PRO DEX INC Form 10-Q May 14, 2015

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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 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 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 Ö 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 Ö 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 Ö

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

Yes NoÖ

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

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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

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	18,408	18,582
issued and outstanding at March 31, 2015 and June 30, 2014, respectively	10,400	10,362
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.

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

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.

PRO-DEX, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES: March 31, 2014 Net loss \$(438) \$ \$(512) \$ Adjustments to reconcile net loss to net cash used in operating activities: 398 398 Depreciation and amortization 398 398 398 Gain on sale of investments — (167) 10 </th <th></th> <th>Nine Mon</th> <th>ths</th>		Nine Mon	ths
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Proceeds from sale of real estate held for sale Proceeds from sale of equipment Proceeds from sale of investments Increase in intangibles Net cash provided by (used in) investing activities CASH FLOWS FROM FINANCING ACTIVITIES: Purchase of common stock Proceeds from exercise of stock options Repurchase of stock options (32) — 900 1 4 4 7 7 88 7 7 7 8 7 8 7 8 7 8 7 8 7 8 7 8 7 9 9 9 9 9 9 9 9 9 9 9 9	Business acquisitions	(865)	
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Proceeds from exercise of stock options — 6 Repurchase of stock options (32) —	Purchase of common stock	(154)	
Repurchase of stock options (32) —			6
	*	(32)	
1 ayrichts made for common stock rights offering (5) —	Payments made for common stock rights offering	(3)	

Principal payments on capital lease Net cash provided by (used in) financing activities	(6) (4) (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.

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

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

<u>Table of Contents</u> PRO-DEX, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDAT