		
Interest	$ 413	$ 510
Income Taxes, net	$ 472	$ 1,125

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In Thousands, Except Par Value Amounts)
(Unaudited)

	Common Stock Issued $0.50 Par Value Shares	Amount	Capital In Excess of Par Value	Accumulated Other Comprehensive (Loss)	Retained Earnings	Total
Balance as of March 25, 2017	7,044	$ 3,522	$ 12,996	$ (414)	$ 27,297	$ 43,401
Issuance of Common Stock	98	49	712	-	-	761
Repurchase of Common Stock	(27)	(14)	(205)	-	(125)	(344)
Stock-Based Compensation	25	13	818	-	-	831
Redemption of Stock Options	-	-	(90)	-	-	(90)
Other Comprehensive Income	-	-	-	402	-	402
Net Income	-	-	-	-	1,637	1,637
Balance as of September 23, 2017	7,140	$ 3,570	$ 14,231	$ (12)	$ 28,809	$ 46,598

	Common Stock Issued $0.50 Par Value Shares	Amount	Capital In Excess of Par Value	Accumulated Other Comprehensive (Loss)	Retained Earnings	Total
Balance as of March 31, 2018	7,155	$ 3,578	$ 14,965	$ (281)	$ 33,086	$ 51,348
Issuance of Common Stock	7	3	129	-	-	132
Repurchase of Common Stock	(8)	(4)	(77)	-	(62)	(143)
Stock-Based Compensation	48	24	582	-	-	606
Other Comprehensive Income	-	-	-	7	-	7
Net Income	-	-	-	-	2,916	2,916
Balance as of September 29, 2018	7,202	$ 3,601	$ 15,599	$ (274)	$ 35,940	$ 54,866

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share and Per Unit Amounts)
(Unaudited)

NOTE 1 – GENERAL

Description of Business: Transcat, Inc. (“Transcat” or the “Company”) is a leading provider of accredited calibration and laboratory instrument services and a value-added distributor of professional grade test, measurement and control instrumentation. The Company is focused on providing services and products to highly regulated industries, particularly the life science industry, which includes pharmaceutical, biotechnology, medical device and other FDA-regulated businesses. Additional industries served include industrial manufacturing; energy and utilities, including oil and gas; chemical manufacturing; FAA-regulated businesses, including aerospace and defense and other industries that require accuracy in their processes, confirmation of the capabilities of their equipment, and for which the risk of failure is very costly.

Basis of Presentation: Transcat’s unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8-03 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation (consisting of normal recurring adjustments) have been included. The results for the interim periods are not necessarily indicative of what the results will be for the fiscal year. The accompanying Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as of and for the fiscal year ended March 31, 2018 (“fiscal year 2018”) contained in the Company’s 2018 Annual Report on Form 10-K filed with the SEC.

Revenue Recognition: Distribution sales are recorded when the product’s title and risk of loss transfers to the customer. The Company recognizes the majority of its Service revenue based upon when the calibration or other activity is performed and then shipped and/or delivered to the customer. The majority of the Company’s revenue generating activities have a single performance obligation and are recognized at the point in time when control transfers and/or our obligation has been fulfilled. Some Service revenue is generated from managing customers’ calibration programs in which the Company recognizes revenue over time. Revenue is measured as the amount of consideration it expects to receive in exchange for product shipped or services performed. Sales taxes and other taxes billed and collected from customers are excluded from revenue. The Company generally invoices its customers for freight, shipping, and handling charges. Provisions for customer returns are provided for in the period the related revenue is recorded based upon historical data.

Revenue recognized from prior period performance obligations for the second quarter of fiscal year 2019 was immaterial. As of September 29, 2018, the Company had no unsatisfied performance obligations for contracts with an original expected duration of greater than one year. Pursuant to Topic 606 (defined below), the Company applied the practical expedient with respect to disclosure of the deferral and future expected timing of revenue recognition for transaction price allocated to remaining performance obligations. Deferred revenue, unbilled revenue and deferred contract costs recorded on our Consolidated Balance Sheets as of September 29, 2018 and March 31, 2018 were immaterial. Payment terms are generally 30 to 45 days. See Note 4 for disaggregated revenue information.

In 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which established principles to report useful information to financial statement users about the nature, timing and uncertainty of revenue from contracts with customers. ASU No. 2014-09 along with various related amendments comprise Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“Topic 606”), and provide guidance that is applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Transcat adopted the new standard for its fiscal year ending March 30, 2019 (“fiscal year 2019”), which began April 1, 2018 using the modified retrospective approach to each prior reporting period presented. Based on our analysis, the Company concluded that the adoption of the amended guidance did not have a material impact on its net revenue recognition. The cumulative effect adjustment upon adoption of the ASU in the first quarter of fiscal year 2019 was immaterial.

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Fair Value of Financial Instruments: Transcat has determined the fair value of debt and other financial instruments using a valuation hierarchy. The hierarchy, which prioritizes the inputs used in measuring fair value, consists of three levels. Level 1 uses observable inputs such as quoted prices in active markets; Level 2 uses inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, which is defined as unobservable inputs in which little or no market data exists, requires the Company to develop its own assumptions. The carrying amount of debt on the Consolidated Balance Sheets approximates fair value due to variable interest rate pricing, and the carrying amounts for cash, accounts receivable and accounts payable approximate fair value due to their short-term nature. Investment assets, which fund the Company's non-qualified deferred compensation plan, consist of mutual funds and are valued based on Level 1 inputs. At September 29, 2018 and March 31, 2018, investment assets totaled $0.6 million and $0.7 million, respectively, and are included as a component of other assets (non-current) on the Consolidated Balance Sheets.

Stock-Based Compensation: The Company measures the cost of services received in exchange for all equity awards granted, including stock options and restricted stock units, based on the fair market value of the award as of the grant date. The Company records compensation expense related to unvested equity awards by recognizing, on a straight-line basis, the unamortized grant date fair value over the remaining service period of each award. Excess tax benefits for share-based award activity are reflected in the statement of income as a component of the provision for income taxes. Excess tax benefits are realized benefits from tax deductions for exercised awards in excess of the deferred tax asset attributable to stock-based compensation costs for such awards. The Company did not capitalize any stock-based compensation costs as part of an asset. The Company estimates forfeiture rates based on its historical experience. During the first six months of fiscal year 2019 and fiscal year 2018, the Company recorded non-cash stock-based compensation expense of $0.5 million and $0.8 million, respectively, in the Consolidated Statements of Income.

Foreign Currency Translation and Transactions: The accounts of Transcat Canada Inc., a wholly-owned subsidiary of the Company, are maintained in the local currency and have been translated to U.S. dollars. Accordingly, the amounts representing assets and liabilities have been translated at the period-end rates of exchange and related revenue and expense accounts have been translated at an average rate of exchange during the period. Gains and losses arising from translation of Transcat Canada Inc.'s financial statements into U.S. dollars are recorded directly to the accumulated other comprehensive loss component of shareholders' equity.

Transcat records foreign currency gains and losses on its Canadian business transactions. The net foreign currency loss was less than $0.1 million during each of the first six months of fiscal years 2019 and 2018. The Company continually utilizes short-term foreign exchange forward contracts to reduce the risk that its earnings will be adversely affected by changes in currency exchange rates. The Company does not apply hedge accounting and therefore the net change in the fair value of the contracts, which totaled a loss of $0.1 million during each of the first six months of fiscal years 2019 and 2018, was recognized as a component of other expense in the Consolidated Statements of Income. The change in the fair value of the contracts is offset by the change in fair value on the underlying accounts receivables denominated in Canadian dollars being hedged. On September 29, 2018, the Company had a foreign exchange contract, which matured in October 2018, outstanding in the notional amount of $4.2 million. The foreign exchange contract was renewed in October 2018 and continues to be in place. The Company does not use hedging arrangements for speculative purposes.

Earnings Per Share: Basic earnings per share of common stock are computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share of common stock reflect the assumed conversion of stock options and unvested restricted stock units using the treasury stock method in periods in which they have a dilutive effect. In computing the per share effect of assumed conversion, funds which would have been received from the exercise of options and unvested restricted stock units and the related tax benefits are considered to have been used to purchase shares of common stock at the average market prices during the period, and the resulting net additional shares of common stock are included in the calculation of average shares of common stock outstanding.

For the second quarter of fiscal year 2019, the net additional common stock equivalents had a $0.01 effect on the calculation of diluted earnings per share. For the second quarter of fiscal year 2018, the net additional common stock equivalents had no effect on the calculation of dilutive earnings per share. For the first six months of fiscal year 2019, the net additional common stock had a $0.02 effect on the calculation of dilutive earnings per share. For the first six months of fiscal year 2018, the net additional common stock equivalents had no effect on the calculation of diluted earnings per share. The average shares outstanding used to compute basic and diluted earnings per share are as follows:

	Second Quarter Ended		**Six Months Ended**	
	September 29, 2018	**September 23, 2017**	**September 29, 2018**	**September 23, 2017**
Average Shares Outstanding – Basic	7,200	7,131	7,187	7,102
Effect of Dilutive Common Stock Equivalents	320	155	299	140
Average Shares Outstanding – Diluted	7,520	7,286	7,486	7,242
Anti-dilutive Common Stock Equivalents	-	-	-	-

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Recently Issued Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC Topic 842), which requires lessees to recognize substantially all leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for annual and interim periods beginning after December 15, 2018. ASU 2016-02 requires entities to adopt a modified retrospective transition method for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

The Company continues to evaluate the impact that adopting ASU 2016-02 will have on its financial statements, but the most significant impact will be to increase assets and liabilities on the consolidated balance sheet by the present value of the Company’s leasing obligations, which are primarily related to facility and vehicle leases, as well as additional disclosures required.

In July 2018, FASB issued ASU 2018-11, Leases (ASC Topic 842), which provides entities with an additional transition method to adopt the new leases standard. Under this method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, the prior comparative period's financials will remain the same as those previously presented. Entities that elect this optional transition method must provide the disclosures that were previously required. The Company continues to evaluate the impact that adopting ASU 2018-11 will have on its financial statements.

NOTE 2 – LONG-TERM DEBT

Description: On October 30, 2017, the Company entered into an Amended and Restated Credit Agreement (the “Credit Agreement”), which amended and restated our prior credit facility agreement. The Credit Agreement extended the term of the Company’s $30.0 million revolving credit facility (the “Revolving Credit Facility”) to October 29, 2021. As of September 29, 2018, $30.0 million was available under the Revolving Credit Facility, of which $12.3 million was outstanding and included in long-term debt on the Consolidated Balance Sheets. The Credit Agreement also increased the amount of the Company’s outstanding term loan to $15.0 million (the “2017 Term Loan”), replacing the previous term loan. As of September 29, 2018, $13.0 million was outstanding on the 2017 Term Loan, of which $2.1 million was included in current liabilities on the Consolidated Balance Sheets with the remainder included in long-term debt. The 2017 Term Loan requires principal repayments of $0.2 million per month plus interest through September 2022 with a $4.3 million repayment required on October 29, 2022. Under the Credit Agreement, borrowings that may be used for business acquisitions are limited to $20.0 million per fiscal year. During the first six months of fiscal year 2019, $3.6 million was used for a business acquisition.

The allowable leverage ratio under the Credit Agreement remains at a maximum multiple of 3.0 of total debt outstanding compared to earnings before income taxes, depreciation and amortization, and non-cash stock-based compensation expense for the preceding four consecutive fiscal quarters. The excess funds of the 2017 Term Loan over the previous term loan were used to repay amounts outstanding under the Revolving Credit Facility.

Interest and Other Costs: Interest on the Revolving Credit Facility and 2017 Term Loan accrues, at Transcat’s election, at either the variable one-month London Interbank Offered Rate (“LIBOR”) or a fixed rate for a designated period at the LIBOR corresponding to such period, in each case, plus a margin. Commitment fees accrue based on the average daily amount of unused credit available on the Revolving Credit Facility. Interest rate margins and commitment fees are determined on a quarterly basis based upon the Company’s calculated leverage ratio, as defined in the Credit Agreement. The one-month LIBOR as of September 29, 2018 was 2.3%. The Company’s interest rate for the first six months of fiscal year 2019 ranged from 3.2% to 3.6%.

Covenants: The Credit Agreement has certain covenants with which the Company must comply, including a fixed charge ratio covenant and a leverage ratio covenant. The Company was in compliance with all loan covenants and requirements during the second quarter of fiscal year 2019. Our leverage ratio, as defined in the Credit Agreement, was 1.34 at September 29, 2018, compared with 1.40 at the end of fiscal year 2018.

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Other Terms: The Company has pledged all of its U.S. tangible and intangible personal property, the equity interests of its U.S.-based subsidiaries, and a majority of the common stock of Transcat Canada Inc. as collateral security for the loans made under the Revolving Credit Facility.

NOTE 3 – STOCK-BASED COMPENSATION

The Transcat, Inc. 2003 Incentive Plan, as Amended and Restated (the "2003 Plan"), provides for, among other awards, grants of restricted stock units and stock options to directors, officers and key employees at the fair market value at the date of grant. At September 29, 2018, 1.1 million shares were available for future grant under the 2003 Plan.

Restricted Stock Units: The Company generally grants performance-based restricted stock units as a primary component of executive compensation. In previous years, the units generally vested following the third fiscal year from the date of grant subject to certain cumulative diluted earnings per share growth targets over the eligible period. The restricted stock units granted in June 2017 and April 2018 were time vested. Beginning with the restricted stock units granted in May 2018, 50% of the units will vest subject to certain cumulative diluted earnings per share growth targets over the eligible period and 50% of the restricted stock units will be time vested over a three-year period. Compensation cost ultimately recognized for performance-based restricted stock units will equal the grant date fair market value of the unit that coincides with the actual outcome of the performance conditions. On an interim basis, the Company records compensation cost based on the estimated level of achievement of the performance conditions. The expense relating to the time vested restricted stock units is recognized on a straight-line basis over the requisite service period for the entire award.

The Company achieved 50% of the target level for the performance-based restricted stock units granted in the fiscal year ended March 26, 2016 and as a result, issued 32 shares of common stock to executive officers and certain key employees during the first quarter of fiscal year 2019. The following table summarizes the non-vested performance-based restricted stock units outstanding as of September 29, 2018:

Date Granted	Measurement Period	Total Number of Units Outstanding	Grant Date Fair Value Per Unit		Estimated Level of Achievement at September 29, 2018
April 2016	April 2016 - March 2019	82	$	10.13	125% of target level
April 2017	April 2017 – March 2020	75	$	12.90	100% of target level
June 2017	July 2017 – June 2020	3	$	12.00	Time Vested
April 2018	April 2018 – March 2020	2	$	15.65	Time Vested
May 2018	April 2018 – March 2020	30	$	15.30	100% of target level
May 2018	April 2018 – March 2020	30	$	15.30	Time Vested

Total expense relating to performance-based restricted stock units, based on grant date fair value and the achievement criteria, was $0.5 million and $0.4 million, respectively, in the first six months of fiscal years 2019 and 2018. As of September 29, 2018, unearned compensation to be recognized over the grants' respective service periods totaled $1.5 million.

Stock Options: Options vest either immediately or over a period of up to four years using a straight-line basis and expire either five years or ten years from the date of grant. The expense relating to options is recognized on a straight-line basis over the requisite service period for the entire award.

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The following table summarizes the Company’s options as of and for the first six months of fiscal year 2019:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of March 31, 2018	272	$ 10.27		
Granted	-	-		
Exercised	-	-		
Forfeited	(4)	6.75		
Redeemed	-	-		
Outstanding as of September 29, 2018	268	$ 10.33	4	$ 3,355
Exercisable as of September 29, 2018	268	$ 10.33	4	$ 3,355

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on the last trading day of the second quarter of fiscal year 2019 and the exercise price, multiplied by the number of in-the-money stock options) that would have been received by the option holders had all holders exercised their options on September 29, 2018. The amount of aggregate intrinsic value will change based on the fair market value of the Company’s common stock.

There was no expense related to stock options during the first six months of fiscal year 2019. Total expense related to stock options was $0.4 million for the first six months of fiscal year 2018. There was no total unrecognized compensation cost related to non-vested stock options as of September 29, 2018. There were no stock options exercised during the first six months of fiscal year 2019. The aggregate intrinsic value of stock options exercised in the first six months of fiscal year 2018 was $0.6 million. Cash received from the exercise of options in the first six months of fiscal year 2018 was $0.6 million.

NOTE 4 – SEGMENT INFORMATION

Transcat has two reportable segments: Distribution and Service. The Company has no inter-segment sales. The following table presents segment information for the second quarter and first six months of fiscal years 2019 and 2018:

	Second Quarter Ended		Six Months Ended	
	September 29, 2018	September 23, 2017	September 29, 2018	September 23, 2017
Revenue:				
Service	$ 19,902	$ 18,239	$ 39,227	$ 36,721
Distribution	18,977	17,688	36,310	35,485
Total	38,879			