

IEC Electronics

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IEC Electronics builds manufacturing niche that is exclusively 'US made'

- Provides electronic-manufacturing services to the aerospace, defense, industrial, and medical sectors
- Won \$15 million contract as part of high-priority US defense program
- Heading into fiscal 2021, has year-end backlog of \$194.5 million

What IEC Electronics does:

IEC Electronics Inc (NASDAQ:IEC) is a provider of electronic manufacturing services to advanced technology companies that produce life-saving and mission-critical products in the aerospace, defense, industrial, and medical sectors.

Founded in 1966, the Newark, New York-based company breaks its business down into six key areas: full-system assemblies, design & test development, analysis & testing lab, electronics manufacturing, interconnect solutions, and precision metalworking.

The company specializes in delivering technical solutions via the custom manufacture of complex full-system assemblies (such as circuit boards) and by providing on-site analytical testing laboratories, custom-design, and test-engineering services.

IEC manufactures 100% of its products in the US, unlike many of its competitors.

For the medical industry, the company's products include infusion pumps, resuscitation and imaging systems, and diagnostic equipment.

It also makes ruggedized industrial controls, remote-inspection equipment, and weather-detection instruments for the industrial sector.

In the aerospace and defense areas, the company produces encrypted satellite-communication, weapons and flight-control systems as well as handheld tactical radios for US troops in war zones.

IEC's most recent product is the BioWaveHome Neuromodulation Pain Therapy System, which helps manage pain through electrical stimulus. The Veterans Administration and the National Football League have expressed interest in the product and the company touts it as a viable alternative to using highly addictive opioid drugs to treat pain.

How is it doing:

IEC kicked off 2020 with a milestone upgrade to the marquee, tech-heavy Nasdaq from the NYSE American exchange in January 2020, a move that has given the company exposure to a larger audience of deep-pocketed institutional investors.

The promotion also underscored the fact that the company is making money and growing.

Price: 9.99

Market Cap: \$104.93 m

1 Year Share Price Graph



November 2019 May 2020 November 20

Share Information

Code: IEC

Listing: NASDAQ

52 week	High	Low
	10.5	5

Sector: Hardware & electrical equipment

Website: www.iec-electronics.com

Company Synopsis:

IEC Electronics is a provider of electronic manufacturing services ("EMS") to advanced technology companies that produce life-saving and mission critical products for the medical, industrial, aerospace and defense sectors.

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Revenue in IEC's fiscal fourth quarter of 2020, its latest reporting period which ended on September 30, jumped nearly 6% year-over-year on the back of bookings from an increasingly expanded and diverse customer base. And net income increased slightly year-over-year to \$1.9 million from \$18 million.

The company also announced full-year, fiscal 2020 results highlighting its healthy growth. Revenue was \$182.7 million, a 16.4% year-over-year increase, and net income came in at \$6.8 million compared to \$4.7 million in fiscal 2019.

Heading into fiscal 2021, IEC has a robust year-end backlog of \$194.5 million derived from a diverse range of customers. Notably, \$180.2 million of the backlog is expected to ship within the next 12 months.

As for contracts, the company has landed a Low Rate Initial Production multi-year deal valued at more than \$15 million from a top global defense contractor as part of a well-funded, high-priority long-term US defense program. IEC said it expects to ramp production volumes over time for additional revenue.

IEC also scored a multi-year contract valued at more than \$50 million with a Tier 2 US defense contractor. IEC's mission began with a single service line, but under the new contract, it now supports the entire outsourcing of the program associated with secured communications equipment for US aircraft, ground vehicles, and surface warships.

And the company's Analysis and Testing Lab is expanding its services to the US Department of Defense's Defense Logistics Agency as part of the agency's Qualified Testing Supplier List. In fact, IEC is the only electronics-manufacturing company to receive such a certification.

Customers turn to the lab for failure analysis and counterfeit-component detection to ensure, for example, that bogus or inferior parts made by adversarial countries like China stay out of products crucial to US defense. After testing, the company can transfer parts into its manufacturing facility, saving time and money for customers.

The company is a strong proponent of product authentication. In fact, CEO Jeff Schlarbaum has criticized Taiwanese electronic component manufacturer Yageo Corporation's decision to acquire US rival Kemet Corporation, saying the move may pose a national security risk and other problems. Kemet is one of the world's largest makers of multi-layer ceramic capacitors. He said the merger could risk what is called product consolidation -- as the number of authentic products decline, counterfeit products end up filling the void.

Meanwhile, illustrating the company's growth, IEC is building a \$22 million state-of-the-art advanced technology center in Newark, New York. Construction of the 150,000 square-foot facility is expected to be completed sometime in 2020. IEC also is an agreement to purchase an 86,000 square-foot facility in nearby Rochester to provide additional capacity and more importantly access to a larger pool of qualified resources to support future organic growth. In exchange for state and local incentives, the company committed to creating up to 360 new jobs over five years.

Inflection points:

- Open new 150,000 square foot tech center in 2020
- Increase market share to drive organic revenue growth and profitability

What the boss says:

"For IEC the focus on US manufacturing allows us to protect the intellectual property for the products we manufacture for our customers," IEC CEO Jeffrey Schlarbaum told Proactive Investors in a recent interview.

"Secondarily, vertical manufacturing allows us to control costs, the lead-time, and quality for the components that we integrate into the products, which is unique to us. Lastly, we have a very sharp focus on a highly regulated market. So we are not spread thin trying to build high-volume consumer products and low-volume defense products."

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