

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**PRO DEX INC**

**Form: 8-K**

**Date Filed: 2018-02-08**

Corporate Issuer CIK: 788920

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **February 8, 2018**

**PRO-DEX, INC.**

*(Exact name of registrant as specified in charter)*

**COLORADO**

*(State or other jurisdiction of incorporation)*

**0-14942**

*(Commission File Number)*

**84-1261240**

*(I.R.S. Employer Identification Number)*

**2361 McGaw Avenue  
Irvine, California 92614**

*(Address of principal executive offices, zip code)*

**(949) 769-3200**

*(Registrant's telephone number including area code)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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**Item 2.02. Results of Operations and Financial Condition.**

The information in this Item 2.02 of this Form 8-K, as well as Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On February 8, 2018, Pro-Dex, Inc. (the “Company”) is issuing a press release announcing its financial performance for the second fiscal quarter and six months ended December 31, 2017. A copy of the press release is attached to this Form 8-K as Exhibit 99.1, which is incorporated herein by this reference.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| Exhibit<br>Number    | Description                           |
|----------------------|---------------------------------------|
| <a href="#">99.1</a> | Press Release dated February 8, 2018. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 8, 2018

**PRO-DEX, Inc.**

By: /s/ Alisha K. Charlton  
Alisha K. Charlton  
Chief Financial Officer

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## INDEX TO EXHIBITS

| Exhibit<br>Number    | Description                           |
|----------------------|---------------------------------------|
| <a href="#">99.1</a> | Press Release dated February 8, 2018. |



Contact: Richard L. Van Kirk, Chief Executive Officer  
(949) 769-3200

***For Immediate Release***

**PRO-DEX, INC. ANNOUNCES FISCAL 2018 SECOND QUARTER  
AND SIX-MONTH RESULTS**

**IRVINE, CA**, February 8, 2018 - PRO-DEX, INC. (NasdaqCM: PDEX) today announced financial results for its fiscal 2018 second quarter ended December 31, 2017. The Company also filed its Quarterly Report on Form 10-Q for the second quarter of fiscal year 2018 with the Securities and Exchange Commission today.

**Quarter Ended December 31, 2017**

Net sales for the three months ended December 31, 2017 increased \$961,000, or 21%, to \$5.6 million from \$4.6 million for the three months ended December 31, 2016, due to increased sales of our medical device products to our top three customers.

Gross profit for the three months ended December 31, 2017 increased \$406,000, or 31%, to \$1.7 million from \$1.3 million for the same period in fiscal 2017, due to the increase in sales described above as well as cost-cutting measures that were implemented during the second quarter of fiscal 2017.

Operating expenses (which include selling, general and administrative, and research and development expenses) for the quarter ended December 31, 2017 increased \$328,000, or 31%, to \$1.3 million compared to the prior fiscal year's corresponding quarter, reflecting the impairment of our Finline goodwill and intangible assets as well as increased research and development expenses as we work to complete a Pro-Dex branded driver for use in thoracic surgical applications, which we expect will be ready for sale and production by the end of this fiscal year.

Income from continuing operations for the quarter ended December 31, 2017 decreased by \$2.8 million to \$345,000, compared to \$3.1 million in the corresponding quarter in fiscal 2017. This decrease reflects the income tax benefit of \$2.9 million recorded in the second quarter of fiscal 2017 due to the release of the valuation allowance against our deferred tax assets because we believed at that time that it was more likely than not that we would generate sufficient levels of future profitability to realize substantially all of our deferred tax assets. Net income for the quarter ended December 31, 2017 was \$345,000, or \$0.08 per share, compared to \$3.2 million, or \$0.78 per share, for the corresponding quarter in fiscal 2017.

**Six Months Ended December 31, 2017**

Net sales for the six months ended December 31, 2017 increased \$995,000, or 10%, to \$10.7 million from \$9.7 million for the six months ended December 31, 2016, due primarily to increases in medical device product revenues. We are focusing both our research and development efforts and our business development efforts on our medical device product offerings and sales related to other ancillary products have decreased.

Gross profit for the six months ended December 31, 2017 increased \$845,000, or 31%, compared to the same period in fiscal 2017. The gross profit increase is due to increased net sales of 10%, as well as improved margins due to our investment in machinery and equipment.

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Operating expenses (which include selling, general and administrative, and research and development expenses) for the six months ended December 31, 2017 increased 9% to \$2.4 million from \$2.2 million in the prior fiscal year's corresponding period, reflecting primarily increased research and development expenses as described above.

Income from continuing operations for the six months ended December 31, 2017 was \$973,000, compared to \$3.4 million for the corresponding period in fiscal 2017. This decrease also reflects the above-described tax benefit of \$2.9 million recorded in the second quarter of fiscal 2017. Net income for the six months ended December 31, 2017 was \$973,000, or \$0.23 per share, compared to \$3.5 million, or \$0.85 per share, for the corresponding period in fiscal 2017.

### **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 and expect our momentum to continue for the balance of the fiscal year. We are also pleased to have been named an OC Top Workplace by the Orange County Register and a fastest growing small public company by the Orange County Business Journal, the second consecutive year we have received that recognition." Mr. Van Kirk continued, "Finally, in January 2018, our largest customer executed a contract extension for deliveries of their surgical hand piece through calendar 2021, which will provide us with a stable base from which to build our top-line revenue."

### **About Pro-Dex, Inc.:**

Pro-Dex, Inc. specializes in the design, development and manufacture of autoclavable, battery-powered and electric, multi-function surgical drivers and shavers used primarily in the orthopedic and maxocranial facial markets. We have patented adoptive torque-limiting software and proprietary sealing solutions which appeal to our customers, primarily medical device distributors. Pro-Dex also sells dental instruments and rotary air motors. Its Fineline Molds division manufactures plastic injection molding for a variety of industries. Pro-Dex's products are found in hospitals, dental offices, and medical engineering labs around the world. For more information, visit the Company's website at [www.pro-dex.com](http://www.pro-dex.com).

Statements herein concerning the Company's plans, growth and strategies may include 'forward-looking statements' within the context of the federal securities laws. Statements regarding the Company's future events, developments and future performance, as well as management's expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. The Company's actual results may differ materially from those suggested as a result of various factors. Interested parties should refer to the disclosure concerning the operational and business concerns of the Company set forth in the Company's filings with the Securities and Exchange Commission.

(tables follow)

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**PRO-DEX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except share amounts)

|   | December 31,<br>2017 | June 30,<br>2017 |
|---|----------------------|------------------|
| <b>ASSETS</b>   |                      |                  |
| Current Assets:   |                      |                  |
| Cash and cash equivalents   | \$ 5,262             | \$ 4,205         |
| Investments   | 870                  | 718              |
| Accounts receivable, net of allowance for doubtful accounts of \$3 at December 31, 2017 and June 30, 2017, respectively   | 3,150                | 3,538            |
| Deferred costs  | 10                   | 12               |
| Other current assets  | 148                  | 86               |
| Inventory   | 3,196                | 3,085            |
| Notes receivable  | 1,150                | —                |
| Prepaid expenses  | 149                  | 277              |
| Total current assets  | <u>13,935</u>        | <u>11,921</u>    |
| Equipment and leasehold improvements, net   | 1,842                | 1,429            |
| Deferred income taxes, net  | 1,971                | 2,048            |
| Goodwill  | —                    | 112              |
| Intangibles, net  | 194                  | 320              |
| Notes receivable  | 800                  | 450              |
| Other assets  | 71                   | 71               |
| Total assets  | <u>\$ 18,813</u>     | <u>\$ 16,351</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                      |                  |
| Current Liabilities:  |                      |                  |
| Accounts payable  | \$ 923               | \$ 1,159         |
| Accrued expenses  | 987                  | 1,344            |
| Deferred revenue  | —                    | 19               |
| Notes and capital leases payable  | 60                   | 58               |
| Total current liabilities   | <u>1,970</u>         | <u>2,580</u>     |
| Deferred rent, net of current portion   | 67                   | —                |
| Notes and capital leases payable, net of current portion  | 31                   | 61               |
| Total non-current liabilities   | <u>98</u>            | <u>61</u>        |
| Total liabilities   | <u>2,068</u>         | <u>2,641</u>     |
| Shareholders' equity:   |                      |                  |
| Common shares; no par value; 50,000,000 shares authorized; 4,360,481 and 4,025,193 shares issued and outstanding at December 31, 2017 and June 30, 2017, respectively | 19,889               | 17,704           |
| Accumulated comprehensive income (loss)   | (90)                 | 33               |
| Accumulated deficit   | (3,054)              | (4,027)          |
| Total shareholders' equity  | <u>16,745</u>        | <u>13,710</u>    |
| Total liabilities and shareholders' equity  | <u>\$ 18,813</u>     | <u>\$ 16,351</u> |



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

|  | Three Months Ended<br>December 31, |          | Six Months Ended<br>December 31, |          |
|--|------------------------------------|----------|----------------------------------|----------|
|  | 2017                               | 2016     | 2017                             | 2016     |
| Net sales  | \$ 5,560                           | \$ 4,599 | \$ 10,723                        | \$ 9,728 |
| Cost of sales  | 3,843                              | 3,288    | 7,145                            | 6,995    |
| Gross profit   | 1,717                              | 1,311    | 3,578                            | 2,733    |
| Operating expenses:                                      |                                    |          |                                  |          |
| Selling expenses   | 87                                 | 159      | 174                              | 308      |
| General and administrative expenses                      | 576                                | 605      | 1,080                            | 1,169    |
| Impairment of goodwill and intangible assets             | 229                                | —        | 229                              | 113      |
| Research and development costs                           | 478                                | 278      | 885                              | 581      |
| Total operating expenses                                 | 1,370                              | 1,042    | 2,368                            | 2,171    |
| Operating income   | 347                                | 269      | 1,210                            | 562      |
| Interest expense   | (2)                                | (4)      | (4)                              | (7)      |
| Interest income  | 75                                 | 11       | 93                               | 12       |
| Gain from disposal of equipment                          | 3                                  | —        | 15                               | 3        |
| Income from continuing operations before income taxes    | 423                                | 276      | 1,314                            | 570      |
| Income tax (expense) benefit                             | (78)                               | 2,859    | (341)                            | 2,852    |
| Income from continuing operations                        | 345                                | 3,135    | 973                              | 3,422    |
| Income from discontinued operations, net of income taxes | —                                  | 59       | —                                | 58       |
| Net income   | \$ 345                             | \$ 3,194 | \$ 973                           | \$ 3,480 |
| Other comprehensive loss, net of tax:                    |                                    |          |                                  |          |
| Unrealized loss from marketable equity investments       | (15)                               | (6)      | (124)                            | (6)      |
| Comprehensive income                                     | \$ 330                             | \$ 3,188 | \$ 849                           | \$ 3,474 |
| Basic net income per share:                              |                                    |          |                                  |          |
| Income from continuing operations                        | \$ 0.08                            | \$ 0.77  | \$ 0.23                          | \$ 0.84  |
| Income from discontinued operations                      | —                                  | 0.02     | —                                | 0.01     |
| Net income   | \$ 0.08                            | \$ 0.79  | \$ 0.23                          | \$ 0.85  |
| Diluted net income per share:                            |                                    |          |                                  |          |
| Income from continuing operations                        | \$ 0.08                            | \$ 0.77  | \$ 0.23                          | \$ 0.84  |
| Income from discontinued operations                      | —                                  | 0.01     | —                                | 0.01     |
| Net income   | \$ 0.08                            | \$ 0.78  | \$ 0.23                          | \$ 0.85  |
| Weighted average common shares outstanding:              |                                    |          |                                  |          |
| Basic  | 4,359                              | 4,057    | 4,255                            | 4,060    |
| Diluted  | 4,400                              | 4,092    | 4,295                            | 4,098    |
| Common shares outstanding                                | 4,360                              | 4,040    | 4,360                            | 4,040    |

**PRO-DEX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

|   | Six Months Ended<br>December 31, |                 |
|---|----------------------------------|-----------------|
|   | 2017                             | 2016            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                  |                 |
| Net income  | \$ 973                           | \$ 3,480        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |                 |
| Depreciation and amortization   | 310                              | 275             |
| Gain from disposal of equipment   | (15)                             | (3)             |
| Share-based compensation  | 49                               | 2               |
| Impairment of goodwill and intangible assets                                      | 229                              | 113             |
| Deferred income tax expense (benefit)   | 77                               | (2,837)         |
| Bad debt expense (recovery)   | —                                | (9)             |
| Changes in operating assets and liabilities:                                      |                                  |                 |
| Accounts receivable and other current receivables                                 | 388                              | (479)           |
| Deferred costs  | 3                                | (344)           |
| Assets held for sale  | —                                | (23)            |
| Inventory   | (112)                            | 92              |
| Prepaid expenses and other assets   | (76)                             | 6               |
| Accounts payable, accrued expenses and deferred rent                              | (526)                            | 245             |
| Deferred revenue  | (18)                             | 240             |
| Income taxes payable  | —                                | 2               |
| Net cash provided by operating activities   | <u>1,282</u>                     | <u>760</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                                  |                 |
| Purchases of investments  | (297)                            | (300)           |
| Purchases of equipment and leasehold improvements                                 | (713)                            | (376)           |
| Increase in notes receivable  | (1,500)                          | —               |
| Income tax effect of unrealized gains and losses                                  | 21                               | —               |
| Proceeds from sale of equipment   | 30                               | 3               |
| Increase in intangibles   | (15)                             | (20)            |
| Net cash used in investing activities   | <u>(2,474)</u>                   | <u>(693)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                                  |                 |
| Purchase of common stock  | —                                | (168)           |
| Proceeds from shares issued under ATM, net of commissions and fees                | 2,262                            | —               |
| Proceeds from exercise of options and ESPP contributions                          | 16                               | 16              |
| Borrowings from Summit Loan   | —                                | 600             |
| Repayments on Summit Loan   | —                                | (600)           |
| Principal payments on notes payable and capital lease                             | (29)                             | (29)            |
| Net cash provided by (used in) financing activities                               | <u>2,249</u>                     | <u>(181)</u>    |
| Net increase (decrease) in cash and cash equivalents                              | 1,057                            | (114)           |
| Cash and cash equivalents, beginning of period                                    | 4,205                            | 2,294           |
| Cash and cash equivalents, end of period  | <u>\$ 5,262</u>                  | <u>\$ 2,180</u> |