



# Pro-Dex, Inc.

Large Q4 upside. Positive long-term outlook. Raising P/T to \$31.

## COMPANY UPDATE

Rating: **BUY**

Ticker: PDEX

Price: \$18.30  
(intraday)

Target: \$31.00  
(from \$30)

**Large Q4 upside:** Pro-Dex recently (on August 25) reported its fiscal Q4 2022 (ending June) results. Revenue was \$12.6 million (+34% y-o-y), compared with our estimate of \$9.0 million. EPS was \$0.38, compared with our estimate of \$0.18. There was no guidance or consensus estimates.

**Revenue +34%:** Revenue was +34% (y-o-y) due to increased medical device sales and repair revenue. This was a big rebound from the -21% y-o-y revenue decline in Q3 FY22.

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

**But supply chain issues to weigh:** In 2021, the company had supply chain issues with delayed shipments, longer lead times, and surcharges. During 2022, these supply issues continued to weigh and is expected to continue to “negatively impact” into FY23 (both revenue and margins). For example, a component normally costing \$5 each was available only at \$70 each due to these supply chain issues.

**Raising estimates:** We are raising our FY23 estimates for revenue to \$43 million, from \$40 million, and for EPS to \$1.43 from \$1.30. We are initiating our FY24 estimates for revenue of \$45 million, and for EPS of \$1.43.

**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, and +11% in FY22). 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 modest +2% revenue growth in FY23 and +5% 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 (near its current facility) for \$6.5 million. The company has begun operations there in Q3 FY22 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 2 products to be released in FY23) to diversify its customer base and product lines.

**Positive valuation:** We are maintaining our BUY rating, but raising our 12-month price target to \$31 from \$30, which is based on a forward P/E multiple of ~22x our FY24 EPS estimate of \$1.43. 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

August 29, 2022

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### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$12.40 – 27.39
Shares Outstanding (million):	4
Market cap (\$million):	\$73
EV (\$million):	\$85
Debt (\$million):	\$14
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	10E		11E	
Q2 Dec	10E	11E	11E	
Q3 Mar	10E		11E	
Q4 Jun	<u>13E</u>	<u>9E</u>	<u>13E</u>	
Total	<b>43E</b>	<b>40E</b>	<b>45E</b>	
EV/Revs	2.0x		1.9x	

### Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Sep	0.33E	0.32E	0.33E	
Q2 Dec	0.33E	0.34E	0.33E	
Q3 Mar	0.33E	0.32E	0.33E	
Q4 Jun	<u>0.45E</u>	<u>0.32E</u>	<u>0.43E</u>	
Total	<b>1.43E</b>	<b>1.30E</b>	<b>1.43E</b>	
P/E	13x		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 August 25) reported its fiscal Q4 2022 (ending June) results.
- Revenue was \$12.6 million (+34% y-o-y), compared with our estimate of \$9.0 million.
- EPS was \$0.38, compared with our estimate of \$0.18. There was no guidance or consensus estimates.
- Management as usual did not provide any forward guidance.
- We are raising our FY23 estimates for revenue to \$43 million, from \$40 million, and for EPS to \$1.43 from \$1.30.
- We are initiating our FY24 estimates for revenue of \$45 million, and for EPS of \$1.43.

**ADDITIONAL DETAILS**

- Gross profit for the quarter was \$3 million, compared with our estimate of \$3 million.
- Gross margin for the quarter was 27%, versus 33% last year and our estimate of 31%.
- Operating expenses were \$2.3 million, compared with our estimate of \$1.8 million.
- Operating income was \$1.2 million, compared with our estimate of \$1.0 million.
- Net income was \$1.4 million, compared with our estimate of \$0.7 million.

The company's balance sheet has \$2 million in cash and \$14 million in debt, compared with \$6 million in cash and \$12 million in debt as of March.

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**Exhibit 1: Q4 FY22 Guidance and CEO Comments (on 8/25/22)****Guidance**

Pro-Dex typically does not provide sales, earnings, or other guidance, and while the COVID-19 pandemic did not materially adversely affect our financial results in our fiscal year ended June 30, 2022, we did experience disruptions in our supply chain in the form of delayed shipments, longer lead times, and higher prices, much of which our suppliers indicate have been caused by the pandemic. If any of these conditions persist or are exacerbated in the future, we could be negatively impacted. We have and continue to implement plans and processes to mitigate these challenges that many manufacturers similarly face. Our prospects remain positive with additional capacity forthcoming to allow for continued sales growth through our aggressive product development efforts.

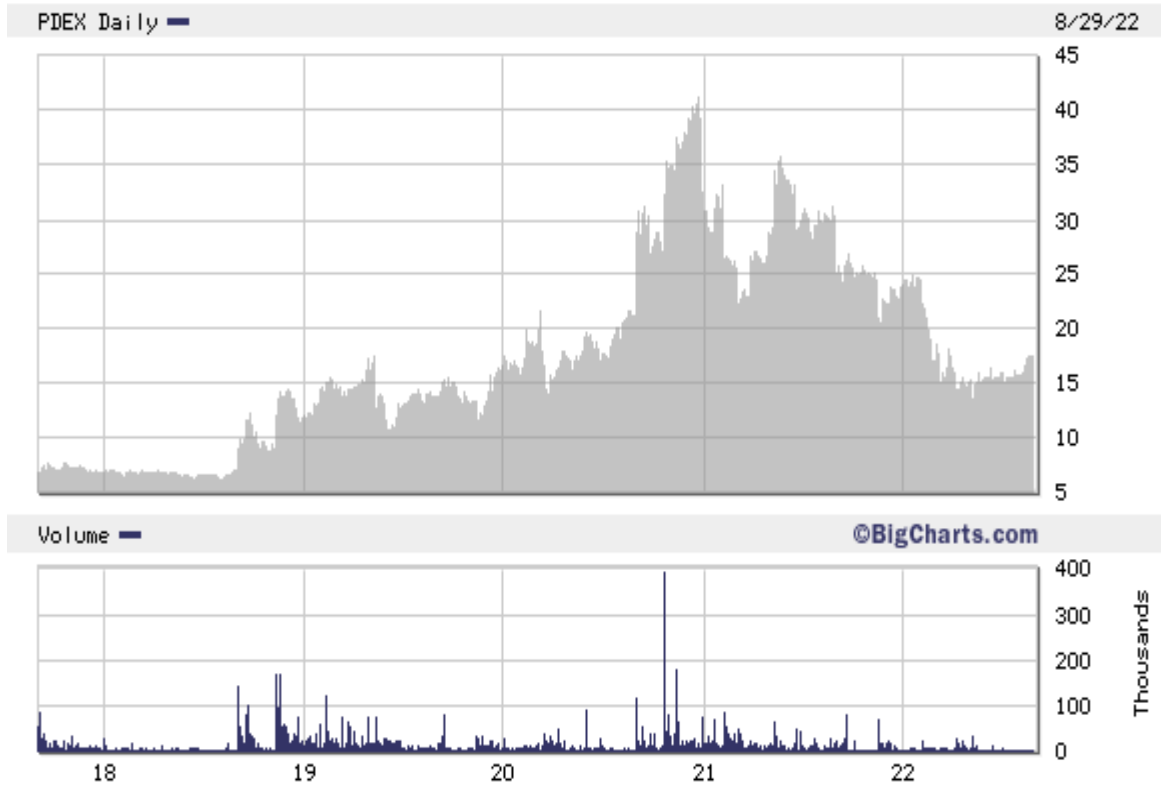
**CEO Comments**

"We are very pleased with our continued year-over-year sales growth, especially given the challenging environment we faced related to sourcing components this fiscal year, as well as the progress we have made in our validation efforts at our new building." said the Company's President and Chief Executive Officer Richard L. ("Rick") Van Kirk. "With our new building and additional capacity coming online this year, combined with our focus on new business development and technology, we are excited about the continued growth we expect to see in the next fiscal year and beyond."

Source: Company report.

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**Exhibit 2: 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	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	<b>8.6</b>	<b>8.3</b>	<b>11.7</b>	<b>9.4</b>	<b>38.0</b>	<b>10.0</b>	<b>10.2</b>	<b>9.3</b>	<b>12.6</b>	<b>42.0</b>	<b>10.2</b>	<b>10.4</b>	<b>9.8</b>	<b>12.6</b>	<b>43.0</b>	<b>10.8</b>	<b>11.0</b>	<b>10.5</b>	<b>12.7</b>	<b>45.0</b>
Cost of Revenues	5.1	5.7	7.4	6.3	24.5	6.6	6.8	6.4	9.2	28.9	6.7	6.8	6.4	8.1	28.0	7.1	7.3	6.8	8.2	29.3
Gross Profit	3.5	2.6	4.4	3.1	13.6	3.4	3.4	2.9	3.4	13.1	3.5	3.5	3.4	4.5	15.0	3.7	3.7	3.7	4.6	15.7
Sales and marketing	0.1	0.2	0.1	0.2	0.6	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.7	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	0.9	0.9	0.9	1.1	3.9	1.0	1.0	0.9	1.1	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	0.7	0.7	0.7	0.8	2.8	0.7	0.7	0.7	0.8	3.0
Restructuring and other					0.0			0.0	0.0	0.0					0.0					0.0
Total operating expenses	1.9	2.1	2.5	2.5	9.1	2.1	1.8	1.8	2.3	8.0	1.8	1.8	1.7	2.2	7.4	1.9	1.9	1.8	2.2	7.8
<b>Operating income (loss)</b>	<b>1.5</b>	<b>0.5</b>	<b>1.9</b>	<b>0.6</b>	<b>4.5</b>	<b>1.3</b>	<b>1.6</b>	<b>1.0</b>	<b>1.2</b>	<b>5.1</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>2.4</b>	<b>7.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>2.4</b>	<b>7.9</b>
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)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.5)
Other income (expense)			0.8	0.5	1.3	0.1	(0.3)	(0.3)	0.4	(0.0)					0.0					0.0
Income before income taxes	1.5	0.5	2.6	1.0	5.6	1.4	1.2	0.6	1.5	4.7	1.6	1.6	1.6	2.2	7.0	1.7	1.7	1.7	2.2	7.3
Income taxes	0.3	0.1	0.6	0.2	1.2	0.3	0.3	0.2	0.1	0.9	0.3	0.3	0.3	0.5	1.5	0.3	0.4	0.4	0.5	1.5
Net income (loss)	1.3	0.3	2.0	0.9	4.4	1.1	0.9	0.5	1.4	3.9	1.2	1.3	1.3	1.8	5.5	1.3	1.3	1.4	1.8	5.8
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>1.3</b>	<b>0.3</b>	<b>2.0</b>	<b>0.9</b>	<b>4.4</b>	<b>1.1</b>	<b>0.9</b>	<b>0.5</b>	<b>1.4</b>	<b>3.9</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>	<b>1.8</b>	<b>5.5</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.8</b>	<b>5.8</b>
EBITDA	1.7	0.7	2.5	1.2	6.2	1.8	2.1	1.6	1.7	7.1	2.2	2.3	2.3	2.9	9.7	2.3	2.4	2.4	2.9	10.0
Shares, Basic	3.9	3.9	3.8	3.7	3.8	3.7	3.7	3.6	3.6	3.6	3.7	3.7	3.8	3.8	3.7	3.9	3.9	4.0	4.0	3.9
Shares, Diluted	4.0	4.0	4.0	3.8	3.9	3.8	3.8	3.7	3.7	3.8	3.8	3.8	3.9	3.9	3.9	4.0	4.0	4.1	4.1	4.1
EPS Basic (Pro forma)	\$0.33	\$0.09	\$0.52	\$0.23	\$1.17	\$0.29	\$0.25	\$0.13	\$0.39	\$1.06	\$0.34	\$0.34	\$0.34	\$0.46	\$1.48	\$0.34	\$0.34	\$0.34	\$0.44	\$1.47
<b>EPS Diluted (Pro forma)</b>	<b>\$0.32</b>	<b>\$0.08</b>	<b>\$0.50</b>	<b>\$0.22</b>	<b>\$1.13</b>	<b>\$0.28</b>	<b>\$0.25</b>	<b>\$0.12</b>	<b>\$0.38</b>	<b>\$1.02</b>	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.45</b>	<b>\$1.43</b>	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.33</b>	<b>\$0.43</b>	<b>\$1.43</b>
<b>Margins</b>																				
Gross margin	40.5%	31.4%	37.4%	33.1%	35.7%	34.3%	33.5%	30.8%	27.3%	31.2%	34.0%	34.0%	35.0%	36.0%	34.8%	34.0%	34.0%	35.0%	36.0%	34.8%
Sales and marketing	1.5%	1.8%	1.2%	1.9%	1.6%	0.4%	0.2%	0.2%	0.1%	0.2%	1.7%	1.7%	1.7%	1.7%	1.7%	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%	9.0%	9.0%	9.0%	9.0%	9.0%	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%	6.6%	6.6%	6.7%	6.6%	6.6%	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%	16.7%	16.7%	17.6%	18.7%	17.5%	16.7%	16.7%	17.6%	18.7%	17.5%
Tax rate, GAAP	18.3%	27.7%	22.9%	16.9%	20.9%	22.4%	23.6%	27.1%	5.8%	18.1%	21.0%	21.0%	21.0%	21.0%	21.0%	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%	12.1%	12.2%	12.8%	13.9%	12.8%	12.2%	12.2%	12.9%	13.9%	12.9%
<b>Y/Y % change</b>																				
Total Revenue	19%	4%	38%	-15%	9%	16%	23%	-21%	34%	11%	2%	2%	6%	0%	2%	6%	6%	6%	1%	5%
Gross margin	25%	-9%	37%	-27%	3%	-1%	31%	-35%	10%	-3%	1%	4%	20%	32%	14%	6%	6%	6%	1%	5%
Sales and marketing	-8%	11%	-16%	27%	3%	-72%	-85%	-85%	-93%	-85%	368%	702%	736%	1687%	703%	6%	6%	6%	1%	5%
General and administrative	6%	41%	77%	1%	28%	55%	24%	-11%	30%	20%	-16%	-20%	-23%	-24%	-21%	6%	6%	6%	1%	5%
Research and development	125%	149%	78%	47%	89%	-10%	-38%	-40%	-40%	-32%	-31%	11%	0%	15%	-5%	6%	6%	6%	1%	5%
Operating income (loss)	4%	-69%	9%	-73%	-36%	-15%	207%	-45%	100%	13%	29%	8%	70%	100%	47%	6%	6%	7%	1%	5%
Net income (loss)	15%	-73%	64%	-67%	-27%	-16%	174%	-77%	65%	-13%	16%	36%	174%	25%	43%	7%	7%	7%	1%	5%
EPS Diluted (Pro forma)	18%	-73%	66%	-65%	-25%	-11%	192%	-76%	68%	-9%	16%	34%	164%	19%	40%	1%	1%	2%	-4%	0%

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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	5.2	5.5	3.9	3.7	5.2	5.3	4.8	0.8	10.2	11.4	13.7	11.9	15.9	17.1	19.6	18.5
Short term investments	2.4	2.9	1.1	1.3	1.5	1.2	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Accounts receivable, net	6.1	4.6	11.9	10.9	10.1	8.9	8.7	15.4	12.4	12.7	12.0	15.4	13.2	13.4	12.8	15.5
Due from factor									0.0	0.0	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	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Inventory	8.3	9.2	8.4	8.4	8.9	9.3	11.9	12.7	6.7	6.8	6.4	8.1	7.1	7.3	6.8	8.2
Deferred income taxes									0.0	0.0	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	0.6	0.6	0.6	0.8	0.7	0.7	0.7	0.8
<b>Total current assets</b>	<b>22.5</b>	<b>22.7</b>	<b>26.6</b>	<b>25.0</b>	<b>26.0</b>	<b>26.1</b>	<b>28.1</b>	<b>31.2</b>	<b>31.4</b>	<b>33.0</b>	<b>34.2</b>	<b>37.7</b>	<b>38.3</b>	<b>40.0</b>	<b>41.3</b>	<b>44.5</b>
Property and equipment, net	2.6	9.2	9.6	10.3	10.9	13.4	11.0	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	12.0
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	0.0	0.0
Long term investments	2.3	3.2	3.0	1.7	1.7	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
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	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<b>Total assets</b>	<b>30.8</b>	<b>38.4</b>	<b>42.3</b>	<b>40.3</b>	<b>41.9</b>	<b>42.1</b>	<b>43.9</b>	<b>47.3</b>	<b>47.6</b>	<b>49.4</b>	<b>50.7</b>	<b>54.2</b>	<b>54.9</b>	<b>56.7</b>	<b>58.2</b>	<b>61.4</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	1.8	2.5	2.5	2.3	2.5	2.3	3.5	3.8	3.0	3.1	2.9	3.8	3.2	3.3	3.1	3.8
Accrued expenses	1.8	1.8	2.6	2.2	2.2	1.8	1.7	2.8	2.2	2.3	2.1	2.8	2.4	2.4	2.3	2.8
Deferred revenue	0.2	0.2	0.2	0.2	0.3	0.6	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Deferred income tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital lease									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	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	3.3	3.3	3.3	3.3	3.3	3.3	3.3
<b>Total current liabilities</b>	<b>4.5</b>	<b>4.9</b>	<b>6.5</b>	<b>5.9</b>	<b>6.2</b>	<b>6.0</b>	<b>7.7</b>	<b>10.8</b>	<b>9.6</b>	<b>9.7</b>	<b>9.4</b>	<b>10.8</b>	<b>9.9</b>	<b>10.0</b>	<b>9.7</b>	<b>10.9</b>
Deferred income taxes	0.5	0.6	1.2	0.4	0.7	1.0	1.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other long term liabilities	2.7	2.6	2.5	2.4	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Long term debt	3.1	8.4	11.7	11.5	11.2	10.9	10.6	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
<b>Total other liabilities</b>	<b>6.3</b>	<b>11.6</b>	<b>15.4</b>	<b>14.4</b>	<b>14.3</b>	<b>14.1</b>	<b>13.9</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>	<b>12.8</b>
Common stock	12.6	12.6	9.1	8.0	8.2	7.9	7.7	7.7	8.0	8.4	8.7	9.1	9.4	9.7	10.1	10.4
Additional paid-in capital																
Retained earnings	9.2	9.5	11.5	12.3	13.2	14.1	14.6	16.0	17.2	18.5	19.7	21.5	22.8	24.2	25.5	27.3
Accumulated other comprehensive income	(1.7)	(0.3)	(0.1)	(0.2)					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other																
<b>Total stockholders' equity</b>	<b>20.1</b>	<b>21.8</b>	<b>20.4</b>	<b>20.1</b>	<b>21.4</b>	<b>22.0</b>	<b>22.3</b>	<b>23.7</b>	<b>25.2</b>	<b>26.9</b>	<b>28.5</b>	<b>30.6</b>	<b>32.2</b>	<b>33.9</b>	<b>35.6</b>	<b>37.7</b>
<b>Total stockholders' equity and liabilities</b>	<b>30.8</b>	<b>38.4</b>	<b>42.3</b>	<b>40.3</b>	<b>41.9</b>	<b>42.1</b>	<b>43.9</b>	<b>47.3</b>	<b>47.6</b>	<b>49.4</b>	<b>50.7</b>	<b>54.2</b>	<b>54.9</b>	<b>56.7</b>	<b>58.2</b>	<b>61.4</b>

**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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	4%	5%	9%	5%	2%	10%	14%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Accounts payable as % of total rev	21%	30%	22%	24%	25%	23%	38%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Inventories as % of cost of rev	163%	161%	114%	134%	136%	137%	185%	138%	100%	100%	100%	100%	100%	100%	100%	100%
Accrued expenses as % of total rev	20%	22%	23%	23%	22%	18%	18%	22%	22%	22%	22%	22%	22%	22%	22%	22%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	64	50	91	104	91	78	84	110	110	110	110	110	110	110	110	110
Inventory Turnover	2.5x	2.5x	3.5x	3.0x	2.9x	2.9x	2.2x	2.9x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x
A/P Days Payable	32	39	31	33	34	31	50	37	41	41	41	42	41	41	41	42
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$5.04	\$5.44	\$5.15	\$5.29	\$5.66	\$5.84	\$5.94	\$6.34	\$6.68	\$7.01	\$7.33	\$7.77	\$8.09	\$8.41	\$8.72	\$9.13
Cash per Share (diluted)	\$1.91	\$2.10	\$1.26	\$1.32	\$1.77	\$1.72	\$1.57	\$0.43	\$2.89	\$3.17	\$3.74	\$3.23	\$4.17	\$4.44	\$4.98	\$4.67
Net cash per Share (diluted)	\$0.96	\$0.11	-\$1.97	-\$2.04	-\$1.53	-\$1.50	-\$1.69	-\$3.20	-\$0.69	-\$0.37	\$0.25	-\$0.21	\$0.77	\$1.08	\$1.67	\$1.39

Source: Company reports and Ascendant Capital Markets estimates

**Pro-Dex, Inc.**

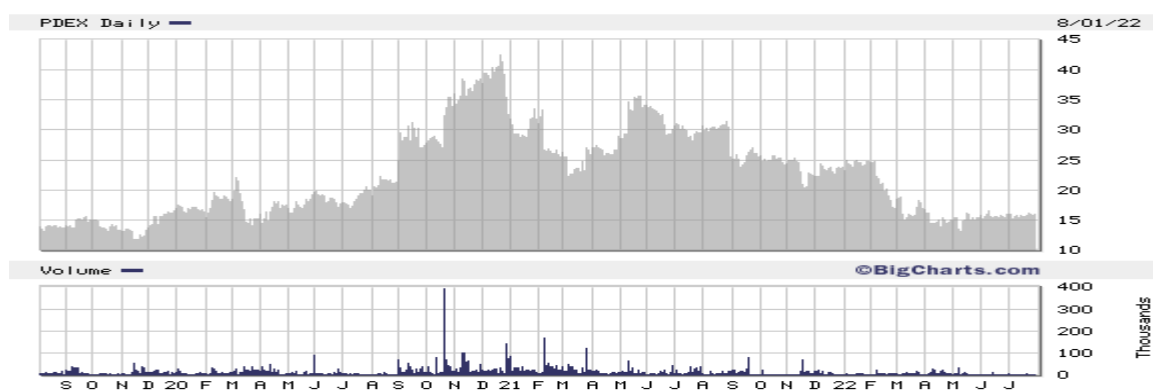
Cash Flow Statement (\$ mils)	Sep-20	Dec-20	Mar-21	Jun-21	2021	Sep-21	Dec-21	Mar-22	Jun-22	2022	Sep-22	Dec-22	Mar-23	Jun-23	2023	Sep-23	Dec-23	Mar-24	Jun-24	2024
Fiscal Year End: June 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Cash flow from operating activities</b>																				
Net income	1.3	0.3	2.0	0.9	4.5	1.1	0.9	0.5	1.4	3.9	1.2	1.3	1.3	1.8	5.5	1.3	1.3	1.4	1.8	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	0.3	0.3	0.3	0.3	1.4	0.3	0.3	0.3	0.3	1.4
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)	(0.2)				(0.3)	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other gains/losses	(0.0)		(0.8)	(0.5)	(1.3)	(0.1)	0.3	0.2	(0.4)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	
<b>Changes in operating assets and liabilities:</b>																				
Accounts receivable	(1.0)	1.5	(7.3)	1.0	(5.8)	0.8	1.2	0.2	(6.7)	(4.4)	3.0	(0.2)	0.7	(3.4)	0.0	2.2	(0.3)	0.6	(2.8)	(0.2)
Due from factor					0.0					0.0	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	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)	0.0	0.0	0.0	0.0	0.0	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)	6.0	(0.1)	0.5	(1.7)	4.6	1.0	(0.1)	0.4	(1.3)	(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)	0.2	(0.0)	0.0	(0.2)	0.0	0.1	(0.0)	0.0	(0.1)	(0.0)
Other assets					0.0					0.0	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	(0.7)	0.1	(0.2)	0.8	0.0	(0.5)	0.1	(0.2)	0.7	0.0
Accrued expenses					0.0					0.0	(0.5)	0.0	(0.1)	0.6	0.0	(0.4)	0.0	(0.1)	0.5	0.0
Deferred revenue				(0.1)	(0.1)	0.1	0.3	0.3	0.1	0.9	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash (used in) provided by</b>	<b>(0.9)</b>	<b>2.0</b>	<b>(3.9)</b>	<b>0.7</b>	<b>(2.1)</b>	<b>2.7</b>	<b>1.5</b>	<b>0.2</b>	<b>(5.3)</b>	<b>(0.8)</b>	<b>9.6</b>	<b>1.5</b>	<b>2.7</b>	<b>(1.5)</b>	<b>12.3</b>	<b>4.2</b>	<b>1.6</b>	<b>2.7</b>	<b>(0.8)</b>	<b>7.8</b>
<b>Cash flow from investing activities</b>																				
Purchases of property and equip	(0.1)	(0.2)	(0.6)	(0.9)	(1.8)	(0.8)	(0.2)	(0.2)	(0.4)	(1.6)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	(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					0.0					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
<b>Net cash used in investing acti</b>	<b>0.0</b>	<b>(6.7)</b>	<b>2.3</b>	<b>0.7</b>	<b>(3.7)</b>	<b>(0.9)</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>0.4</b>	<b>(1.2)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(1.2)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(1.2)</b>
<b>Cash flow from financing activities</b>																				
Issuance of debt		5.2	4.0		9.1				2.0	2.0	0.0	0.0	0.0	0.0	0.0	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)					0.0					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	0.0	0.0
Repurchase of common stock			(4.0)	(1.5)	(5.5)	(0.1)	(0.6)	(0.6)	(0.4)	(1.6)					0.0					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					0.0					0.0
Other					0.0					0.0					0.0					0.0
<u>Dividends and distributions</u>					0.0					0.0					0.0					0.0
<b>Cash provided by (used in) fina</b>	<b>(0.4)</b>	<b>5.1</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>3.1</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>(0.5)</b>	<b>1.0</b>	<b>(0.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Effect of exchange rate on cash					0.0					0.0					0.0					0.0
<b>Net increase (decrease) in cash</b>	<b>(1.2)</b>	<b>0.3</b>	<b>(1.6)</b>	<b>(0.2)</b>	<b>(2.7)</b>	<b>1.5</b>	<b>0.1</b>	<b>(0.5)</b>	<b>(3.9)</b>	<b>(2.9)</b>	<b>9.3</b>	<b>1.2</b>	<b>2.4</b>	<b>(1.8)</b>	<b>11.1</b>	<b>3.9</b>	<b>1.3</b>	<b>2.4</b>	<b>(1.1)</b>	<b>6.6</b>
<b>Beginning cash and equivalent</b>	<b>6.4</b>	<b>5.2</b>	<b>5.5</b>	<b>3.9</b>	<b>6.4</b>	<b>3.7</b>	<b>5.2</b>	<b>5.3</b>	<b>4.8</b>	<b>3.7</b>	<b>0.8</b>	<b>10.2</b>	<b>11.4</b>	<b>13.7</b>	<b>0.8</b>	<b>11.9</b>	<b>15.9</b>	<b>17.1</b>	<b>19.6</b>	<b>11.9</b>
<b>Ending cash and equivalents</b>	<b>5.2</b>	<b>5.5</b>	<b>3.9</b>	<b>3.7</b>	<b>3.7</b>	<b>5.2</b>	<b>5.3</b>	<b>4.8</b>	<b>0.8</b>	<b>0.8</b>	<b>10.2</b>	<b>11.4</b>	<b>13.7</b>	<b>11.9</b>	<b>11.9</b>	<b>15.9</b>	<b>17.1</b>	<b>19.6</b>	<b>18.5</b>	<b>18.5</b>

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

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## Pro-Dex, Inc.



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

Report	Report Date		Rating	Price
	Date			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

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**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 Rating System**

*Prior to January 31, 2014, ASCM used the following rating system:*

**Strong Buy:** We expect the stock to provide a total return of 30% or more within a 12-month period.

**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

**Neutral:** We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

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