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Research Note

# IEH Corporation – $3.6M in Orders; Diversifying Sales via Medical Industry

| Rating | Target Price |
|---|---|
| BUY | $38.00 |
| *Unchanged* | *Unchanged* |

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**Disseminated on Behalf of IEH Corp.**

*All figures in USD unless otherwise stated*

| IEH Corporation | IEHC:OTCQX |
|---|---|
| Rating | BUY |
| Target Price | $38.00 |
| Return to Target | 32% |

| Market Data | |
|---|---|
| Share Price | $28.70 |
| Average Daily OTCQX Volume (K) | 3.6 |
| FD ITM Shares (M) | 2.6 |
| Market Cap ($M) | $75.6 |
| Cash & Marketable Securities ($M) | $9.4 |
| Debt ($M) | $2.1 |
| Enterprise Value ($M) | $68.3 |

| FYE Mar 31 | FY26A | FY27E | FY28E |
|---|---|---|---|
| Revenue ($M) | $29.4 | $38.7 | $48.0 |
| Gross Margin (%) | 19% | 29% | 31% |
| Adj. EBITDA ($M) | ($0.9) | $2.9 | $5.9 |
| Adj. EBITDA Margin (%) | (3%) | 7% | 12% |
| Net Income ($M) | ($1.3) | $1.8 | $4.0 |
| EPS (Basic) | ($0.53) | $0.71 | $1.62 |
| FCFF ($M) | ($1.6) | $0.7 | $2.7 |

| Valuation | FY26A | FY27E | FY28E |
|---|---|---|---|
| EV/EBITDA | N/A | 23.7x | 11.6x |
| P/E | N/A | 42.7x | 18.8x |
| EV/Sales | 2.3x | 1.8x | 1.4x |

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents


For 85 years and four generations of family-run management, IEH Corporation has designed, developed, and manufactured printed circuit board (PCB) connectors, custom interconnects and contacts for high performance applications. With its signature Hyperboloid technology, IEH supplies the most durable, reliable connectors for the most demanding environments. The Company markets primarily to companies in defense, aerospace, space and industrial applications. The Company was founded in 1941 and is headquartered in Brooklyn, New York.

**What you need to know:**

- IEHC announced that it has signed $3.6M in orders for mobile defibrillator applications. This gives us increased confidence that IEHC's hyperboloid connectors have strong applications in the healthcare industry.
- The other/medical segment represented only 3.8% of sales in FY26 or ~$1.1M, and as such, is growing off a small base.
- This highlights execution on management's strategic priority of boosting growth in this sector. Our estimates for the segment increase significantly, now modelling $2.4M in FY28 (+55% YoY) vs. $1.6M prior.

Yesterday, IEH Corporation (IEHC:OTCQX) reported that it has booked $3.6M in orders for defibrillator applications. This represents the first major order for the segment which only generated ~$1.1M in revenue in FY26. We view the order as a strong vote of confidence that IEHC will continue to be able to expand its exposure to the healthcare industry. **We are maintaining our BUY rating and our $38.00/share target price on IEHC.**

This order comes from a leading manufacturer of mobile defibrillators, resulting in strong diversification outside of the aerospace and defense industries. Defibrillators are a strong application for hyperboloid connectors given that when they are called on to restart a heart, each connection needs to work on the first attempt. These defibrillators are carried in ambulances, mounted in public spaces, and deployed in unpredictable conditions. They experience shock, vibration, and repeated handling, making it a strong fit for IEHC's hyperboloid connectors which can resist these factors and maintain low electrical resistance through a high number of mating cycles.

We remind investors that management has earmarked the medical segment as a strategic growth priority for both organic growth and M&A opportunities. We view yesterday's announcement as a strong proof point for the applications in this industry and look forward to continued penetration. This belongs with IEHC's "Other" segment, which was 3.8% of revenue in FY26, or ~$1.1M. We originally expected the segment to grow to $1.3M in FY27 (+16% YoY) and accelerate to $1.6M in FY28 (+20% YoY). As such, this order is highly influential and depending on its term, could be larger than the entire segment on an annual basis.

Therefore, we are increasing our expectations for Q4 onward, where we now expect the segment to generate $1.6M in FY27 (+39% YoY) and $2.4M in FY28 (+55% YoY). Please refer to our estimate revisions in Figure 3. Our estimated backlog for Q2 moves up to $48.6M, not accounting for any work completed (Figure 1).

## APKWS Orders

On September 2nd, IEHC announced that it had received $6.5M in new orders over the prior two weeks in support of the APKWS program, bringing its backlog to over $45M, nearly triple the level seen a year prior. As a reminder, IEH has been a critical supplier to APKWS since inception, which converts unguided rockets into laser-guided precision munitions and has since been adapted for use against drones and other aerial threats. The program is expected to grow ~33% annually as per BAE's 2025 $1.7B contract. Read our note on the release here.

## Catalysts

- Quarterly Financial Results & Backlog Announcements – Ongoing
- Acquisitions & Strategic Partnerships – Ongoing

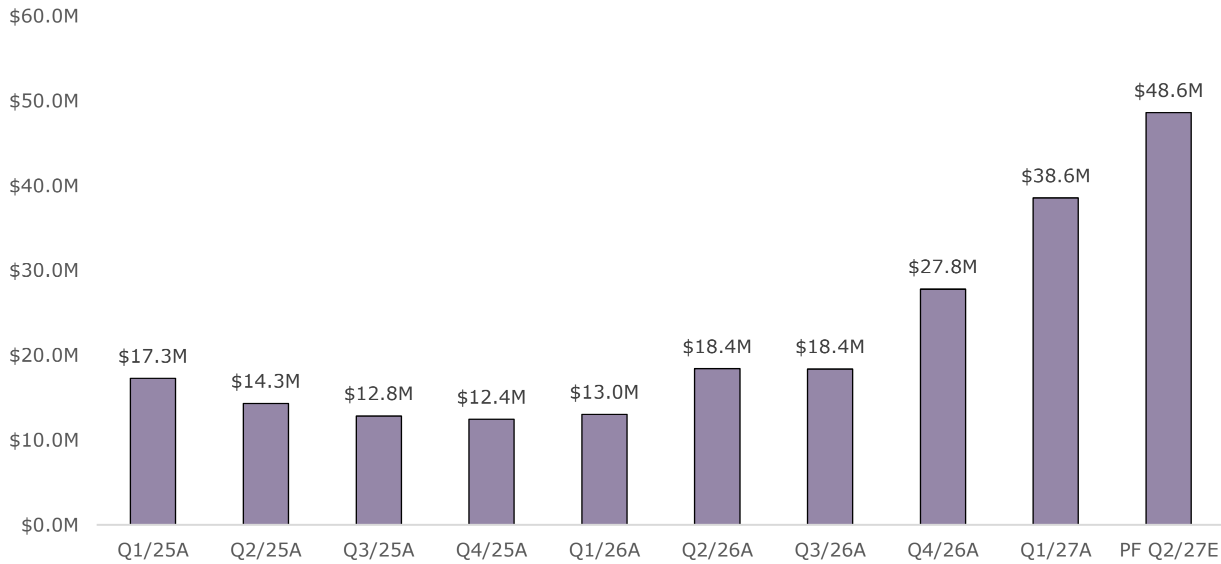


**Figure 1: Quarterly Backlog**

## Industry Updates

***Foreign Military Sales***

Beyond the U.S. budget covered in our last note, foreign military sales and licensing represent an additional order channel as allies rebuild depleted air-defense inventories. Recently, the State Department cleared a possible $24.3B sale of 48 Lockheed Martin F-35A fighters to Saudi Arabia (September 18$^{th}$, pending Congressional review), and the European Commission approved a further €6.1B for Ukraine to procure air and missile defense systems and interceptors (September 11$^{th}$). The need for these systems remains clear, with Jordan intercepting 18 of 20 Iranian ballistic missiles on August 31$^{st}$, following Qatar's $4.01B Patriot order earlier this year. Given IEHC's content on both the Patriot program and the F-35, we see allied procurement as a meaningful addition to direct U.S. appropriations.

***Lockheed Expands the PAC-3 MSE Supply Chain***

On September 16$^{th}$, Lockheed Martin announced that GM Defense had delivered its first batch of PAC-3 MSE missile-housing components just 22 days after signing a production contract, parts that traditionally take months to produce. The partnership taps General Motors' high-rate manufacturing to widen the industrial base as Lockheed lifts annual PAC-3 MSE capacity from roughly 600 to 2,000 interceptors by 2030. As PAC-3 MSE is IEHC's largest disclosed program, a faster and higher-volume interceptor ramp feeds directly into connector demand for the Company.

## Why We Like IEHC

- IEHC operates in a niche, high-barrier duopoly for hyperboloid connectors alongside Molex, supporting durable pricing power and limited competition.

  The Company's record >$45M backlog (more than doubling YoY) reflects a sustained 3-6+ year demand cycle driven by global missile/defense missile production ramp-ups.
- IEHC is leveraged to long-term growth across defense, commercial aerospace, and space, all of which we believe are in secular bull markets. The Company also looks to diversify its business into the medical devices segment and utilize M&A.
- The Company has seen margin compression over recent years due to the rising gold price; however, the Company is now implementing pricing increases and has reached profitability again.
- IEHC trades at a discount to peers and precedent transactions, offering re-rating potential as growth and margin expansion materialize.

## Tear Sheet

| Market Data | |
|---|---|
| Ticker | IEHC:OTCQX |
| Stock Price | $28.70 |
| Rating | BUY |
| Target Price | $38.00 |
| Upside | 32% |
| | |
| Market Cap ($M) | $75.6 |
| Cash ($M) | $9.4 |
| Debt ($M) | $2.1 |
| EV ($M) | $68.3 |

| Capital Structure | |
|---|---|
| Basic Shares Outstanding (M) | 2.5 |
| Warrants (M) | 0.0 |
| Options (M) | 0.4 |
| FD Shares (M) | 2.8 |
| FD ITM Shares (M) | 2.6 |
| **Ownership** | |
| Offerman Family | 46% |
| Other Management & Board | 4% |
| Institutions | 14% |
| Retail | 36% |

| Financial Estimates | FY25A | Q1/26A | Q2/26A | Q3/26A | Q4/26A | FY26A | Q1/27A | Q2/27E | Q3/27E | Q4/27E | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue ($M)** | **28.8** | **6.3** | **7.1** | **7.5** | **8.5** | **29.4** | **10.0** | **9.9** | **9.4** | **9.3** | **38.7** | **48.0** |
| *% YoY* | *34%* | *-11%* | *-4%* | *4%* | *20%* | *2%* | *59%* | *39%* | *26%* | *10%* | *31%* | *24%* |
| **Gross Profit ($M)** | **7.5** | **1.1** | **1.6** | **1.0** | **1.8** | **5.6** | **3.3** | **2.8** | **2.6** | **2.5** | **11.2** | **15.0** |
| *Gross Margin* | *26%* | *18%* | *23%* | *14%* | *21%* | *19%* | *33%* | *28%* | *28%* | *27%* | *29%* | *31%* |
| **EBITDA ($M)** | **1.3** | **(0.6)** | **0.1** | **(0.5)** | **0.2** | **(0.9)** | **0.9** | **0.8** | **0.8** | **0.5** | **2.9** | **5.9** |
| *EBITDA Margin* | *5%* | *(9%)* | *1%* | *(7%)* | *2%* | *(3%)* | *9%* | *8%* | *8%* | *5%* | *7%* | *12%* |
| Net Income ($M) | 1.0 | (0.7) | (0.0) | (0.7) | 0.0 | (1.3) | 0.7 | 0.5 | 0.4 | 0.2 | 1.8 | 4.0 |
| EPS (Basic) | 0.42 | (0.27) | (0.01) | (0.27) | 0.02 | (0.53) | 0.26 | 0.19 | 0.18 | 0.09 | 0.71 | 1.62 |
| FCFF ($M) | 4.4 | (0.4) | (1.0) | (0.5) | 0.3 | (1.6) | (0.3) | (1.9) | 2.1 | 0.9 | 0.7 | 2.7 |

**Figure 2: Tear Sheet**

## Estimate Revisions

| | Q2/27E | | Q3/27E | | FY27E | | FY28E | |
|---|---|---|---|---|---|---|---|---|
| | New | Previous | New | Previous | New | Previous | New | Previous |
| Revenue ($M) | **$9.9** | $9.9 | **$9.4** | $9.4 | **$38.7** | $38.4 | **$48.0** | $47.1 |
| Gross Margin (%) | **28.0%** | 28.0% | **28.0%** | 28.0% | **29.1%** | 29.1% | **31.3%** | 31.3% |
| EBITDA ($M) | **$0.8** | $0.8 | **$0.8** | $0.8 | **$2.9** | $2.9 | **$5.9** | $5.8 |
| Net Income ($M) | **$0.5** | $0.5 | **$0.4** | $0.4 | **$1.8** | $1.8 | **$4.0** | $3.9 |

**Figure 3: Estimate Revisions**

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| COVERED COMPANIES |
|---|
| 58 |

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