



Pro-Dex, Inc.

Q2 revenue upside. Positive long-term outlook. Lowering P/T to \$27.

COMPANY UPDATE

Rating: BUY

Ticker: PDEX

Price: \$17.66

Target: \$27.00
(from \$28)

Q2 revenue upside: Pro-Dex recently (on February 8) reported its fiscal Q2 2024 (ending December) results. Revenue was \$12.6 million (+12% y-o-y), compared with our estimate of \$11.5 million. EPS was \$0.14, compared with our estimate of \$0.35. There was no guidance or consensus estimates.

Revenue +12%: Revenue was +12% (y-o-y) due to increased repairs of the surgical handpiece it sell to its largest customer. Gross margins were about flat y-o-y (22% vs. 23% y-o-y).

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

Adjusting estimates: We are maintaining our FY24 revenue estimates of \$49 million, but lowering it for EPS to \$0.69 from \$1.02. We are maintaining our FY25 revenue estimates of \$51 million, but lowering it for EPS to \$1.38 from \$1.52.

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 9 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 +10% in 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. We estimate +6% revenue growth in FY24 and +4% in FY25. Pro-Dex has plans to launch many internally developed devices for sale in FY24/25 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. In Q1 FY23, the FDA authorized commencement of manufacturing activities at its new Franklin facility. The company began operations there in Q3 FY23. The company completed the transfer of assembly and repairs operations in Q4 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 (ENT Shaver) to be released in FY25) to diversify its customer base and product lines.

Positive valuation: We are maintaining our BUY rating, but lowering our 12-month price target to \$27 from \$28, which is based on a forward P/E multiple of ~19.5x our FY25 EPS estimate of \$1.38. 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

February 19, 2024

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

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$14.51 – 22.99
Shares Outstanding (million):	4
Market cap (\$million):	\$71
EV (\$million):	\$76
Debt (\$million):	\$12
Cash (\$million):	\$7
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>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Sep	12A		13E	
Q2 Dec	13A	12E	13E	
Q3 Mar	13E		14E	
Q4 Jun	<u>11E</u>	<u>12E</u>	<u>12E</u>	
Total	49E		51E	
EV/Revs	1.6x		1.5x	

Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Sep	(0.17)A		0.34E	0.37E
Q2 Dec	0.14A	0.35E	0.34E	0.35E
Q3 Mar	0.35E	0.43E	0.35E	0.40E
Q4 Jun	<u>0.36E</u>	<u>0.39E</u>	<u>0.36E</u>	<u>0.40E</u>
Total	0.69E	1.02E	1.38E	1.52E
P/E	26x		13x	

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 8) reported its fiscal Q2 2024 (ending December) results.
- Revenue was \$12.6 million (+12% y-o-y), compared with our estimate of \$11.5 million.
- EPS was \$0.14, compared with our estimate of \$0.35.
- There was no guidance or consensus estimates.
- Management as usual did not provide any forward guidance.
- We are maintaining our FY24 revenue estimates of \$49 million, but lowering it for EPS to \$0.69 from \$1.02.
- We are maintaining our FY25 revenue estimates of \$51 million, but lowering it for EPS to \$1.38 from \$1.52.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$2.8 million, compared with our estimate of \$3.7 million.
- Gross margin for the quarter was 22%, versus 23% last year and our estimate of 32%.
- Operating expenses were \$2.0 million, compared with our estimate of \$2.0 million.
- Operating income was \$0.8 million, compared with our estimate of \$1.7 million.
- Net income was \$0.5 million, compared with our estimate of \$1.3 million.
- Q2 Backlog was \$29 million, down from \$36 million in Q1.

In October 2023, the company amended/restated its prior financial reports (SEC filings) due to an error in its accounting for its investment in Monogram Orthopaedics Inc. The company determined its calculation of the estimated fair value of a warrant (the "Monogram Warrant"), which the company was granted on December 20, 2018, representing the company's right to purchase up to 5% of the outstanding stock of Monogram, was materially understated for fiscal years ended June 30, 2020, 2021 and 2022 and all interim periods commencing with the quarter ended September 30, 2020.

As this restatement had no effect on the company's previously report revenue, operating income, or cash, we have not restated our historical financial model for the company. As such, comparability of our model to the company's historical financial results may be difficult. We do not view the restatement/amendment to have a material change to our investment thesis of the company.

The company's balance sheet has \$7 million in cash and \$12 million in debt, compared with \$3 million in cash and \$11 million in debt as of September.

Exhibit 1: Q2 FY24 CEO Comments (on February 8, 2024)

CEO Comments

"We are pleased with our second quarter and year-to-date results." said Richard L. ("Rick") Van Kirk, the Company's President and Chief Executive Officer. "We would also like to share that we have implemented a new stock buy-back program and have begun to decrease our inventory levels." Mr. Van Kirk continued, "We are excited about our continued sales growth as well as our prospects for continued future growth, as we are increasing our investment in our sales channels."

Source: Company report.

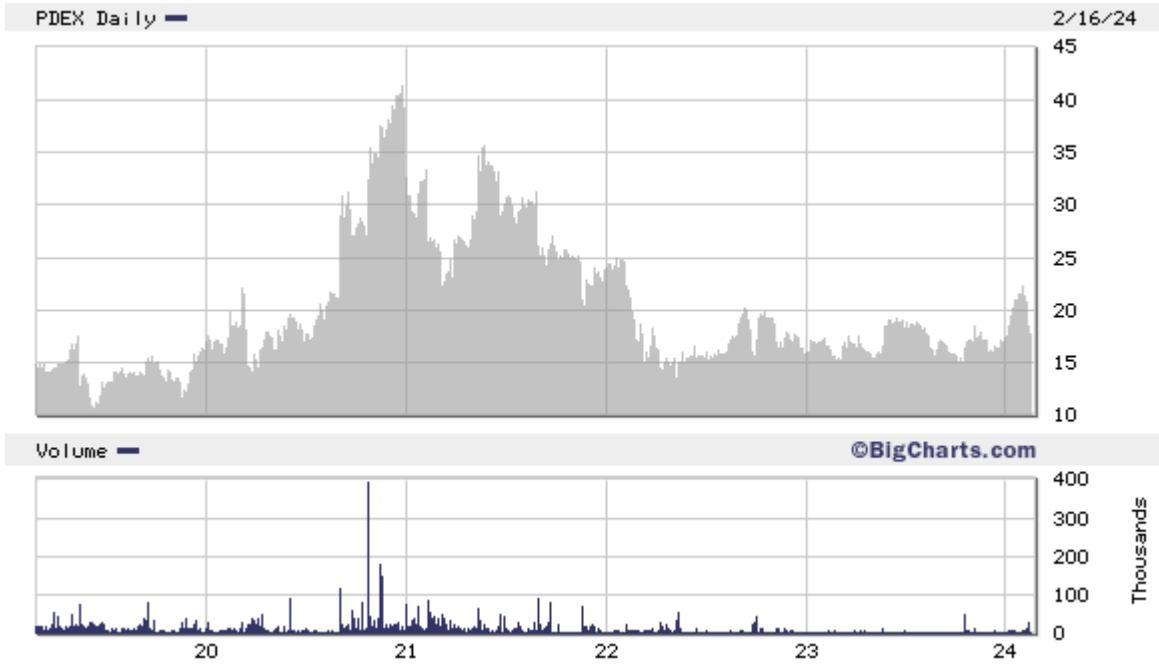
Exhibit 2: Product Plans

	Three and Six Months Ended December 31, 2023		Three and Six Months Ended December 31, 2022		Est Market Launch	Est Annual Revenue
Total Research & Development costs:	\$ 788	\$ 1,593	\$ 467	\$ 1,395		
Products in development:						
ENT Shaver:	2	2	1	44	Q4 2024	\$ 1,000
Sustaining & Other	786	1,591	466	1,351		
Total	\$ 788	\$ 1,593	\$ 467	\$ 1,395		

- (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-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	Sep-24	Dec-24	Mar-25	Jun-25	2025
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	10.0	10.2	9.3	12.6	42.0	11.1	11.3	13.1	10.6	46.1	11.9	12.6	13.2	11.3	49.0	12.5	12.7	13.5	12.3	51.0
Cost of Revenues	6.6	6.8	6.4	9.2	28.9	8.1	8.7	9.3	7.3	33.3	8.3	9.8	9.3	7.7	35.0	8.7	8.8	9.3	8.4	35.1
Gross Profit	3.4	3.4	2.9	3.4	13.1	3.0	2.6	3.8	3.4	12.8	3.7	2.8	3.9	3.6	14.0	3.9	3.9	4.2	3.9	15.9
Sales and marketing	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.2	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.7
General and administrative	1.1	1.2	1.1	1.5	4.9	1.0	1.0	1.0	1.0	4.0	1.0	1.2	1.2	1.0	4.4	1.1	1.1	1.2	1.1	4.6
Research and development	1.0	0.6	0.7	0.7	3.0	0.9	0.5	0.7	0.7	2.8	0.8	0.8	0.9	0.7	3.2	0.8	0.8	0.9	0.7	3.3
Restructuring and other			0.0	0.0	0.0					0.0					0.0					0.0
Total operating expenses	2.1	1.8	1.8	2.3	8.0	2.0	1.5	1.7	1.8	7.0	1.8	2.0	2.1	1.8	7.8	2.1	2.2	2.3	2.0	8.6
Operating income (loss)	1.3	1.6	1.0	1.2	5.1	0.9	1.1	2.1	1.6	5.8	1.8	0.8	1.8	1.8	6.2	1.7	1.8	1.9	1.9	7.3
Interest income (expense)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	0.1	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Other income (expense)	0.1	(0.3)	(0.3)	0.4	(0.0)	0.3	0.2	(0.2)	0.5	0.7	(2.6)	(0.0)	(0.0)	(2.6)						0.0
Income before income taxes	1.4	1.2	0.6	1.5	4.7	1.3	1.2	1.8	2.0	6.3	(0.8)	0.6	1.6	1.7	3.1	1.6	1.6	1.7	1.8	6.8
Income taxes	0.3	0.3	0.2	0.1	0.9	0.2	0.3	0.5	0.5	1.5	(0.2)	0.1	0.3	0.4	0.6	0.3	0.3	0.4	0.4	1.4
Net income (loss)	1.1	0.9	0.5	1.4	3.9	1.1	0.9	1.3	1.5	4.8	(0.6)	0.5	1.3	1.3	2.5	1.3	1.3	1.4	1.4	5.4
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	1.1	0.9	0.5	1.4	3.9	1.1	0.9	1.3	1.5	4.8	(0.6)	0.5	1.3	1.3	2.5	1.3	1.3	1.4	1.4	5.4
EBITDA	1.8	2.1	1.6	1.7	7.1	1.4	1.5	2.5	2.1	7.4	2.3	1.3	2.2	2.2	7.9	2.1	2.2	2.3	2.3	8.9
Shares, Basic	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.6	3.5	3.5	3.6	3.6	3.6	3.7	3.8	3.8	3.9	3.8
Shares, Diluted	3.8	3.8	3.7	3.7	3.8	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.6	3.8	3.9	3.9	4.0	3.9
EPS Basic (Pro forma)	\$0.29	\$0.25	\$0.13	\$0.39	\$1.06	\$0.30	\$0.25	\$0.37	\$0.42	\$1.34	(\$0.17)	\$0.14	\$0.36	\$0.36	\$0.70	\$0.34	\$0.34	\$0.36	\$0.36	\$1.41
EPS Diluted (Pro forma)	\$0.28	\$0.25	\$0.12	\$0.38	\$1.02	\$0.29	\$0.24	\$0.36	\$0.42	\$1.31	(\$0.17)	\$0.14	\$0.35	\$0.36	\$0.69	\$0.34	\$0.34	\$0.35	\$0.36	\$1.38
Margins																				
Gross margin	34.3%	33.5%	30.8%	27.3%	31.2%	26.7%	23.2%	29.1%	31.6%	27.7%	30.6%	22.3%	29.5%	32.0%	28.5%	31.0%	31.0%	31.0%	31.6%	31.1%
Sales and marketing	0.4%	0.2%	0.2%	0.1%	0.2%	0.5%	0.6%	0.2%	0.1%	0.3%	0.2%	0.3%	0.5%	0.5%	0.4%	1.5%	1.5%	1.5%	1.3%	1.5%
General and administrative	10.9%	11.5%	12.4%	11.9%	11.7%	9.2%	8.4%	7.7%	9.8%	8.7%	8.3%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.8%	9.0%
Research and development	9.8%	6.0%	7.1%	5.8%	7.1%	8.4%	4.1%	5.5%	6.5%	6.1%	6.7%	6.3%	6.7%	6.6%	6.6%	6.6%	6.6%	6.7%	6.0%	6.5%
Operating margin	13.2%	15.7%	11.0%	9.4%	12.2%	8.6%	10.1%	15.8%	15.1%	12.5%	15.4%	6.2%	13.3%	15.9%	12.6%	13.9%	13.9%	13.8%	15.5%	14.3%
Tax rate, GAAP	22.4%	23.6%	27.1%	5.8%	18.1%	16.8%	25.1%	25.7%	25.5%	23.7%	25.8%	19.4%	21.0%	21.0%	19.4%	21.0%	21.0%	21.0%	21.0%	21.0%
Net margin	10.7%	9.1%	5.0%	11.1%	9.2%	9.7%	7.8%	10.0%	14.1%	10.3%	-5.2%	4.0%	9.8%	11.7%	5.1%	10.2%	10.2%	10.2%	11.5%	10.5%
Y/Y % change																				
Total Revenue	16%	23%	-21%	34%	11%	11%	11%	41%	-16%	10%	8%	12%	1%	6%	6%	5%	1%	2%	9%	4%
Gross margin	-1%	31%	-35%	10%	-3%	-14%	-23%	33%	-2%	-3%	24%	7%	2%	7%	10%	6%	41%	7%	8%	14%
Sales and marketing	-72%	-85%	-85%	-93%	-85%	43%	209%	20%	-25%	69%	-53%	-46%	175%	527%	20%	653%	415%	206%	183%	302%
General and administrative	55%	24%	-11%	30%	20%	-6%	-18%	-12%	-30%	-18%	-3%	26%	18%	-3%	9%	13%	-5%	2%	7%	4%
Research and development	-10%	-38%	-40%	-40%	-32%	-5%	-24%	8%	-4%	-6%	-13%	69%	23%	7%	15%	3%	6%	2%	-1%	3%
Operating income (loss)	-15%	207%	-45%	100%	13%	-28%	-29%	102%	36%	12%	93%	-32%	-15%	11%	7%	-5%	127%	6%	6%	18%
Net income (loss)	-16%	174%	-77%	65%	-13%	1%	-5%	184%	7%	24%	-157%	-43%	-1%	-12%	-48%	-309%	160%	6%	7%	115%
EPS Diluted (Pro forma)	-11%	192%	-76%	68%	-9%	3%	-2%	194%	10%	28%	-158%	-42%	-2%	-14%	-48%	-297%	143%	-1%	0%	101%

Source: Company reports and Ascendant Capital Markets estimates.

Pro-Dex, Inc.

Balance Sheet (\$ mils) Fiscal Year End: June 30	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	5.2	5.3	4.8	0.8	2.8	0.4	2.1	2.9	1.9	1.3	8.0	12.3	11.5	12.7	13.1	16.3
Short term investments	1.5	1.2	1.1	0.8	0.8	1.1	1.1	1.1	1.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Accounts receivable, net	10.1	8.9	8.7	15.4	11.0	12.2	10.6	10.0	11.0	13.2	13.8	11.8	13.1	13.3	14.1	12.9
Due from factor											0.0	0.0	0.0	0.0	0.0	0.0
Unbilled receivable																
Deferred costs	0.2	0.4	0.3	0.7	0.6	0.9	0.3	0.5	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Inventory	8.9	9.3	11.9	12.7	15.7	15.1	15.1	16.2	16.3	15.0	9.3	7.7	8.7	8.8	9.3	8.4
Deferred income taxes									0.4		0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.2	1.0	1.3	0.8	0.9	1.7	1.9	0.3	0.2	0.9	0.9	0.8	0.9	0.9	1.0	0.9
Total current assets	26.0	26.1	28.1	31.2	31.8	31.4	31.1	31.0	31.4	36.6	38.3	38.8	40.4	41.9	43.7	44.6
Property and equipment, net	10.9	13.4	11.0	11.2	11.2	11.5	11.4	11.3	11.2	13.2	13.3	13.4	13.5	13.6	13.7	13.8
Intangibles, net	0.2	0.2	0.2	0.1	0.1	0.1	0.1	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	1.7	1.9	1.8	1.8	1.9	1.7	1.5	7.5	5.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Deferred income tax	0.5	0.5	0.5	0.8	0.8	0.8	0.8				0.0	0.0	0.0	0.0	0.0	0.0
Other	2.6	0.0	2.4	2.3	2.2	2.1	2.0	1.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	41.9	42.1	43.9	47.3	48.0	47.6	47.0	51.8	49.6	51.4	53.2	53.8	55.5	57.1	59.0	60.1
Liabilities and stockholders' equity																
Accounts payable	2.5	2.3	3.5	3.8	3.5	3.4	3.1	2.3	2.7	2.9	3.1	2.6	2.9	2.9	3.1	2.8
Accrued expenses	2.2	1.8	1.7	2.8	3.2	3.3	2.4	3.1	2.7	2.8	3.0	2.5	2.8	2.9	3.0	2.8
Deferred revenue	0.3	0.6	0.9	1.0	0.9	0.9	0.1				0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax					0.7	1.0	1.5	0.5		0.4	0.4	0.4	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	1.2	1.3	1.6	3.3	3.3	3.1	3.1	3.8	2.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total current liabilities	6.2	6.0	7.7	10.8	11.7	11.7	10.1	9.7	8.3	10.0	10.3	9.4	9.6	9.7	10.0	9.5
Deferred income taxes	0.7	1.0	1.2	0.5				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.3	2.2	2.2	2.1	2.0	1.9	1.7	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Long term debt	11.2	10.9	10.6	10.3	9.9	9.6	9.2	8.9	8.6	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Total other liabilities	14.3	14.1	13.9	12.8	11.9	11.4	11.0	10.6	10.1	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Common stock	8.2	7.9	7.7	7.7	7.4	6.5	6.6	6.8	7.0	7.1	7.3	7.5	7.7	7.9	8.1	8.3
Additional paid-in capital																
Retained earnings	13.2	14.1	14.6	16.0	17.1	17.9	19.3	24.8	24.2	24.7	26.0	27.3	28.6	29.9	31.3	32.7
Accumulated other comprehensive income											0.0	0.0	0.0	0.0	0.0	0.0
Other																
Total stockholders' equity	21.4	22.0	22.3	23.7	24.4	24.5	25.8	31.6	31.2	31.8	33.3	34.8	36.3	37.8	39.3	41.0
Total stockholders' equity and liabil	41.9	42.1	43.9	47.3	48.0	47.6	47.0	51.8	49.6	51.4	53.2	53.8	55.5	57.1	59.0	60.1

Balance Sheet Drivers

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	2%	10%	14%	6%	8%	15%	15%	3%	2%	7%	7%	7%	7%	7%	7%	7%
Accounts payable as % of total rev	25%	23%	38%	30%	32%	30%	23%	21%	23%	23%	23%	23%	23%	23%	23%	23%
Inventories as % of cost of rev	136%	137%	185%	138%	193%	175%	163%	222%	196%	154%	100%	100%	100%	100%	100%	100%
Accrued expenses as % of total rev	22%	18%	18%	22%	29%	29%	19%	29%	23%	23%	23%	23%	23%	23%	23%	23%
Activity Ratios																
A/R Days Sales Outstanding	91	78	84	110	90	97	73	84	83	94	94	94	94	94	94	94
Inventory Turnover	2.9x	2.9x	2.2x	2.9x	2.1x	2.3x	2.4x	1.8x	2.0x	2.6x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x
A/P Days Payable	34	31	50	37	39	35	30	28	30	27	30	31	30	30	30	30
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$5.66	\$5.84	\$5.94	\$6.34	\$6.61	\$6.70	\$7.13	\$8.75	\$8.64	\$8.80	\$9.09	\$9.37	\$9.52	\$9.78	\$10.06	\$10.34
Cash per Share (diluted)	\$1.77	\$1.72	\$1.57	\$0.43	\$0.98	\$0.42	\$0.89	\$1.13	\$0.81	\$1.96	\$3.77	\$4.88	\$4.54	\$4.78	\$4.83	\$5.57
Net cash per Share (diluted)	-\$1.53	-\$1.50	-\$1.69	-\$3.20	-\$2.60	-\$3.06	-\$2.52	-\$2.40	-\$2.35	-\$1.38	\$0.47	\$1.63	\$1.37	\$1.65	\$1.75	\$2.53

Source: Company reports and Ascendant Capital Markets estimates

Pro-Dex, Inc.

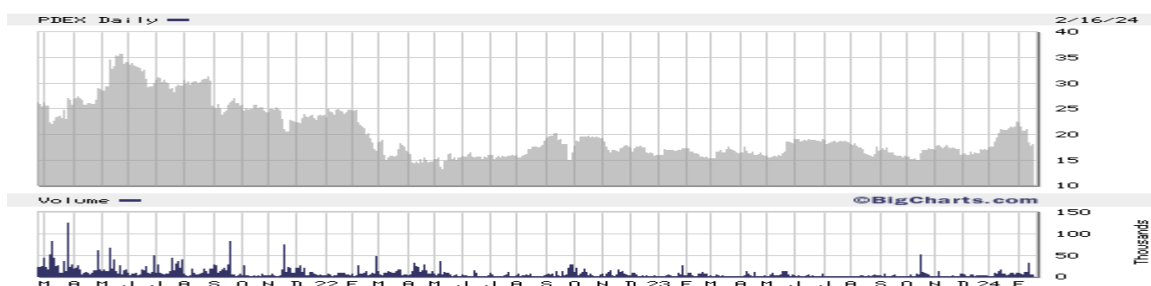
Cash Flow Statement (\$ mils)	Sep-21	Dec-21	Mar-22	Jun-22	2022	Sep-22	Dec-22	Mar-23	Jun-23	2023	Sep-23	Dec-23	Mar-24	Jun-24	2024	Sep-24	Dec-24	Mar-25	Jun-25	2025	
Fiscal Year End: June 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	1.1	0.9	0.5	1.4	3.9	1.1	0.9	1.3	3.8	7.1	(0.6)	0.5	1.3	1.3	2.5	1.3	1.3	1.4	1.4	5.4	
Depreciation	0.2	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.3	0.9	0.3	0.3	0.2	0.2	1.0	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	
Stock comp	0.3	0.3	0.4	0.3	1.3	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	
Provision for bad debts	0.0	(0.0)	(0.0)		(0.0)	0.0			(0.0)	0.0					0.0					0.0	
Deferred income taxes				(0.3)	(0.3)	0.2	(0.2)		0.2	0.3			0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	(0.4)	
Other gains/losses	(0.1)	0.3	0.2	(0.4)	0.1	(0.3)	(0.2)	0.2	0.2	(0.0)	2.6	0.0		2.6						0.0	
Impairment		0.1	0.0	0.1	0.1				(3.9)	(3.9)					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	
Changes in operating assets and liabilities:																					
Accounts receivable	0.8	1.2	0.2	(6.7)	(4.4)	4.3	(1.2)	1.6	0.6	5.4	(1.1)	(2.1)	(0.7)	2.0	(1.8)	(1.3)	(0.2)	(0.8)	1.2	(1.1)	
Due from factor					0.0					0.0					0.0					0.0	
Unbilled receivable					0.0					0.0					0.0					0.0	
Deferred costs	0.0	(0.2)	0.1	(0.4)	(0.5)	0.1	(0.3)	0.6	(0.2)	0.2	(0.1)	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	
Inventory	(0.5)	(0.4)	(2.6)	(0.8)	(4.2)	(3.0)	0.5	(0.0)	(1.0)	(3.5)	(0.1)	1.2	5.7	1.6	8.5	(1.0)	(0.1)	(0.5)	0.9	(0.7)	
Prepaid expenses & other curre	0.3	(0.9)	(0.3)	0.5	(0.3)	(0.1)	(0.7)	(0.3)	1.6	0.5	0.1	(0.7)	(0.0)	0.1	(0.5)	(0.1)	(0.0)	(0.1)	0.1	(0.1)	
Other assets					0.0					0.0					0.0					0.0	
Accounts payable	0.2	(0.6)	1.0	1.3	2.0	0.3	(0.1)	(1.2)	(0.1)	(1.2)	0.0	0.3	0.1	(0.4)	0.0	0.3	0.0	0.2	(0.3)	0.2	
Accrued expenses					0.0					0.0			0.1	(0.4)	(0.3)	0.3	0.0	0.2	(0.3)	0.2	
Deferred revenue	0.1	0.3	0.3	0.1	0.9	(0.2)		(0.8)	(0.1)	(1.0)			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other liabilities	0.3	0.3	0.2	(0.6)	0.1		0.5	0.5	(1.0)	(0.1)	(0.9)	0.8	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	2.7	1.5	0.2	(5.3)	(0.8)	2.9	(0.4)	2.3	0.6	5.5	0.4	0.7	7.0	4.6	12.7	(0.5)	1.5	0.7	3.5	5.2	
Cash flow from investing activities																					
Purchases of property and equi	(0.8)	(0.2)	(0.2)	(0.4)	(1.6)	(0.2)	(0.5)	(0.1)	(0.2)	(1.0)	(0.1)	(0.6)	(0.3)	(0.3)	(1.4)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Purchases of short-term investr	(0.0)	(0.3)		0.8	0.4	0.1	0.0			0.1		(1.3)			(1.3)					0.0	
Acquisitions	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)					0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing activ	(0.9)	(0.6)	(0.2)	0.4	(1.2)	(0.1)	(0.5)	(0.1)	(0.2)	(0.9)	(0.1)	(1.9)	(0.3)	(0.3)	(2.6)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Cash flow from financing activities																					
Issuance of debt				2.0	2.0	1.0	0.8	1.8	1.7	5.3			2.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.3)	(0.3)	0.1	(0.7)	(1.2)	(1.3)	(1.3)	(2.1)	(1.3)	(6.1)	(1.3)	(1.3)			(2.7)					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	(0.1)	(0.6)	(0.6)	(0.4)	(1.6)	(0.4)	(1.0)	(0.2)		(1.5)		(0.1)			(0.1)					0.0	
Proceeds from stock option exe	0.0		0.0		0.1	(0.2)	0.0	0.0	0.0	(0.1)	0.0				0.0					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)	(0.9)	(0.5)	1.0	(0.8)	(0.9)	(1.5)	(0.5)	0.4	(2.5)	(1.3)	0.6	0.0	0.0	(0.7)	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	1.5	0.1	(0.5)	(3.9)	(2.9)	1.9	(2.4)	1.7	0.8	2.1	(1.0)	(0.6)	6.7	4.3	9.4	(0.8)	1.2	0.4	3.2	4.0	
Beginning cash and equivalents	3.7	5.2	5.3	4.8	3.7	0.8	2.8	0.4	2.1	0.8	2.9	1.9	1.3	8.0	2.9	12.3	11.5	12.7	13.1	12.3	
Ending cash and equivalents	5.2	5.3	4.8	0.8	0.8	2.8	0.4	2.1	2.9	2.9	1.9	1.3	8.0	12.3	12.3	11.5	12.7	13.1	16.3	16.3	

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst’s personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

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
26	3/7/2023	B	26.00
27	5/9/2023	B	27.00
28	11/20/2023	B	28.00

- Ascendant Capital Markets, LLC has received compensation for advisory or investment banking services from the company in the past 12 months.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include changes and demand for technology, investor sentiment for investing in technology stocks, and consumer sentiment and industry growth for technology manufacturing companies, competition, and changing macroeconomic factors.

Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

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.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	52	98%	20	38%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	53	100%	20	38%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.