



Pro-Dex, Inc.

Mixed Q2 report. Positive long-term outlook. Lowering P/T to \$26.

COMPANY UPDATE

Rating: **BUY**

Ticker: PDEX

Price: \$16.56
(intraday)

Target: \$26.00
(from \$30)

Mixed Q2: Pro-Dex recently (on February 2) reported its fiscal Q2 2023 (ending December) results. Revenue was \$11.3 million (+11% y-o-y), compared with our estimate of \$10.4 million. EPS was \$0.24, compared with our estimate of \$0.29. There was no guidance or consensus estimates.

Revenue +11%: Revenue was +11% (y-o-y) due to sales of orthopedic surgical handpiece that it sells to its largest customer along with increased repair revenue of that handpiece. Gross margins were lower y-o-y (23% vs. 34% y-o-y) due to repair upgrades at higher costs and continuing price increases for components, especially chips for printed circuit board assemblies.

No guidance: Management as usual did not provide any forward guidance.

New facility to begin operations in Q3: In Q1, the FDA authorized commencement of manufacturing activities at its new Franklin facility. The company will begin operations there in the current Q3.

Adjusting estimates: We are raising our FY23 revenue estimates to \$45 million, from \$44 million, but lowering it for EPS to \$1.20 from \$1.42.

We remain positive: After suffering declining sales in 2013 and 2014 (combined -37%) due to the loss of a major product contract, the company has experienced strong revenue growth most of the past seven years (+24% in FY15, +51% in FY16, +14% in FY17, +1% in FY18, +21% in FY19, +28% in FY20, +9% in FY21, +11% in FY22 and so far +11% in Q1 & Q2 FY23). The management team has reversed the declining sales by winning new product contracts, investing in its own private label products, and returning the company to strong growth.

Solid growth expected long term: We expect revenue growth to remain solid over the next several years, but acknowledge supply chain issues will temper near term results (we estimate +7% revenue growth in FY23 and +2% in FY24). Pro-Dex has plans to launch many internally developed devices for sale in FY23/24 and beyond presenting new growth opportunities.

Large market potential: We believe there is substantial market demand for medical contract manufacturing. By focusing on highly specialized medical and dental devices, we believe that the company is developing a proprietary niche in contract manufacturing. Due to high government regulations and the high value of medical products, we believe Pro-Dex is better able to compete and add value.

New building expansion: For planned future growth, the company in November 2020 acquired a new manufacturing facility for \$6.5 million. The new Franklin facility is near its current facility which it intends to maintain operations there. The company will begin regular operations there in Q3 FY23 and this should provide adequate facilities for strong future growth.

Product diversification: A large portion of Pro-Dex's revenue is derived from a few customers and products. We believe it is positive that Pro-Dex is developing several devices (the company has listed 1 product to be released in FY24) to diversify its customer base and product lines.

Positive valuation: We are maintaining our BUY rating, but lowering our 12-month price target to \$26 from \$30, which is based on a forward P/E multiple of ~18x our FY24 EPS estimate of \$1.44. We believe this multiple is reasonable as it is its estimated near-term earnings growth rate (implying a PEG ratio of 1 (P/E to growth rate)).

Company Description

Based in Irvine, CA, Pro-Dex provides OEMs outsourcing design, development, and manufacturing services in the surgical, dental, and industrial markets.

United States
Technology

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Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

Stock Data

Exchange:	NasdaqGS
52-week Range:	\$12.40 – 21.43
Shares Outstanding (million):	4
Market cap (\$million):	\$66
EV (\$million):	\$77
Debt (\$million):	\$13
Cash (\$million):	\$2
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	2
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Sep	11A		11E	
Q2 Dec	11A	10E	12E	11E
Q3 Mar	10E		10E	11E
Q4 Jun	<u>13E</u>		<u>13E</u>	
Total	45E	44E	46E	45E
EV/Revs	1.7x		1.7x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Sep	0.29A		0.35E	0.33E
Q2 Dec	0.24A	0.29E	0.35E	0.33E
Q3 Mar	0.26E	0.35E	0.32E	0.33E
Q4 Jun	<u>0.41E</u>	<u>0.48E</u>	<u>0.41E</u>	<u>0.43E</u>
Total	1.20E	1.42E	1.44E	1.43E
P/E	14x		12x	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 8.

OVERVIEW

- Pro-Dex recently (on February 2) reported its fiscal Q2 2023 (ending December) results.
- Revenue was \$11.3 million (+11% y-o-y), compared with our estimate of \$10.4 million.
- EPS was \$0.24, compared with our estimate of \$0.29. There was no guidance or consensus estimates.
- Management as usual did not provide any forward guidance.
- We are raising our FY23 revenue estimates to \$45 million, from \$44 million, but lowering it for EPS to \$1.20 from \$1.42.
- We are raising our FY24 estimates for revenue to \$46 million, from \$45 million, and for EPS to \$1.44 from \$1.43.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$2.6 million, compared with our estimate of \$3.2 million.
- Gross margin for the quarter was 23%, versus 34% last year and our estimate of 31%.
- Operating expenses were \$1.5 million, compared with our estimate of \$1.7 million.
- Operating income was \$1.1 million, compared with our estimate of \$1.5 million.
- Net income was \$0.9 million, compared with our estimate of \$1.1 million.

The company's balance sheet has \$2 million in cash and \$13 million in debt, compared with \$4 million in cash and \$13 million in debt as of September.

Exhibit 1: Q2 FY23 CEO Comments (on 2/2/23)

CEO Comments

Richard L. ("Rick") Van Kirk, the Company's President and Chief Executive Officer, commented, "We are pleased with our second quarter and year-to-date results especially considering the challenging environment facing businesses today." Mr. Van Kirk continued, "We are excited to begin operations in the Franklin facility this fiscal quarter and we remain positive that the building will allow for our continued expected growth."

Source: Company report.

Exhibit 2: Product Plans

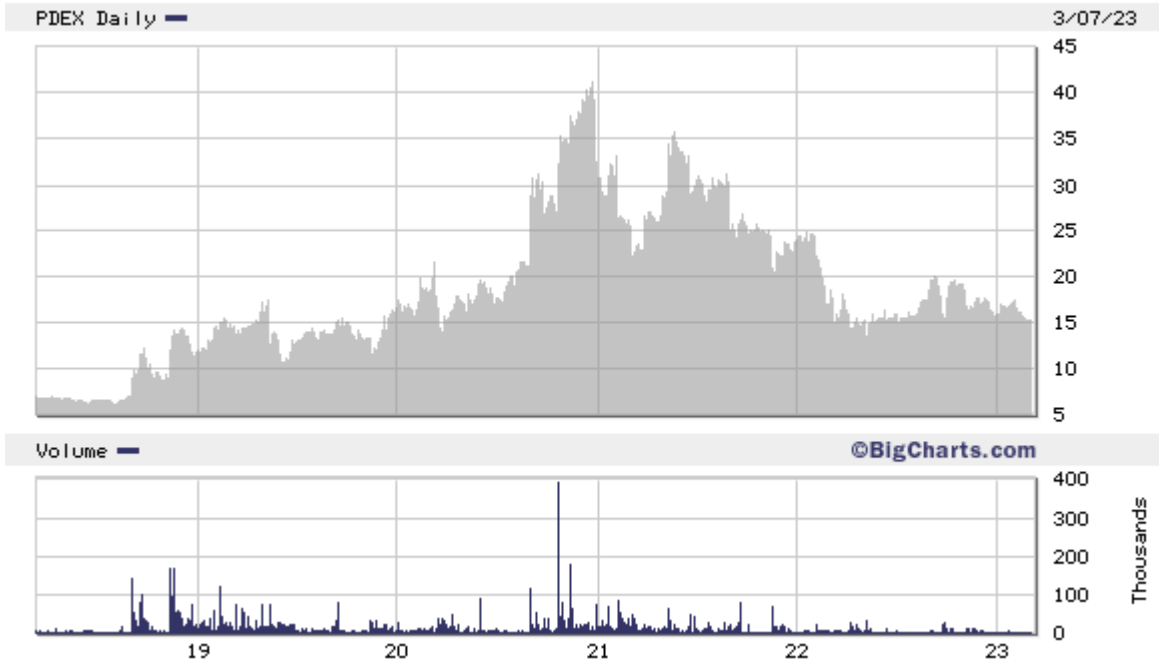
	Three and Six Months Ended December 31, 2022		Three and Six Months Ended December 31, 2021		Est Market Launch ⁽¹⁾	Est Annual Revenue ⁽²⁾
Total Research & Development costs:	\$ 467	\$ 1,395	\$ 615	\$ 1,596		
Products in development:						
ENT Shaver.	1	44	32	263	Q4 2023	\$ 1,000
Sustaining & Other	466	1,351	583	1,333		
Total	\$ 467	\$ 1,395	\$ 615	\$ 1,596		

(1) Represents the calendar quarter of expected market launch.

(2) The products in development include risks that they could be abandoned in the future prior to completion, they could fail to become commercialized, or the actual annual revenue realized may be less than the amount estimated.

Source: Company report.

Exhibit 3: Pro-Dex's Stock Price (5-Years)



Source: <https://bigcharts.marketwatch.com/>

FINANCIAL MODEL

Pro-Dex, Inc.

Income Statement (\$ mils)	Sep-20	Dec-20	Mar-21	Jun-21	2021	Sep-21	Dec-21	Mar-22	Jun-22	2022	Sep-22	Dec-22	Mar-23	Jun-23	2023	Sep-23	Dec-23	Mar-24	Jun-24	2024
Fiscal Year End: June 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	8.6	8.3	11.7	9.4	38.0	10.0	10.2	9.3	12.6	42.0	11.1	11.3	9.8	12.6	44.8	11.3	11.5	10.0	12.9	45.7
<u>Cost of Revenues</u>	<u>5.1</u>	<u>5.7</u>	<u>7.4</u>	<u>6.3</u>	<u>24.5</u>	<u>6.6</u>	<u>6.8</u>	<u>6.4</u>	<u>9.2</u>	<u>28.9</u>	<u>8.1</u>	<u>8.7</u>	<u>6.9</u>	<u>8.5</u>	<u>32.1</u>	<u>7.5</u>	<u>7.6</u>	<u>6.5</u>	<u>8.4</u>	<u>29.9</u>
Gross Profit	3.5	2.6	4.4	3.1	13.6	3.4	3.4	2.9	3.4	13.1	3.0	2.6	3.0	4.2	12.7	3.8	3.9	3.5	4.5	15.8
Sales and marketing	0.1	0.2	0.1	0.2	0.6	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.4	0.2	0.2	0.2	0.2	0.8
General and administrative	0.7	0.9	1.3	1.2	4.1	1.1	1.2	1.1	1.5	4.9	1.0	1.0	0.9	1.1	4.0	1.0	1.0	0.9	1.2	4.1
Research and development	1.1	1.0	1.1	1.2	4.4	1.0	0.6	0.7	0.7	3.0	0.9	0.5	0.6	0.8	2.9	0.7	0.8	0.7	0.8	3.0
<u>Restructuring and other</u>					<u>0.0</u>			<u>0.0</u>	<u>0.0</u>	<u>0.0</u>					<u>0.0</u>					<u>0.0</u>
Total operating expenses	1.9	2.1	2.5	2.5	9.1	2.1	1.8	1.8	2.3	8.0	2.0	1.5	1.6	2.1	7.2	2.0	2.0	1.7	2.2	7.9
Operating income (loss)	1.5	0.5	1.9	0.6	4.5	1.3	1.6	1.0	1.2	5.1	0.9	1.1	1.3	2.1	5.5	1.9	1.9	1.8	2.3	7.9
Interest income (expense)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	0.1	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
<u>Other income (expense)</u>			<u>0.8</u>	<u>0.5</u>	<u>1.3</u>	<u>0.1</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>0.4</u>	<u>(0.0)</u>	<u>0.3</u>	<u>0.2</u>			<u>0.4</u>					<u>0.0</u>
Income before income taxes	1.5	0.5	2.6	1.0	5.6	1.4	1.2	0.6	1.5	4.7	1.3	1.2	1.2	1.9	5.6	1.8	1.8	1.6	2.2	7.4
<u>Income taxes</u>	<u>0.3</u>	<u>0.1</u>	<u>0.6</u>	<u>0.2</u>	<u>1.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>	<u>0.9</u>	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.4</u>	<u>1.1</u>	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>	<u>0.5</u>	<u>1.5</u>
Net income (loss)	1.3	0.3	2.0	0.9	4.4	1.1	0.9	0.5	1.4	3.9	1.1	0.9	0.9	1.6	4.5	1.4	1.4	1.3	1.7	5.8
<u>Nonrecurring/noncash adjustments</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>
Net income (pro forma)	1.3	0.3	2.0	0.9	4.4	1.1	0.9	0.5	1.4	3.9	1.1	0.9	0.9	1.6	4.5	1.4	1.4	1.3	1.7	5.8
EBITDA	1.7	0.7	2.5	1.2	6.2	1.8	2.1	1.6	1.7	7.1	1.4	1.5	1.7	2.4	7.0	2.3	2.3	2.1	2.6	9.3
Shares, Basic	3.9	3.9	3.8	3.7	3.8	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.7	3.6	3.9	4.0	4.0	4.1	4.0
Shares, Diluted	4.0	4.0	4.0	3.8	3.9	3.8	3.8	3.7	3.7	3.8	3.7	3.7	3.7	3.8	3.7	4.0	4.0	4.1	4.1	4.0
EPS Basic (Pro forma)	\$0.33	\$0.09	\$0.52	\$0.23	\$1.17	\$0.29	\$0.25	\$0.13	\$0.39	\$1.06	\$0.30	\$0.25	\$0.26	\$0.42	\$1.23	\$0.36	\$0.36	\$0.32	\$0.42	\$1.46
EPS Diluted (Pro forma)	\$0.32	\$0.08	\$0.50	\$0.22	\$1.13	\$0.28	\$0.25	\$0.12	\$0.38	\$1.02	\$0.29	\$0.24	\$0.26	\$0.41	\$1.20	\$0.35	\$0.35	\$0.32	\$0.41	\$1.44
Margins																				
Gross margin	40.5%	31.4%	37.4%	33.1%	35.7%	34.3%	33.5%	30.8%	27.3%	31.2%	26.7%	23.2%	30.0%	33.0%	28.3%	34.0%	34.0%	35.0%	35.0%	34.5%
Sales and marketing	1.5%	1.8%	1.2%	1.9%	1.6%	0.4%	0.2%	0.2%	0.1%	0.2%	0.5%	0.6%	1.2%	1.2%	0.9%	1.7%	1.7%	1.7%	1.7%	1.7%
General and administrative	8.2%	11.3%	10.9%	12.2%	10.7%	10.9%	11.5%	12.4%	11.9%	11.7%	9.2%	8.4%	9.0%	8.9%	8.9%	9.0%	9.0%	9.0%	9.0%	9.0%
Research and development	12.7%	12.0%	9.4%	12.7%	11.5%	9.8%	6.0%	7.1%	5.8%	7.1%	8.4%	4.1%	6.5%	6.5%	6.4%	6.6%	6.6%	6.7%	6.6%	6.6%
Operating margin	18.0%	6.3%	15.9%	6.3%	11.9%	13.2%	15.7%	11.0%	9.4%	12.2%	8.6%	10.1%	13.3%	16.4%	12.2%	16.7%	16.7%	17.6%	17.7%	17.2%
Tax rate, GAAP	18.3%	27.7%	22.9%	16.9%	20.9%	22.4%	23.6%	27.1%	5.8%	18.1%	16.8%	25.1%	20.0%	20.0%	20.3%	21.0%	21.0%	21.0%	21.0%	21.0%
Net margin	14.7%	4.1%	17.0%	9.0%	11.7%	10.7%	9.1%	5.0%	11.1%	9.2%	9.7%	7.8%	9.6%	12.3%	9.9%	12.3%	12.3%	12.9%	13.2%	12.7%
Y/Y % change																				
Total Revenue	19%	4%	38%	-15%	9%	16%	23%	-21%	34%	11%	11%	11%	6%	0%	7%	2%	2%	2%	2%	2%
Gross margin	25%	-9%	37%	-27%	3%	-1%	31%	-35%	10%	-3%	-14%	-23%	3%	21%	-3%	30%	49%	19%	8%	24%
Sales and marketing	-8%	11%	-16%	27%	3%	-72%	-85%	-85%	-93%	-85%	43%	209%	490%	1162%	329%	263%	188%	45%	45%	99%
General and administrative	6%	41%	77%	1%	28%	55%	24%	-11%	30%	20%	-6%	-18%	-23%	-25%	-19%	-1%	9%	2%	3%	3%
Research and development	125%	149%	78%	47%	89%	-10%	-38%	-40%	-40%	-32%	-5%	-24%	-3%	13%	-4%	-20%	63%	5%	4%	6%
Operating income (loss)	4%	-69%	9%	-73%	-36%	-15%	207%	-45%	100%	13%	-28%	-29%	28%	75%	7%	99%	69%	35%	10%	44%
Net income (loss)	15%	-73%	64%	-67%	-27%	-16%	174%	-77%	65%	-13%	1%	-5%	105%	11%	16%	29%	61%	37%	9%	30%
EPS Diluted (Pro forma)	18%	-73%	66%	-65%	-25%	-11%	192%	-76%	68%	-9%	3%	-2%	107%	10%	17%	20%	47%	25%	0%	19%

Source: Company reports and Ascendant Capital Markets estimates.

Pro-Dex, Inc.

Balance Sheet (\$ mils)	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Fiscal Year End: June 30	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	5.2	5.5	3.9	3.7	5.2	5.3	4.8	0.8	2.8	0.4	10.6	8.9	11.1	12.3	15.7	13.8
Short term investments	2.4	2.9	1.1	1.3	1.5	1.2	1.1	0.8	0.8	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Accounts receivable, net	6.1	4.6	11.9	10.9	10.1	8.9	8.7	15.4	11.0	12.2	10.6	13.6	12.2	12.4	10.8	13.9
Due from factor											0.0	0.0	0.0	0.0	0.0	0.0
Unbilled receivable																
Deferred costs	0.1	0.1	0.2	0.2	0.2	0.4	0.3	0.7	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Inventory	8.3	9.2	8.4	8.4	8.9	9.3	11.9	12.7	15.7	15.1	6.9	8.5	7.5	7.6	6.5	8.4
Deferred income taxes											0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.3	0.4	1.1	0.4	0.2	1.0	1.3	0.8	0.9	1.7	1.5	1.9	1.7	1.7	1.5	1.9
Total current assets	22.5	22.7	26.6	25.0	26.0	26.1	28.1	31.2	31.8	31.4	31.5	34.8	34.5	36.1	36.6	40.0
Property and equipment, net	2.6	9.2	9.6	10.3	10.9	13.4	11.0	11.2	11.2	11.5	11.6	11.7	11.8	11.9	12.0	12.1
Intangibles, net	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Goodwill											0.0	0.0	0.0	0.0	0.0	0.0
Long term investments	2.3	3.2	3.0	1.7	1.7	1.9	1.8	1.8	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Deferred income tax	0.3	0.3	0.3	0.5	0.5	0.5	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other	2.9	2.8	2.7	2.7	2.6	0.0	2.4	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total assets	30.8	38.4	42.3	40.3	41.9	42.1	43.9	47.3	48.0	47.6	47.8	51.2	51.0	52.7	53.3	56.8
Liabilities and stockholders' equity																
Accounts payable	1.8	2.5	2.5	2.3	2.5	2.3	3.5	3.8	3.5	3.4	2.9	3.8	3.4	3.4	3.0	3.8
Accrued expenses	1.8	1.8	2.6	2.2	2.2	1.8	1.7	2.8	3.2	3.3	2.9	3.7	3.3	3.4	2.9	3.8
Deferred revenue	0.2	0.2	0.2	0.2	0.3	0.6	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Deferred income tax									0.7	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Capital lease											0.0	0.0	0.0	0.0	0.0	0.0
Other											0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	0.7	0.5	1.1	1.2	1.2	1.3	1.6	3.3	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Total current liabilities	4.5	4.9	6.5	5.9	6.2	6.0	7.7	10.8	11.7	11.7	10.8	12.5	10.7	10.8	9.9	11.6
Deferred income taxes	0.5	0.6	1.2	0.4	0.7	1.0	1.2	0.5			0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.7	2.6	2.5	2.4	2.3	2.2	2.2	2.1	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Long term debt	3.1	8.4	11.7	11.5	11.2	10.9	10.6	10.3	9.9	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Total other liabilities	6.3	11.6	15.4	14.4	14.3	14.1	13.9	12.8	11.9	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Common stock	12.6	12.6	9.1	8.0	8.2	7.9	7.7	7.7	7.4	6.5	6.7	6.9	7.0	7.2	7.4	7.6
Additional paid-in capital																
Retained earnings	9.2	9.5	11.5	12.3	13.2	14.1	14.6	16.0	17.1	17.9	18.9	20.4	21.8	23.2	24.5	26.2
Accumulated other comprehensive income	(1.7)	(0.3)	(0.1)	(0.2)							0.0	0.0	0.0	0.0	0.0	0.0
Other																
Total stockholders' equity	20.1	21.8	20.4	20.1	21.4	22.0	22.3	23.7	24.4	24.5	25.6	27.3	28.9	30.5	31.9	33.8
Total stockholders' equity and liabilities	30.8	38.4	42.3	40.3	41.9	42.1	43.9	47.3	48.0	47.6	47.8	51.2	51.0	52.7	53.3	56.8

Balance Sheet Drivers

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	4%	5%	9%	5%	2%	10%	14%	6%	8%	15%	15%	15%	15%	15%	15%	15%
Accounts payable as % of total rev	21%	30%	22%	24%	25%	23%	38%	30%	32%	30%	30%	30%	30%	30%	30%	30%
Inventories as % of cost of rev	163%	161%	114%	134%	136%	137%	185%	138%	193%	175%	100%	100%	100%	100%	100%	100%
Accrued expenses as % of total rev	20%	22%	23%	23%	22%	18%	18%	22%	29%	29%	29%	29%	29%	29%	29%	29%
Activity Ratios																
A/R Days Sales Outstanding	64	50	91	104	91	78	84	110	90	97	97	97	97	97	97	97
Inventory Turnover	2.5x	2.5x	3.5x	3.0x	2.9x	2.9x	2.2x	2.9x	2.1x	2.3x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x
A/P Days Payable	32	39	31	33	34	31	50	37	39	35	38	40	41	41	41	41
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$5.04	\$5.44	\$5.15	\$5.29	\$5.66	\$5.84	\$5.94	\$6.34	\$6.61	\$6.70	\$6.91	\$7.28	\$7.27	\$7.58	\$7.85	\$8.21
Cash per Share (diluted)	\$1.91	\$2.10	\$1.26	\$1.32	\$1.77	\$1.72	\$1.57	\$0.43	\$0.98	\$0.42	\$3.16	\$2.66	\$3.09	\$3.35	\$4.14	\$3.64
Net cash per Share (diluted)	\$0.96	-\$0.11	-\$1.97	-\$2.04	-\$1.53	-\$1.50	-\$1.69	-\$3.20	-\$2.60	-\$3.06	-\$0.27	-\$0.72	-\$0.11	\$0.19	\$1.02	\$0.55

Source: Company reports and Ascendant Capital Markets estimates

Pro-Dex, Inc.

Cash Flow Statement (\$ mils)	Sep-20	Dec-20	Mar-21	Jun-21	2021	Sep-21	Dec-21	Mar-22	Jun-22	2022	Sep-22	Dec-22	Mar-23	Jun-23	2023	Sep-23	Dec-23	Mar-24	Jun-24	2024
Fiscal Year End: June 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
Net income	1.3	0.3	2.0	0.9	4.5	1.1	0.9	0.5	1.4	3.9	1.1	0.9	0.9	1.6	4.5	1.4	1.4	1.3	1.7	5.8
Depreciation	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock comp	0.0	0.0	0.4	0.4	0.9	0.3	0.3	0.4	0.3	1.3	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.7
Provision for bad debts	0.0	(0.0)	0.0	0.0	0.0	0.0	(0.0)	(0.0)		(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes					(0.2)				(0.3)	(0.3)	0.2	(0.2)	0.0	0.0	0.0	(1.0)	0.0	0.0	0.0	(1.0)
Other gains/losses	(0.0)		(0.8)	(0.5)	(1.3)	(0.1)	0.3	0.2	(0.4)	0.1	(0.3)	(0.2)			(0.4)					0.0
Impairment					0.0			0.1	0.0	0.1					0.0					0.0
Acquisition expense					0.0					0.0					0.0					0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)		0.0						0.0
Changes in operating assets and liabilities:																				
Accounts receivable	(1.0)	1.5	(7.3)	1.0	(5.8)	0.8	1.2	0.2	(6.7)	(4.4)	4.3	(1.2)	1.6	(3.0)	1.7	1.4	(0.2)	1.6	(3.1)	(0.3)
Due from factor					0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unbilled receivable					0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred costs	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0	(0.2)	0.1	(0.4)	(0.5)	0.1	(0.3)	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
Inventory	(0.1)	(0.8)	0.8	(0.1)	(0.2)	(0.5)	(0.4)	(2.6)	(0.8)	(4.2)	(3.0)	0.5	8.2	(1.6)	4.2	1.0	(0.1)	1.1	(1.8)	0.1
Prepaid expenses & other curre	(0.2)	(0.0)	(0.7)	0.6	(0.3)	0.3	(0.9)	(0.3)	0.5	(0.3)	(0.1)	(0.7)	0.2	(0.4)	(1.1)	0.2	(0.0)	0.2	(0.4)	(0.0)
Other assets					0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	(0.8)	0.7	0.9	(0.7)	0.1	0.2	(0.6)	1.0	1.3	2.0	0.3	(0.1)	(0.4)	0.8	0.5	(0.4)	0.1	(0.4)	0.8	0.1
Accrued expenses					0.0					0.0			(0.4)	0.8	0.4	(0.4)	0.1	(0.4)	0.8	0.1
Deferred revenue				(0.1)	(0.1)	0.1	0.3	0.3	0.1	0.9	(0.2)		0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
Other liabilities	(0.3)	0.1	0.6	(0.8)	(0.4)	0.3	0.3	0.2	(0.6)	0.1		0.5	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by	(0.9)	2.0	(3.9)	0.7	(2.1)	2.7	1.5	0.2	(5.3)	(0.8)	2.9	(0.4)	10.5	(1.4)	11.6	2.6	1.5	3.7	(1.6)	6.2
Cash flow from investing activities																				
Purchases of property and equi	(0.1)	(0.2)	(0.6)	(0.9)	(1.8)	(0.8)	(0.2)	(0.2)	(0.4)	(1.6)	(0.2)	(0.5)	(0.3)	(0.3)	(1.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Purchases of short-term investments			3.0	1.6	4.6	(0.0)	(0.3)		0.8	0.4	0.1	0.0			0.1					0.0
Acquisitions	(0.0)	(6.5)	0.0		(6.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)					0.0					0.0
Other	0.1		(0.1)	(0.0)	(0.0)					0.0					0.0					0.0
Net cash used in investing activ	0.0	(6.7)	2.3	0.7	(3.7)	(0.9)	(0.6)	(0.2)	0.4	(1.2)	(0.090)	(0.508)	(0.3)	(0.3)	(1.2)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Cash flow from financing activities																				
Issuance of debt		5.2	4.0		9.1				2.0	2.0	1.0	0.8	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Repayment of debt	(0.2)	(0.1)	(0.0)	(0.0)	(0.4)	(0.3)	(0.3)	0.1	(0.7)	(1.2)	(1.3)	(1.3)			(2.6)					0.0
Issuance of stock					0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock			(4.0)	(1.5)	(5.5)	(0.1)	(0.6)	(0.6)	(0.4)	(1.6)	(0.4)	(1.0)			(1.3)					0.0
Proceeds from stock option exe	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0		0.1	(0.2)	0.0			(0.2)					0.0
Other					0.0					0.0					0.0					0.0
Dividends and distributions					0.0					0.0					0.0					0.0
Cash provided by (used in) fina	(0.4)	5.1	(0.1)	(1.5)	3.1	(0.4)	(0.9)	(0.5)	1.0	(0.8)	(0.9)	(1.5)	0.0	0.0	(2.4)	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash					0.0					0.0					0.0					0.0
Net increase (decrease) in cash	(1.2)	0.3	(1.6)	(0.2)	(2.7)	1.5	0.1	(0.5)	(3.9)	(2.9)	1.9	(2.4)	10.2	(1.7)	8.0	2.3	1.2	3.4	(1.9)	5.0
Beginning cash and equivalents	6.4	5.2	5.5	3.9	6.4	3.7	5.2	5.3	4.8	3.7	0.8	2.8	0.4	10.6	0.8	8.9	11.1	12.3	15.7	8.9
Ending cash and equivalents	5.2	5.5	3.9	3.7	3.7	5.2	5.3	4.8	0.8	0.8	2.8	0.4	10.6	8.9	8.9	11.1	12.3	15.7	13.8	13.8

Source: Company reports and Ascendant Capital Markets estimates

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Pro-Dex, Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
6	2/12/2018	B	10.00
7	5/15/2018	B	9.50
8	9/7/2018	B	12.00
9	11/9/2018	B	15.00
10	2/8/2019	B	19.00
11	5/13/2019	B	20.00
12	9/8/2019	B	19.00
13	11/11/2019	B	18.00
14	2/7/2020	B	22.00
15	5/13/2020	B	23.00
16	8/31/2020	B	30.00
17	11/12/2020	B	40.00
18	2/13/2021	B	37.00
19	5/11/2021	B	41.00
20	9/6/2021	B	39.00
21	11/16/2021	B	34.00
22	2/22/2022	B	32.00
23	5/14/2022	B	30.00
24	8/29/2022	B	31.00
25	11/6/2022	B	30.00

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HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

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