

Pro-Dex (PDEX)

Price:	\$2.30	Net Tang. Bk Value Incl. Cash, Excl.	\$8,010,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	-\$5,385,000.00
Shares Outstanding:	3,340,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	-\$2,099,000.00
Market Cap:	\$7,682,000	NTBVIC/Market Downside Recovery:	104.27%	Year 5 Disposition FCF Multiple:	3.0
Cash:	\$1,550,000	Op. Cash Flow:	-\$2,099,000	Year 5 Disposition Price:	-\$11,682,000.00
Debt:	\$20,000	Implied Years to Fill Gap:	0.16		
Net Cash:	\$1,530,000	Today's Equity if 5x Op. CF:	\$1,713,000		
Enterprise Value:	\$6,152,000			Net Tang. Book+ Gain Disposition:	-\$11,682,000.00
				IRR:	-208.74%
				Price:	-\$3.50
				Target Market Cap:	-\$11,682,000
				Target Enterprise Value:	-\$13,212,000

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

I gave a \$10 price target in early 2012 for this stock, but it went bust in mid-2012 because a large customer decided to halt all orders and instead, make their own similar product.

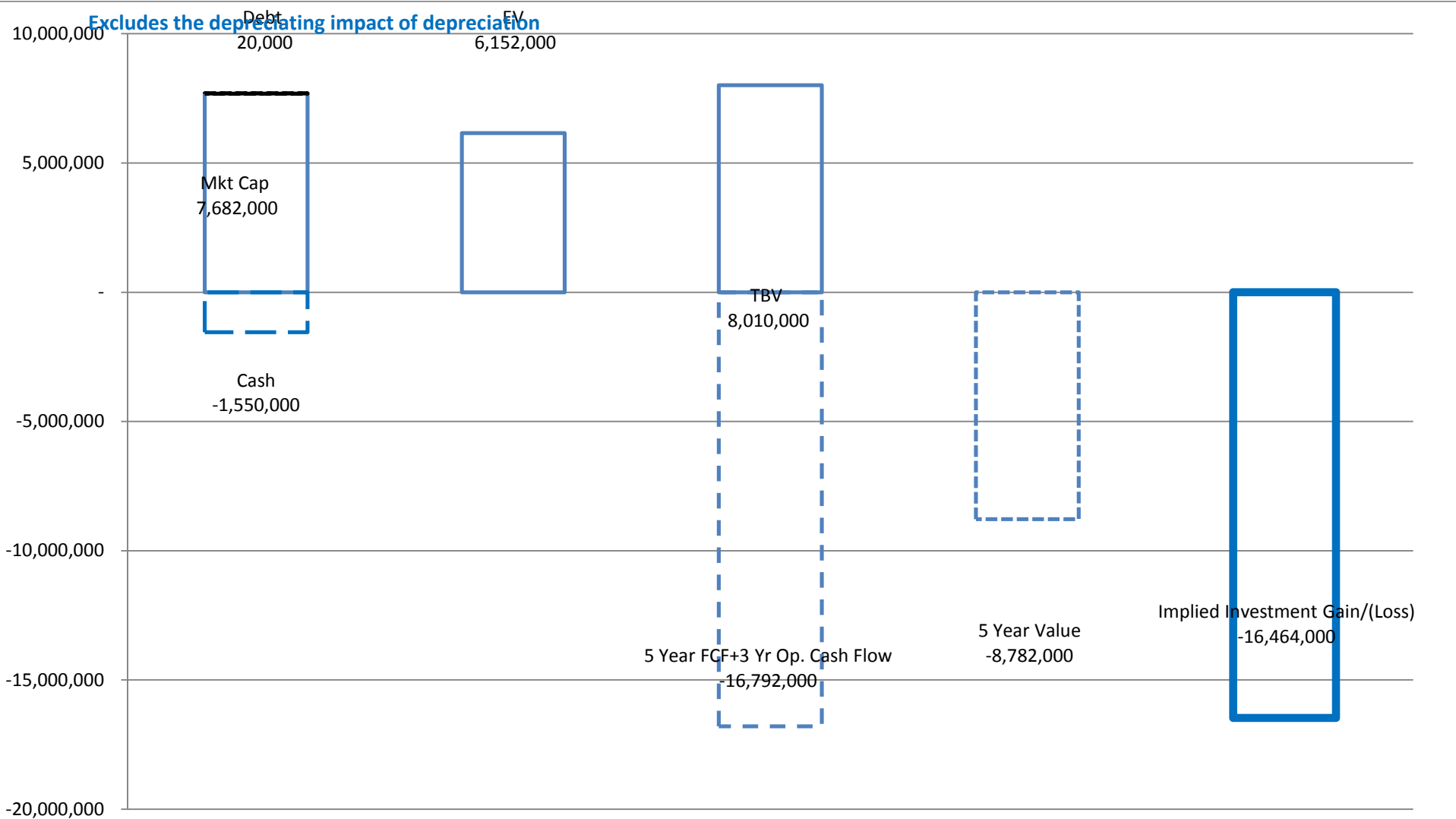
The Co. had about \$10MM in net tangible equity, but was burning cash. Since then, the Co. has cut down on operating expenses, while trying to rebuild their revenue base. Nothing has materialized, although the CEO, who was the only participant from the Co. on the most recent conference call, tried to paint a more optimistic picture of current progress.

The Co. recently announced a special rights offering, giving current shareholders the right to acquire 0.4 shares of newly issued shares at \$1.90/share, which is at a discount to today's \$2.30. The Co. would raise \$1.6MM in cash, while issuing 30% more shares outstanding.

The cash would mainly be used to fight off the cash burn. The Co. reported the previous fiscal year, they burned about \$800K, so \$1.6MM would give the Co. about 1-2 years of breathing room, before their finances dries up again. It has \$1.5MM in cash right now, but situation could be worse so I believe management wants to raise the cash buffer. It is cheap, at \$8MM, and participating in the special rights offering would prove to be prudent should the Co's products appeal to another customer, increasing revenues, which would result in positive operating cash flow. The CEO did explain in the call that the Co. generated 300K in operating cash flow the recent quarter, although it was mainly derived from inventory management. We doubt this is any indicator of a future turnaround, so we won't make the contrarian call based off 1 data point.

However, we noticed the operating loss decreasing and it seems as if the dust is settling. We will continue to monitor, but it seems it will have to wait until 2015 for any material movement.

Excludes the depreciating impact of depreciation



Pro-Dex, Inc., was incorporated in the State of Colorado. The Company with operations in Irvine, California and Beaverton, Oregon, designs and produces powered surgical and dental instruments and motion control products used in the medical, factory automation and scientific research industries. The Company's products are found in hospitals, dental offices, medical engineering labs, commercial and military aircraft, scientific research facilities and high-tech manufacturing operations internationally. The names Micro Motors, Oregon Micro Systems, and Astromec are used for marketing purposes as brand names. The Company's medical device products utilize under development and supply agreements and are manufactured in Irvine, California facility, as are its dental products. Its medical device products are sold mainly to original equipment manufacturers and its dental products are sold mainly to dental product distributors. In its Beaverton, Oregon facility, it designs and manufactures embedded multi-axis motion controllers which are sold to distributors or original equipment manufacturers in the automation and research industries. The Company competes in all of its markets with other medical device and motion control related companies. As a provider of outsourced services, it also competes with its customers' own internal development and manufacturing groups. The manufacture and distribution of medical and dental devices are subject to state and federal requirements set forth by various agencies including state dental boards and the U.S. Food and Drug Administration.

Company Name:		Pro-Dex			Income Statement	
Ticker Symbol:	PDEX	Market Capitalization:	\$7,682,000.00	Revenue:	\$10,980,000.00	100.0%
Last Price:	\$2.30	Total Debt:	\$20,000.00	Cost of Goods Sold:	\$7,260,000.00	66.1%
Net Cash/Share:	\$0.46	RCH Total Cash:	\$1,550,000.00	Gross Profit:	\$3,720,000.00	33.9%
Net Cash to Last Price:	19.92%	Net Cash/(Debt):	\$1,530,000.00	EBITDA:	-\$1,130,000.00	-10.3%
Shares Outstanding:	3,340,000	Enterprise Value:	\$6,152,000.00	Net Income:	-\$1,770,000.00	-16.1%
Industry:	Medical Instruments & Supplies	RCH Current EV/Share:	\$1.84			
Sector:	Healthcare	EBITDA:	-\$1,310,000.00	Balance Sheet		
Institutional Ownership:	17.54%	EV/EBITDA Multiple:	-4.70	Cash:	\$1,550,000.00	
Mutual Fund Ownership:	0.20%	EV/EBITDA Multiple Average Year 1-5:	-2.91	Short Term Investment:	\$0.00	
Insider Ownership:	84.21%	EV/FCF Multiple (excluding acquisition):	-4.52	A/R:	\$1,000,000.00	
Float:	67.00%		-2.93	PP&E:	\$2,000,000.00	
			Upper Range			
			DCF: EV/EBITDA Terminal Value			
Technicals		Implied TV from 3 X EV/EBITDA Multiple	-\$8,085,000.00	A/P:	\$1,000,000.00	
52 week low:	\$1.80	Enterprise Value	-\$8,085,000.00	Deferred Tax:	\$60,000.00	
Today from 52 week low:	27.78%	Cash at Year 5:	-\$8,945,000.00	Other Liabilities:	\$1,260,000.00	
52 week high:	\$3.80	Debt at Year 5:	\$20,000.00	Short term Debt:	\$10,000.00	
Today from 52 week high:	65.22%	Equity Value Year 5:	-\$17,050,000.00	Long Term Debt:	\$10,000.00	
Analyst/Consensus		Equity/Share at Year 5:	-\$5.10	Liabilities:	\$2,340,000.00	
Analyst Sales Growth FY1:	N/A	Annualized Return:	-217.29%	Retained Earnings:	-\$9,000,000.00	
Analyst Sales Growth FY2:	N/A	Lower Range				
SN Valuation Estimate FY1:	0.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				
SN Valuation Estimate FY2:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	\$3,930,000.00	Paid-In Capital:	\$17,010,000.00	
Analyst Earnings Estimate FY1:	N/A	Enterprise Value	\$3,930,000.00	Treasury Stock:	\$0.00	
Analyst Earnings Estimate FY2:	N/A	Cash at Year 5:	-\$8,945,000.00	Stockholder's Equity:	\$8,010,000.00	
SN Valuation Earnings Est. FY1:	-\$0.80	Debt at Year 5:	\$20,000.00	Cash Flow		
SN Valuation Earnings Est. FY2:	-\$0.80	Equity Value Year 5:	-\$5,035,000.00	Net Income:	-1,780,000.00	
Multiples		Equity/Share at Year 5:	-\$1.51	Depreciation/Amortization:	580,000.00	
Market Value to Book:	0.96	Annualized Return:	-191.90%	Change in Working capital:	-180,000.00	
EV to Book:	0.77	EVA				
Market Value to Tangible Net Assets:	1.96	EVA today:	\$5,277,907.39	Cash from Operating Activities:	-1,270,000.00	
P/E Ratio:	-4.34	EVA in 5 Years:	-\$4,073,534.09	Capital Expenditures:	-90,000.00	
Trailing P/E Ratio:	N/A	EVA/Share:	-\$1.22	Cash from Investing Activities:	-450,000.00	
Forward P/E Ratio:	N/A	Cash at Year 5:	-\$8,945,000.00	Cash from Financing Activities:	-710,000.00	
Beta:	0.14	Debt at Year 5:	\$20,000.00	Profitability Margins		
Dividend:	0.00	Equity Value Year 5:	-\$13,038,534.09	Debt to Equity:	0.25%	
Dividend Yield:	0.00%	Equity/Share at Year 5:	-\$3.90	Return on Assets:	-18.53%	
Dividend Date:	N/A	Annualized return:	-194.95%	Return on Capital:	-23.16%	
Ex-Dividend Date:	N/A	Current Net Tangible Asset				
Competitors		Net Tangible Asset/Share:	\$2.31	Return on Equity:	-23.22%	
Average EV to EBITDA:	N/A	Net Tangible Asset/Share in Year 5:	-\$1.71			
Company EV to EBITDA:	-4.70	Annualized return:	-194.15%			
Average EV to EBIT:	N/A	Current Equity Price:	\$2.30			
Company EV to EBITA:	-3.24	Selling at Discount?	Discount			
		Appreciation Potential:	0.23%			

SN VALUATION

LBO Pro Forma Income Statement

Name:

Pro-Dex

Ticker:

PDEX

	Historical				Forecasted				
	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	12 months ending 2013-06-30	2014	2015	2016	2017	2018
Revenue	23.21	24.06	17.26	12.25	12.25	12.25	12.25	12.25	12.25
COGS	14.85	13.92	11.84	8.53	9.19	9.19	9.19	9.19	9.19
Gross margin	8.36	10.14	5.42	3.72	3.06	3.06	3.06	3.06	3.06
SG&A	4.37	4.77	4.71	3.62	3.92	3.92	3.92	3.92	3.92
R&D	2.48	1.89	2.07	1.79	1.84	1.84	1.84	1.84	1.84
Unusual expense	4.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	-3.23	3.48	-1.36	-1.89	-2.70	-2.70	-2.70	-2.70	-2.70
Interest income/(expense)	-0.20	-0.15	-0.04	0.00	0.02	0.02	0.02	0.02	0.02
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	-3.39	3.33	-1.40	-1.90	-2.68	-2.68	-2.68	-2.68	-2.68
Tax	-0.42	0.53	-0.44	-0.04	0.00	0.00	0.00	0.00	0.00
Income after tax	-2.97	2.80	-0.96	-1.86	-2.68	-2.68	-2.68	-2.68	-2.68
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-2.97	2.80	-0.96	-1.86	-2.68	-2.68	-2.68	-2.68	-2.68
* Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.89	\$0.84	-\$0.29	-\$0.56	-\$0.80	-\$0.80	-\$0.80	-\$0.80	-\$0.80
P/E (historical today's price; forecasted intrinsic price)	-2.59	2.74	-8.00	-4.13	3.12	-3.39	3.69	-4.01	4.36
Revenue Growth	N/A	3.66%	-28.26%	-29.03%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	12.39%	15.92%	31.43%	2.11%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-6.90%	-13.27%	-5.19%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	63.98%	57.86%	68.60%	69.63%	75.00%	75.00%	75.00%	75.00%	75.00%
Gross margin	36.02%	42.14%	31.40%	30.37%	25.00%	25.00%	25.00%	25.00%	25.00%
SG&A	20.12%	19.83%	27.29%	31.18%	32.00%	32.00%	32.00%	32.00%	32.00%
R&D	10.69%	7.86%	11.99%	14.61%	15.00%	15.00%	15.00%	15.00%	15.00%
Unusual expense	19.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	-13.92%	14.46%	-7.88%	-15.43%	-22.00%	-22.00%	-22.00%	-22.00%	-22.00%
Interest income/(expense)	-0.86%	-0.62%	-0.23%	0.00%	0.13%	0.13%	0.13%	0.13%	0.13%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-14.61%	13.84%	-8.11%	-15.51%	-21.87%	-21.87%	-21.87%	-21.87%	-21.87%
Tax	-1.81%	2.20%	-2.55%	-0.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	-12.80%	11.64%	-5.56%	-15.18%	-21.87%	-21.87%	-21.87%	-21.87%	-21.87%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-12.80%	11.64%	-5.56%	-15.18%	-21.87%	-21.87%	-21.87%	-21.87%	-21.87%

						Adjustment		Adjusted Proforma	2014	2015	2016	2017	2018
	As of 2010-06-30	As of 2011-06-30	As of 2012-06-30	As of 2013-06-30	As of 2013-12-31	+	-						
Cash	3.79	4.69	4.11	1.68	1.55			1.55	-0.549	-2.65	-4.75	-6.85	-8.95
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	3.79	4.69	4.11	1.68	1.55			1.55	-0.55	-2.65	-4.75	-6.85	-8.95
Accounts Receivable	2.68	3.13	1.58	1.34	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	2.68	3.13	1.58	1.34	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Total Inventory	3.23	3.70	2.79	3.83	3.55			3.55	3.55	3.55	3.55	3.55	3.55
Prepaid Expenses	0.17	0.14	0.17	0.16	0.17			0.17	0.17	0.17	0.17	0.17	0.17
Other Current Assets	0.21	0.16	0.11	0.06	0.06			0.06	0.06	0.06	0.06	0.06	0.06
Current Assets	10.08	11.82	8.76	7.07	6.33	0.00	0.00	6.33	4.231	2.13	0.03	-2.07	-4.17
PP&E, Gross	9.95	10.20	9.04	0.00	9.00			9.00	9.00	9.00	9.00	9.00	9.00
Change in Depreciation	0.73	0.70	0.65	0.58	0.58			0.58	0.58	0.58	0.58	0.58	0.58
Accumulated Depreciation	5.86	6.54	6.50	0.00	7.00			7.00	7.58	8.16	8.74	9.32	9.90
PP&E, Net	4.09	3.66	2.54	0.00	2.00			2.00	1.42	0.84	0.26	-0.32	-0.90
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.37	0.90			0.90	0.90	0.90	0.90	0.90	0.90
Other long term assets	0.08	0.06	0.79	0.81	0.81			0.81	0.81	0.81	0.81	0.81	0.81
Long Term Assets	4.17	3.72	3.33	1.18	3.71			3.71	3.13	2.55	1.97	1.39	0.81
Total Assets	14.25	15.54	12.09	8.25	10.04	0.00	0.00	10.04	7.36	4.68	2.00	-0.68	-3.36
Accounts Payable	1.28	1.21	0.63	0.84	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Accrued Expense	1.95	2.38	1.43	1.28	1.00			1.00	1.00	1.00	1.00	1.00	1.00
Other current Liabilities	0.08	0.08	0.05	0.19	0.29			0.29	0.29	0.29	0.29	0.29	0.29
Total Current Liabilities	3.31	3.67	2.11	2.31	2.29	0.00	0.00	2.29	2.29	2.29	2.29	2.29	2.29
Notes Payables/Short Term Debt	0.40	0.36	0.77	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.04	0.00	0.00	0.01	0.01			0.01	0.01	0.01	0.01	0.01	0.01
Long term Debt	2.46	0.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.01	0.01			0.01	0.01	0.01	0.01	0.01	0.01
Total Interest Earning Debt	2.90	1.13	0.77	0.02	0.02	0.00	0.00	0.02	0.02	0.02	0.02	0.02	0.02
Deferred Income tax	0.21	0.16	0.11	0.06	0.06			0.06	0.06	0.06	0.06	0.06	0.06
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.26	0.28	0.28	0.27	-0.03			-0.03	-0.03	-0.03	-0.03	-0.03	-0.03
Total Liabilities	6.68	5.24	3.27	2.66	2.34	0.00	0.00	2.34	2.34	2.34	2.34	2.34	2.34
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	16.68	16.74	16.85	17.01	17.01		0.00	17.01	17.01	17.01	17.01	17.01	17.01
Additional Paid-in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-9.06	-6.42	-7.30	-9.08	-9.00			-9.00	-11.68	-14.36	-17.04	-19.72	-22.40
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	7.62	10.32	9.55	7.94	8.01	0.00	0.00	8.01	5.33	2.65	-0.03	-2.71	-5.38
Liability + Equity	14.30	15.56	12.82	10.60	10.35	0.00	0.00	10.35	7.67	4.99	2.31	-0.37	-3.04
Variance	-0.05	-0.02	-0.73	-2.35	-0.31			-0.31	-0.31	-0.31	-0.31	-0.31	-0.31
Debt/Equity	0.38	0.11	0.08	0.00	0.00			0.00	0.00	0.01	-0.74	-0.01	0.00
Inventory Turnover	7.19	6.50	6.19	3.20	3.45			3.45	3.45	3.45	3.45	3.45	3.45
Inventory Turnover Days	50.79	56.13	59.00	114.12	105.78			105.78	105.78	105.78	105.78	105.78	105.78
Days Inventory Outstanding	79.39	97.02	86.01	163.89	141.03			151.91	141.03	141.03	141.03	141.03	141.03
Accounts Receivable Turnover	8.66	7.69	10.92	9.14	12.25			12.25	12.25	12.25	12.25	12.25	12.25
Accounts Receivable Turnover Days	42.15	47.48	33.41	39.93	29.80			29.80	29.80	29.80	29.80	29.80	29.80
Days Payable Outstanding	31.46	31.73	19.42	35.94	39.73			42.79	39.73	39.73	39.73	39.73	39.73
Days Sales Outstanding	42.15	47.48	33.41	39.93	29.80			39.93	29.80	29.80	29.80	29.80	29.80
Cash Conversion Cycle	90.07	112.77	100.00	167.87	131.10			149.04	131.10	131.10	131.10	131.10	131.10
Net tangible assets/share	\$2.28	\$3.09	\$2.86	\$2.38	\$2.40				\$1.60	\$0.79	(\$0.01)	(\$0.81)	(\$1.61)

	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	12 months ending 2013-06-30	2014	2015	2016	2017	2018
Net Income	-2.97	2.64	-0.88	-1.78	-2.68	-2.68	-2.68	-2.68	-2.68
Depreciation	0.73	0.70	0.65	0.58	0.58	0.58	0.58	0.58	0.58
Net Income + Depreciation	-2.24	3.34	-0.23	-1.20	-2.10	-2.10	-2.10	-2.10	-2.10
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	4.52	0.03	0.12	0.11	0.00	0.00	0.00	0.00	0.00
Change in Working capital	1.05	-0.46	0.16	-0.18	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.45	1.55	0.24	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-0.47	0.91	-1.04	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.03	-0.03	0.01	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-0.07	-0.58	0.21	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	3.24	2.91	0.05	-1.27	-2.10	-2.10	-2.10	-2.10	-2.10
Capital Expenditures Expenditures	-0.14	-0.27	-0.34	-0.09	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.00	0.00	0.08	-0.37	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-0.14	-0.27	-0.26	-0.46	0.00	0.00	0.00	0.00	0.00
Financing Cash flow items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.00	0.03	-0.01	0.07	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.43	-1.76	-0.36	-0.78	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-0.43	-1.73	-0.37	-0.71	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1.12	3.79	4.69	4.11	1.55	-0.55	-2.65	-4.75	-6.85
Net Change in Cash	2.67	0.90	-0.58	-2.43	-2.10	-2.10	-2.10	-2.10	-2.10
Ending Cash Balance	3.79	4.69	4.11	1.68	-0.55	-2.65	-4.75	-6.85	-8.95
Capex to Revenue	0.60%	1.12%	1.97%	0.73%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	3.15%	2.91%	3.77%	4.73%	4.73%	4.73%	4.73%	4.73%	4.73%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	11.55%	13.01%	9.15%	10.94%	10.94%	10.94%	10.94%	10.94%	10.94%
Distributable FCF/EV Yield	50.39%	42.91%	-3.41%	-28.12%	-34.12%	-34.12%	-34.12%	-34.12%	-34.12%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	3.10	2.64	-0.29	-1.36	-2.10	-2.10	-2.10	-2.10	-2.10

SN VALUATION

LBO Debt Schedule

Ticker:

PDEX

	Proforma	2014	2015	2016	2017	2018
Net Change in Cash	-2.43	-2.10	-2.10	-2.10	-2.10	-2.10
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.01	0.01	0.01	0.01	0.01	0.01
Current Portion Debt Balance	0.01	0.01	0.01	0.01	0.01	0.01
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		1.68				
Interest @ 1.0%		0.02	0.02	0.02	0.02	0.02
Net Interest Expense/(Income)		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Net Interest Rate		N/A	N/A	N/A	N/A	N/A
EBITDA		(2.70)	(2.70)	(2.70)	(2.70)	(2.70)
EBITDA/Interest Expense Coverage		(3368.75)	(3368.75)	(3368.75)	(3368.75)	(3368.75)

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D	D	D	D	D	D

*Source: NYU; Professor Damodaran

SN VALUATION

Altman Z Score

	Company Name:				Pro-Dex	Ticker:				PDEX
Period	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Working Capital	6.77	8.15	6.65	4.04	1.94	-0.16	-2.26	-4.36	-6.46	
Total Assets	14.25	15.54	12.09	10.04	7.36	4.68	2.00	-0.68	-3.36	
X1	0.48	0.52	0.55	0.40	0.26	-0.03	-1.13	6.44	1.92	
Retained Earnings	-9.06	-6.42	-7.30	-9.00	-11.68	-14.36	-17.04	-19.72	-22.40	
Total Assets	14.25	15.54	12.09	10.04	7.36	4.68	2.00	-0.68	-3.36	
X2	-0.64	-0.41	-0.60	-0.90	-1.59	-3.07	-8.51	29.17	6.68	
EBITDA	-3.23	3.48	-1.36	-1.89	-2.70	-2.70	-2.70	-2.70	-2.70	
Total Assets	14.25	15.54	12.09	10.04	7.36	4.68	2.00	-0.68	-3.36	
X3	-0.23	0.22	-0.11	-0.19	-0.37	-0.58	-1.35	3.99	0.80	
Market Value of Equity	7.68	7.68	7.68	7.68	-8.35	9.08	-9.88	10.74	-11.68	
Total Liabilities	6.68	5.24	3.27	2.34	2.34	2.34	2.34	2.34	2.34	
X4	1.15	1.47	2.35	3.28	-3.57	3.88	-4.22	4.59	-4.99	
Net Sales	23.21	24.06	17.26	12.25	12.25	12.25	12.25	12.25	12.25	
Total Assets	14.25	15.54	12.09	10.04	7.36	4.68	2.00	-0.68	-3.36	
X5	1.63	1.55	1.43	1.22	1.66	2.62	6.12	-18.12	-3.65	
Altman Z Score	1.25	3.22	2.28	1.80	-3.59	-1.29	-14.12	46.35	7.66	

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	8.01	5.33	2.65	(0.03)	(2.71)	(5.38)				(5.38)
Annual Change		(2.68)	(2.68)	(2.68)	(2.68)	(2.68)				
Annual FCF	(1.36)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(6.30)
Annual Op. Cash Flow	(1.27)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	(2.10)	
Annual PP&E Investment	(0.09)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Today's Tangible Book Value	8.01	-7.40	6.83	-6.31	5.83	-5.39				(11.60)
Intrinsic Value IRR	-192.37%									
Market Price	7.68	-8.35	9.08	-9.88	10.74	-11.68				(11.98)
Market Price IRR	-208.74%									

Debt	50.00%	3.84
Equity	50.00%	3.84
Total	100.00%	7.68

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	8.01	3.84	0.84	(2.16)	(5.17)	(8.17)	(11.17)				
Goodwill	0	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)				
Debt	0	3.84	3.84	3.84	3.84	3.84	3.84				
Debt Interest Rate		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%				
Additional Interest Expense		0.32	0.32	0.32	0.32	0.32					
Tangible Book Value	8.01	4.17	1.17	-1.84	-4.84	-7.84	-10.84				-10.84
Annual Change			-3.00	-3.00	-3.00	-3.00	-3.00				
Annual FCF	(1.36)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(7.27)
Annual Net Income	(1.86)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	
Annual Op. Cash Flow	(1.27)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	(2.42)	
Dividend Payments											
Annual PP&E Investment	(0.09)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Debt Paydown	0.00							0.00	0.00	0.00	
Sale Price in Year 5											(18.11)
Capital Left for Equity Investor											(18.11)
Dividend Payments											0.00
Total Cash In Flow											(18.11)
Invested Equity	3.84	-5.24	7.14	-9.74	13.28	-18.11					
IRR	-236.36%										

Capital Left for Equity Investor
Dividend Payments
Total Cash In Flow

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

Value Creation
TBV Growth (equals sum of NI Year 1-5) -15.01
Cash Flow (Year 6-8) -7.27
-22.28

Value Dilution
Debt 3.84
Goodwill -0.33
Additional Interest 1.62
5.13