

Research Note

IEH Corporation – Another Strong Beat; Increasing Target Price

Rating	Target Price
BUY	**$42.00**
Unchanged	*Prev. $38.00*

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Disseminated on Behalf of IEH Corp.

All figures in USD unless otherwise stated

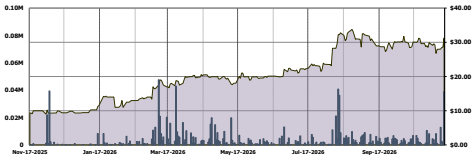
IEH Corporation	IEHC:OTCQX
Rating	BUY
Target Price	$42.00
Return to Target	34%

Market Data	
Share Price	$31.25
Average Daily OTCQX Volume (K)	4.6
FD ITM Shares (M)	2.7
Market Cap ($M)	$84.0
Cash & Marketable Securities ($M)	$10.0
Debt ($M)	$2.0
Enterprise Value ($M)	$76.0

FYE Mar 31	FY26A	FY27E	FY28E
Revenue ($M)	$29.4	$40.0	$49.9
Gross Margin (%)	19%	29%	31%
Adj. EBITDA ($M)	($0.9)	$3.5	$6.5
Adj. EBITDA Margin (%)	(3%)	9%	13%
Net Income ($M)	($1.3)	$2.8	$4.5
EPS (Basic)	($0.53)	$1.11	$1.81
FCFF ($M)	($1.6)	$1.9	$2.8

Valuation	FY26A	FY27E	FY28E
EV/EBITDA	N/A	21.9x	11.7x
P/E	N/A	30.4x	18.6x
EV/Sales	2.6x	1.9x	1.5x

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:

- Revenue came in at $10.7M (+51% YoY) and EBITDA of $1.3M (12% margin), beating our estimates of $9.9M and $0.8M, respectively.
- Backlog reached a record $53.8M at quarter end (+192% YoY, +39% QoQ) and $56.0M as of the press release.
- Gross margin came in at 28.3% in line with our 28.0% estimate, but declined compared to the high 33.1% reported in Q1.
- We are updating our model to reflect the higher than expected growth and lower than expected G&A, resulting in an increased target price.

Yesterday, IEH Corporation (IEHC:OTCQX) reported its Q2 financials, which once again beat our expectations across the board. IEHC demonstrated quality execution of its backlog, while continuing to build the backlog to new highs as its end markets are all growing. IEHC remains one of our highest conviction names at the moment. **We are maintaining our BUY rating and increasing our target price to $42.00/share (previously $38.00/share) on IEHC.**

Q2 Financial Highlights

- Revenue was $10.7M (+51% YoY), above our $9.9M estimate, bringing H1 revenue to $20.7M (+55% YoY). In Q2, defense revenue grew 71% YoY and medical revenue grew 373% YoY.
- Revenue was comprised of 71% defense (vs. 62% in Q2/26), while commercial aerospace was 19% and other (medical) was a new high of 9%. This was partially offset by space revenue declining to just 1% of revenue due to the timing of a few key orders.
- Backlog was $56M as of yesterday (+40% QoQ), the highest in the Company's long history. Management continues to add equipment and personnel to service the rapidly growing demand. IEHC does not foresee a change of course from the changes in Congress.
- Gross margin was 28.3% vs. 22.9% in Q2/26, and in line with our 28.0% estimate. This was below the 33.1% reported in Q1, but reflects stress on its supply chain, higher gold prices, and freight costs.
- SG&A was $1.8M (+15% YoY), largely due to higher sales commissions, growing at a much slower pace than revenue and highlighting the operating leverage in the business. Importantly, SG&A declined largely QoQ from the $2.4M in Q1 as SBC was nil.
- EBITDA was $1.3M (12% margin) compared to our $0.8M estimate and $0.1M in Q2/26. The 12% margin compared to 9% in Q1/27 and 1% in Q2/26.
- Net income was $1.4M or $0.55/share, compared to our $0.5M or $0.19/share estimate and a slight loss in Q2/26. This was supported by a $0.3M tax benefit.
- Operating cash flow came in at $0.7M as A/R increased $1.2M QoQ and inventories increased $0.6M QoQ.
- IEHC ended the quarter with $9.0M in cash plus $1.0M in restricted cash and total debt of $2.0M.

	Q2/27A	Atrium Est.	YoY
Revenue ($M)	**$10.7**	$9.9	+51%
Gross Margin (%)	**28%**	28%	+543 bps
EBITDA ($M)	**$1.3**	$0.8	+1432%
EBITDA Margin (%)	**12%**	8%	+1057 bps
Net Income ($M)	**$1.4**	$0.5	N/A

Figure 1: Q2 Financials Summary

Our Take

IEHC reported another fantastic quarter in our view, driven by strong defense revenue likely led by increased spending from crucial programs like Patriot and THAAD. As seen below, the sector continues to grow in IEHC's favour, pumping funding into programs that IEHC has supported for decades and built its reputation with. We believe the recent pullback in defense stocks is not fundamentals related, as revenue growth over the coming years is already committed. While this can reduce the bull-case scenario for some of the US defense spending, IEH should be able to continue on its path of growth and profitability. We know the demand is there, we are watching carefully to see if IEHC can manage its supply chain and maintain the operational excellence seen so far. At the same time, management has been diversifying the business into the healthcare sector which we believe can lead to a more well-rounded revenue mix (see our note here) and has the option to further bolster this via M&A.

We are increasing our revenue expectations and lowering our SG&A expectations for H2 and FY28 as seen in our estimate revisions below, resulting in an increased FY28 EBITDA projection of $6.5M (previously $5.9M). We apply the same 16.0x multiple onto this, a slight premium to the group at 15.4x due to IEHC's strategic duopoly on its products, resulting in an increased target price of $42.00/share (previously $38.00/share).

EBITDA Multiple Valuation	
FY28E EBITDA	$6.5
EV/EBITDA Multiple	16x
Enterprise Value	$104.3
(+) Cash	$10.0
(-) Debt	$2.0
Equity Value	$112.3
Target Price (Rounded)	**$42.00**
Upside	*34%*

Figure 2: Valuation Summary

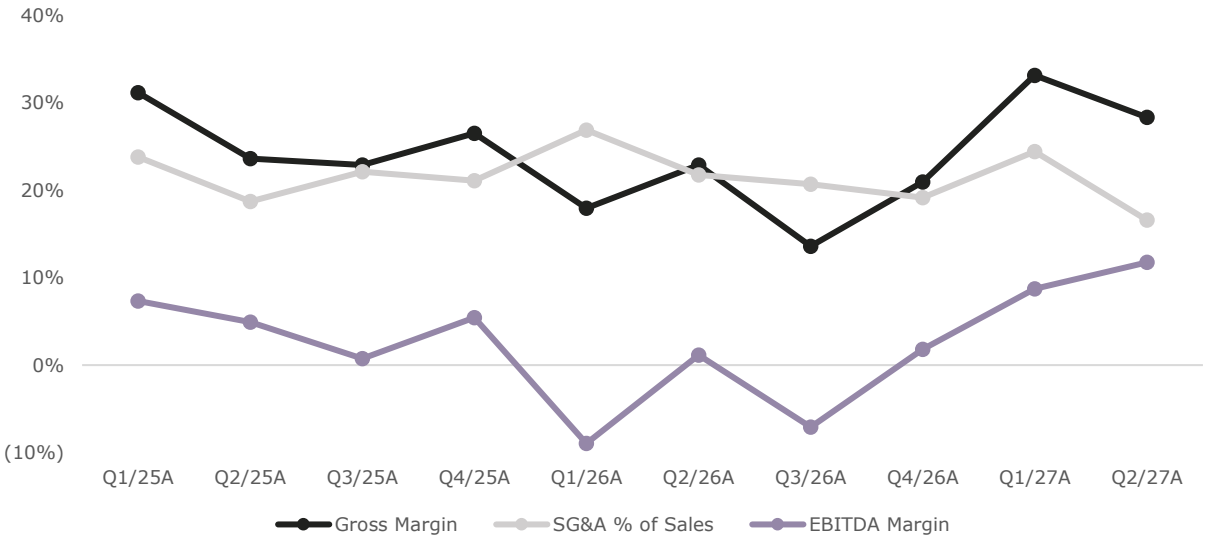


Figure 3: Operating Leverage

Catalysts

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

Industry Updates

IEHC's core missile programs have continued gaining momentum, with prime contractors and their suppliers committing capital to multi-year production ramps. We gathered some relevant updates since our last note:

Defense Prime Backlogs Continue to Climb

U.S. defense primes reported significant backlog growth in their latest quarterly results, with Lockheed Martin (LMT:NYSE) up 63% YoY, RTX Corporation (RTX:NYSE) up 35%, and Northrop Grumman (NOC:NYSE) up 20%, driven largely by missile and air defense demand.

PAC-3 MSE Supply Chain Buildout Accelerates

Lockheed Martin continues to build out the PAC-3 MSE supply chain as it lifts annual capacity from ~600 to 2,000 interceptors by 2030. On September 16th, **GM Defense delivered its first batch of PAC-3 MSE missile housing components just three weeks after signing a production contract, for parts that typically take months to produce.** On October 5th, Boeing was awarded a seven-year, $14.7B contract by Lockheed Martin to scale production of PAC-3 MSE seekers. Most recently, on November 2nd, Lockheed announced a $420M investment to expand its Camden, Arkansas facility, which builds PAC-3 and THAAD interceptors and is expected to add 650 jobs over five years. As PAC-3 MSE is IEHC's largest disclosed program, we believe a faster, higher-volume interceptor ramp feeds directly into connector demand for the Company.

Ukraine to Receive 500 PAC-3 MSE Interceptors

On October 30th, the U.S. approved a potential $2.1B sale of 500 PAC-3 MSE interceptors to Ukraine, financed by Germany, Canada, Norway, and the European Union. Deliveries are scheduled from Q4/30 to Q4/33, which suggests that production slots before that window are largely spoken for. While supplier orders for this batch are likely a few years out, it shows that PAC-3 MSE demand already extends beyond the current multi-year contract.

Raytheon Awarded $20.7B AMRAAM Multi-Year Contract

On September 28th, RTX's Raytheon was awarded a five-year multi-year contract, with two option years, valued at up to $20.7B for AMRAAM. The contract backs February's framework agreement to ramp production to at least 1,900 missiles annually, while the FY27 budget request calls for 1,811 AMRAAMs compared to 464 enacted in FY26. As a reminder, IEH has been qualified on AMRAAM since 1991 and received $2.5M in AMRAAM orders in FY26, with management expecting an additional $12M over the next few years.

Other Updates

Lane Electronics Distribution Agreement

On November 5th, Lane Electronics, a leading franchised distributor of electrical, electronic and optical connectivity products, announced a distribution agreement with IEHC. The agreement enables Lane Electronics to supply IEHC's hyperboloid connectors and contact products across the UK, Ireland and Poland. The partnership expands IEH's European distribution network, providing customers with locally stocked inventory, shorter delivery times, and improved technical support.

Renewed Term for CFO Subrata Purkayastha

On October 27th, IEHC announced a new three-year employment agreement with CFO, Treasurer and Corporate Secretary Subrata Purkayastha, effective November 1st, 2026, through October 31st, 2029. The agreement includes the grant of 35,000 immediately vested stock options at an exercise price of $29.60/share, expiring October 23rd, 2036.

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 $56M 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	$31.25
Rating	BUY
Target Price	$42.00
Upside	34%
Market Cap ($M)	$84.0
Cash ($M)	$10.0
Debt ($M)	$2.0
EV ($M)	$76.0

Capital Structure	
Basic Shares Outstanding (M)	2.5
Warrants (M)	0.0
Options (M)	0.4
FD Shares (M)	2.9
FD ITM Shares (M)	2.7
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	Q2/27A	Q3/27E	Q4/27E	FY27E	FY28E
Revenue ($M)	**28.8**	**6.3**	**7.1**	**7.5**	**8.5**	**29.4**	**10.0**	**10.7**	**9.7**	**9.5**	**40.0**	**49.9**
% YoY	*34%*	*-11%*	*-4%*	*4%*	*20%*	*2%*	*59%*	*51%*	*30%*	*12%*	*36%*	*25%*
Gross Profit ($M)	**7.5**	**1.1**	**1.6**	**1.0**	**1.8**	**5.6**	**3.3**	**3.0**	**2.7**	**2.6**	**11.6**	**15.6**
Gross Margin	*26%*	*18%*	*23%*	*14%*	*21%*	*19%*	*33%*	*28%*	*28%*	*27%*	*29%*	*31%*
EBITDA ($M)	**1.3**	**(0.6)**	**0.1**	**(0.5)**	**0.2**	**(0.9)**	**0.9**	**1.3**	**0.8**	**0.6**	**3.5**	**6.5**
EBITDA Margin	*5%*	*(9%)*	*1%*	*(7%)*	*2%*	*(3%)*	*9%*	*12%*	*8%*	*6%*	*9%*	*13%*
Net Income ($M)	1.0	(0.7)	(0.0)	(0.7)	0.0	(1.3)	0.7	1.4	0.5	0.3	2.8	4.5
EPS (Basic)	0.42	(0.27)	(0.01)	(0.27)	0.02	(0.53)	0.26	0.55	0.18	0.12	1.11	1.81
FCFF ($M)	4.4	(0.4)	(1.0)	(0.5)	0.3	(1.6)	(0.3)	0.6	0.6	1.2	1.9	2.8

Figure 4: Tear Sheet

Estimate Revisions

	Q3/27E		Q4/27E		FY27E		FY28E	
	New	Previous	New	Previous	New	Previous	New	Previous
Revenue ($M)	**$9.7**	$9.4	**$9.5**	$9.3	**$40.0**	$38.7	**$49.9**	$48.0
Gross Margin (%)	**28.0%**	28.0%	**27.0%**	27.0%	**29.1%**	29.1%	**31.3%**	31.3%
EBITDA ($M)	**$0.8**	$0.8	**$0.6**	$0.5	**$3.5**	$2.9	**$6.5**	$5.9
Net Income ($M)	**$0.5**	$0.4	**$0.3**	$0.2	**$2.8**	$1.8	**$4.5**	$4.0

Figure 5: Estimate Revisions

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