

PRO DEX INC
Form 10-Q
May 14, 2015

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
x 1934**

For the quarterly period ended

MARCH 31, 2015

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
o 1934**

For the transition period from _____ to _____

Commission File Number 0-14942

PRO-DEX, INC.

(Exact name of registrant as specified in its charter)

COLORADO 84-1261240
(State or Other Jurisdiction (IRS Employer
of Incorporation or Organization) Identification No.)

2361 McGaw Avenue, Irvine, California 92614

(Address of principal executive offices and zip code)

(949) 769-3200

(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock outstanding as of the latest practicable date: 4,139,579 shares of Common Stock, no par value, as of May 5, 2015.

PRO-DEX, INC. AND SUBSIDIARIES**QUARTERLY REPORT ON FORM 10-Q****FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2015****TABLE OF CONTENTS**

	Page
<u>PART I — FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS (Unaudited)</u>
	3
	<u>Condensed Consolidated Balance Sheets as of March 31, 2015 and June 30, 2014</u>
	4
	<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended March 31, 2015 and 2014</u>
	5
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2015 and 2014</u>
	7
	<u>Notes to Condensed Consolidated Financial Statements</u>
<u>ITEM 2.</u>	<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>
	18
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>
	27
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>
	27
<u>PART II — OTHER INFORMATION</u>	
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>
	28
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>
	28
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>
	29

<u>ITEM 6.</u>	<u>EXHIBITS</u>	29
<u>SIGNATURES</u>		31

Table of Contents**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****PRO-DEX, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except share amounts)**

	March 31, 2015	June 30, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$1,475	\$3,188
Accounts receivable, net of allowance for doubtful accounts of \$30 and \$29, respectively	2,099	1,776
Unbilled receivables	1,398	1,073
Other current receivables	20	31
Inventory	3,444	2,600
Prepaid expenses	184	110
Notes receivable	1,236	—
Deferred income taxes	139	115
Total current assets	9,995	8,893
Investments	—	1,058
Equipment and leasehold improvements, net	1,604	1,575
Goodwill	353	—
Intangibles	577	105
Other assets	86	77
Total assets	\$12,615	\$11,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$1,534	\$744
Accrued expenses	1,686	1,090
Deferred revenue	530	232
Income taxes payable	—	53
Note payable	24	—
Capital lease obligations	9	8
Total current liabilities	3,783	2,127
Deferred income taxes	144	115

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Deferred rent	210	243
Note payable, net of current portion	76	—
Capital lease obligations, net of current portion	—	7
Total non-current liabilities	430	365
Total liabilities	4,213	2,492
Shareholders' equity:		
Common shares; no par value; 50,000,000 shares authorized; 4,139,579 and 4,211,019 shares issued and outstanding at March 31, 2015 and June 30, 2014, respectively	18,408	18,582
Accumulated other comprehensive income	—	202
Accumulated deficit	(10,006)	(9,568)
Total shareholders' equity	8,402	9,216
Total liabilities and shareholders' equity	\$12,615	\$11,708

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PRO-DEX, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE LOSS****(Unaudited)****(In thousands, except per share amounts)**

	Three Months Ended March 31, 2015		Nine Months Ended March 31, 2014	
Net sales	\$3,922	\$2,404	\$9,310	\$7,599
Cost of sales	2,877	1,864	6,741	5,564
Gross profit	1,045	540	2,569	2,035
Operating expenses:				
Selling expenses	363	177	691	408
General and administrative expenses	592	420	1,542	1,304
Research and development costs	480	381	1,309	1,121
Total operating expenses	1,435	978	3,542	2,833
Operating loss	(390)	(438)	(973)	(798)
Interest expense	(1)	(2)	(4)	(7)
Interest income	1	1	6	11
Gain from disposal of equipment	1	—	1	—
Realized gain on sale of investments	395	27	455	27
Income (loss) from continuing operations before income taxes	6	(412)	(515)	(767)
Income tax (expense) benefit	(98)	54	40	88
Loss from continuing operations	(92)	(358)	(475)	(679)
Income (loss) from discontinued operations, net of income taxes	16	(27)	37	167
Net loss	\$(76)	\$(385)	\$(438)	\$(512)
Other comprehensive income, net of tax:				
Unrealized gain from marketable equity investments	—	20	—	225
Less: Reclassification of realized gains included in net loss	—	(27)	—	(27)
Comprehensive loss	\$(76)	\$(392)	\$(438)	\$(314)
Basic and diluted net loss per share:				
Loss from continuing operations	\$(0.02)	\$(0.11)	\$(0.11)	\$(0.20)
Income (loss) from discontinued operations	—	(0.01)	0.01	0.05
Net loss	\$(0.02)	\$(0.12)	\$(0.10)	\$(0.15)

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Weighted average common shares outstanding:

Basic	4,158	3,342	4,179	3,344
Diluted	4,158	3,342	4,179	3,344
Common shares outstanding	4,140	3,344	4,140	3,344

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

Table of Contents

PRO-DEX, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**(Unaudited)****(In thousands)**

	Nine Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(438)	\$(512)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	398	398
Gain on sale of investments	(455)	(27)
Gain on sale of real estate held for sale	—	(167)
Loss (gain) on retirement of equipment	(1)	6
Share-based compensation	14	42
Deferred income tax benefit	5	—
Allowance for doubtful accounts receivable	1	18
Changes in operating assets and liabilities:		
Accounts receivable and other current receivables	(313)	189
Unbilled receivables	(324)	(754)
Inventory	(839)	650
Prepaid expenses and other assets	(83)	(46)
Accounts payable, accrued expenses and deferred rent	1,352	(272)
Deferred revenue	298	136
Income taxes payable	(53)	(4)
Net cash used in operating activities	(438)	(343)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(12)	(327)
Purchases of equipment and leasehold improvements	(242)	(25)
Business acquisitions	(865)	—
Purchase of notes receivable	(1,236)	—
Proceeds from sale of real estate held for sale	—	900
Proceeds from sale of equipment	1	4
Proceeds from sale of investments	1,324	88
Increase in intangibles	(50)	(53)
Net cash provided by (used in) investing activities	(1,080)	587
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of common stock	(154)	—
Proceeds from exercise of stock options	—	6
Repurchase of stock options	(32)	—
Payments made for common stock rights offering	(3)	—

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Principal payments on capital lease	(6)	(4)
Net cash provided by (used in) financing activities	(195)	2
Net increase (decrease) in cash and cash equivalents	(1,713)	246
Cash and cash equivalents, beginning of period	3,188	1,680
Cash and cash equivalents, end of period	\$1,475	\$1,926

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

PRO-DEX, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(Unaudited)

(In thousands)

	Nine Months Ended March 31, 2015 2014	
Supplemental disclosures of cash flow information:		
Noncash investing and financing activities:		
Promissory note issued in conjunction with a business acquisition	\$100	\$ —
Cash paid during the period for:		
Interest	\$4	\$ 7
Income taxes, net of refunds	\$9	\$ 7

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Table of Contents

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDAT