Innovative Solutions & Support, Inc.
NASDQ: ISSC

May 16, 2025

Price (as of close May 15th, 2025)
$9.79

Rating
Buy

12- Month Target Price
$11.00

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Innovative Solutions & Support (NASDAQ: ISSC) posted a breakout Q2 FY:25, with revenue more than doubling to $21.9 million and profits quadrupling year-over-year. The company's military and commercial segments are both gaining traction, while operating leverage and disciplined integration of recent acquisitions are driving margin expansion. With the Exton facility ramping, ERP efficiencies coming online, and a robust $80 million backlog, ISSC is positioned for sustained high growth and profitability. **We reiterate our Buy rating and raise our price target to $11, reflecting enhanced confidence in ISSC's execution, market positioning, and long-term value creation.**

52-Week Range	$4.91 – $12.17	Total Debt	$27.4million
Shares Outstanding	17.55 million	Debt/Equity	52.1%
Insider/Institutional	24.48%/36.79%	ROE (LTM)	20.2%
Public Float	12.9 million	Book Value/Share	$3.03
Market Capitalization	$171.77million	Daily Volume (90-day)	141K

FYE Sept EPS ($)	FY 2024A ACTUAL	FY 2025E CURRENT	FY 2025E PREVIOUS	FY 2026E CURRENT	FY 2026E PREVIOUS
Q1 Dec	$0.06A	$0.04A		$0.15E	$0.11E
Q2 Mar	$0.07A	$0.30A	$0.06E	$0.20E	$0.12E
Q3 Jun	$0.09A	$0.16E	$0.11E	$0.19E	$0.13E
Q4 Sept	$0.18A	$0.11E	$0.11E	$0.16E	$0.14E
Year*	**$0.40A**	**$0.61E**	**$0.32E**	**$0.70E**	**$0.50E**
P/E Ratio	24.5x	16x		14x	
Change	14.3%	52.5%		14.8%	

FYE Dec Revenue ($ Mill.)	FY 2024A ACTUAL	FY 2025E CURRENT	FY 2025E PREVIOUS	FY 2026E CURRENT	FY 2026E PREVIOUS
Q1 Dec	$9.31A	$16.0A		$18.96E	$18.36E
Q2 Mar	$10.74A	$21.9A	$16.41E	$26.10E	$18.82E
Q3 Jun	$11.77A	$19.1E	$16.79E	$22.8E	$19.38E
Q4 Sept	$15.39A	$16.55E	$16.69E	$19.85E	$19.50E
Year*	**$47.2A**	**$73.56E**	**$65.87E**	**$87.72E**	**$76.06E**
Change	35.6%	55.9%		19.2%	

** Numbers may not add due to rounding and changes in diluted shares outstanding.*

Company Description

Innovative Solutions & Support, Inc. designs, manufactures, and services advanced avionics systems for retrofit applications and OEMs in the aviation industry. The Company specializes in integrated Flight Management Systems, Flat Panel Display Systems, air data equipment, and advanced GPS receivers. IS&S offers solutions that enhance safety, efficiency, and reduce carbon footprint for general aviation, commercial air transport, and military markets. Their product line includes the COCKPIT/IP Cockpit Information Portal, which provides pilots with critical flight information. IS&S's focus on innovation and system integration positions it as a key player in cockpit modernization and autonomous flight technology development. The Company is headquartered in Exton, Pennsylvania, USA.

Q2 :25 Highlights

- by strong execution in new military programs-especially the F-16 line-and a rebound in air transport demand. Military sales accounted for at least 40% of total revenue, with product and service growth from the Honeywell acquisition driving results.
- Gross margin rebounded to 51.4% (vs. 41.4% in Q1), reflecting a more favorable product mix and reduced integration drag, though management expects continued near-term lumpiness as Honeywell production transitions to Exton and military mix remains elevated.
- Operating expenses rose modestly to $4.3 million (19.6% of revenue), with incremental growth investments in R&D and headcount, but operating leverage was evident as EBITDA surged 219% to $7.7 million and net income climbed to $5.3 million.
- Backlog stood at $80 million as of quarter-end, underpinned by robust military and commercial order activity and excluding long-term OEM programs, supporting multi-year revenue visibility.

- Free cash flow improved to $1.3 million (vs. $0.2M YoY) despite $1.6 million in capex for facility expansion. Net debt was $26.2 million, with $8.8 million in available liquidity to fund operations, growth, and M&A.
- Management reaffirmed guidance for >30% revenue and EBITDA growth in FY:25, citing continued momentum in military and commercial segments, ongoing ERP-driven efficiency gains, and a strategic focus on scaling U.S.-based production and high-value avionics solutions.

Primary Risks

- ISSC may face challenges in integrating acquired technologies and realizing synergies from recent acquisitions, potentially impacting financial performance.
- The Company's growth in the autonomous flight sector depends on regulatory approvals and market adoption, which may progress slower than anticipated.
- Economic downturns could lead airlines to delay non-essential avionics upgrades.
- Military markets may be subject to geopolitical uncertainties and fluctuations in defense spending.

Investment Thesis

Innovative Solutions & Support (ISSC) represents a unique investment opportunity at the intersection of technological innovation and structural growth in aviation. The company's strategic pivot toward military markets, coupled with its leadership in cockpit automation and disciplined acquisition strategy, positions it to capitalize on multi-decade tailwinds in defense modernization and autonomous flight. Despite near-term margin pressures from integration costs, ISSC's undervalued equity, fortified backlog, and clear path to operational efficiency underscore its potential for outsized returns as it scales into a critical enabler of next-generation aviation.

ISSC's intrinsic value remains significantly underappreciated. The Board's rejection of a $7.25/share bid in 2024 signals confidence in its standalone trajectory, supported by a global avionics market projected to double to $81.8B by 2030. This growth is fueled by aging fleets requiring retrofits: over 60% of commercial aircraft in service today are more than 10 years old, driving demand for ISSC's Utility Management Systems (UMS) that optimize fuel efficiency, safety, and regulatory compliance. With airlines prioritizing cost savings and governments mandating cockpit upgrades, ISSC's retrofit solutions address a $46B+ market growing at 8% annually.

ISSC's deliberate pivot to defense markets—now 40% of revenue, up from single digits three years ago—has transformed its growth profile. Recent wins, including a U.S. Army contract for its ThrustSense® Autothrottle system and an exclusive license to Honeywell's military avionics lines, cement its role in flagship platforms like the F-16 and KC-46A. Critically, military contracts offer "sticky" multi-year revenue with minimal R&D burden—the Pentagon funds development costs, allowing ISSC to focus on high-margin production. While gross margins on defense work (25-30%) trail commercial aviation, EBITDA margins remain robust due to lower SG&A, creating a scalable earnings engine. With geopolitical tensions accelerating defense budgets, ISSC's U.S.-based manufacturing and DOD compliance investments position it to capture disproportionate share of the $12B military cockpit modernization market.

ISSC is quietly emerging as a critical player in aviation's autonomous future. Its phased approach—incrementally embedding automation features like envelope protection and AI-driven diagnostics into existing systems—generates near-term revenue while laying groundwork for full autonomy. The company's Flat Panel Display Systems, already certified on 20+ aircraft, are evolving into central hubs for autonomous operations, with a $15B market opportunity by 2030. Military applications provide the proving ground: ISSC's work on the F-16's potential unmanned variant and cargo drones positions it to lead the $14.6B autonomous aircraft market. This duality—monetizing today's retrofits while building IP for tomorrow's pilotless planes—creates a rare combination of visibility and optionality.

Management's operational rigor is evident in the Honeywell integration. By relocating production to its Pennsylvania facility, ISSC is replacing low-margin third-party sales with integrated solutions that lift EBITDA margins. A lean balance sheet provides flexibility to acquire complementary avionics suppliers, replicating the Honeywell playbook. Near-term headwind - transition costs, ERP implementation—are temporary; by Q4 2025, normalized operations should reveal a business compounding revenue at 20%+ with expanding cash flow.

Our revised $11 target reflects near-term integration risks but underscores the asymmetric upside as military contracts scale and automation gains visibility. With catalysts including new DOD awards, ERP-driven margin expansion, and autonomous tech milestones, ISSC offers a compelling risk/reward in a sector where disruptive innovators remain scarce

Commentary

ISSC delivered a standout Q2:25, with revenue more than doubling year-over-year to **$21.9 million** and net income surging 300% to **$5.3 million** ($0.30 EPS). The results underscore successful execution of its military-led growth strategy, supported by the Honeywell F-16 product line integration and improving commercial air transport demand. Military revenue now represents **~40-50% of total sales** (vs. <10% in 2022), driven by $10.8 million from Honeywell-related programs and organic defense contracts. Adjusted EBITDA skyrocketed **219% YoY to $7.7 million**, reflecting operating leverage as SG&A fell to 19.6% of revenue (vs. 36.7% YoY).

Gross margin rebounded to **51.4%** (vs. 41.4% in Q1:25) as Honeywell integration costs subsided, though management cautioned near-term lumpiness due to product mix shifts. Notably, military contracts' minimal SG&A burden enabled robust EBITDA margins (**35.2%**), validating the thesis that defense mix supports profitability despite lower gross margins. The $80 million backlog (excluding long-term OEM programs) and $20.8 million in new orders signal multi-year visibility, with Exton facility expansion (tripling capacity by mid-2025) positioning ISSC for $250M+ revenue potential.

Guidance & Strategic Outlook

Management reaffirmed FY:25 targets for **>30% revenue and EBITDA growth**, emphasizing momentum across military and commercial segments. Key near-term catalysts:

- **Honeywell Transition**: F-16 production shifts to Exton in Q3:25, eliminating duplicative costs and unlocking margin recovery.
- **ERP System**: Completed NetSuite integration enables real-time data for inventory/labor optimization, though P&L benefits will materialize gradually.

Military revenue is expected to exceed **40% of total sales** by FY:25 year-end, supported by DOD-funded R&D and sticky long-term contracts. Gross margins are projected to stabilize in the **mid-30% range** post-integration, with EBITDA margins sustaining >30% as scale benefits offset defense mix headwinds.

Investment Thesis Reinforcement
ISSC's vertically integrated U.S. manufacturing and reshoring focus provide a structural advantage amid geopolitical tensions and "America First" policy tailwinds. The company is actively evaluating acquisitions of distressed avionics firms reliant on offshore production, leveraging its Exton capacity to drive synergies.

Near-term risks include Honeywell transition delays and military program timing, but the $80M backlog and $8.8M liquidity provide ample flexibility. With shares trading at just **16x FY:25 EPS** and a clear path to >30% top line growth, we raise our price target to **$11**, reflecting improved visibility into margin recovery and autonomous flight monetization.

In summary, ISSC's Q2 results validate its dual-engine growth model (military scale + commercial recovery) and operational discipline. While gross margin volatility persists, the focus on EBITDA expansion, facility scalability, and high-value avionics innovation solidifies its position as a compelling small-cap defense/automation play.

Valuation

We value ISSC using a blend of peer multiples and a Discounted Cash Flow model (DCF). Our forecasted financial statements, and our DCF model are included on pages 8 through 11 of this report.

The exhibit below summarizes our peer group multiples.

Exhibit 1: ISSC Peer Group Multiples and Price Targets

Symbol	Company	Market Cap $ Millions	Forward P/S	Forward P/E
GRMN	Garmin Ltd	$ 38,877.97	**5.70**	**25.52**
AIRI	Air Industries Group	$ 12.16	**0.21**	
HON	Honeywell International Inc	$ 142,861.98	**3.55**	**21.61**
VTSI	VirTra Inc	$ 67.34	**2.72**	**20.75**
Average			**3.05**	**22.63**
ISSC	**Innovative Solutions & Support**	**$ 171.77**	**2.35**	**16.05**

FY25 Sales Estimate Per Share			Peer Average P/S		
$ 4.16	X		3.05	= $	12.69
FY25 EPS Estimate Per Share			Peer Average P/E		
$ 0.61	X		22.63	= $	13.80
		Average of Valuations		= $	13.25

Source: Singular Research and Company Filings.

We apply these industry average P/S and P/E multiples to our 2025 forecast for ISSC EPS and sales which leads us to two relative valuations for ISSC in FY25. We average those two valuation targets and discount that value back at ISSC's cost of equity of 14% to arrive at a price target of $11.62

Our DCF model uses income statement values for year one through three, and we assume EBIT grows at a CAGR of 10.5% per year for years three through eight. This DCF model produces a value of $10.38.

We then average the two price targets of $8.48 produced by the relative valuation and $10.38 produced by our DCF model to come to a final target price of $11.

The Exhibit below shows stock price targets using various combinations of forward EPS and P/E multiples. Our EPS estimates for 2025 and 2026 are $0.61 and $0.70, respectively. The portion of the chart not shaded shows resulting price targets at various forward P/E multiples that are above the current price of $9.79 on May 15th , 2025

Exhibit 2: Forward P/E Ratio vs. Forward EPS

Forward PE Ratio	Forward EPS														
	$ 0.50	$ 0.52	$ 0.54	$ 0.56	$ 0.58	$ 0.60	$ 0.62	$ 0.64	$ 0.66	$ 0.68	$ 0.70	$ 0.72	$ 0.74
10.0	$ 5.00	$ 5.20	$ 5.40	$ 5.60	$ 5.80	$ 6.00	$ 6.20	$ 6.40	$ 6.60	$ 6.80	$ 7.00	$ 7.20	$ 7.40
11.0	$ 5.50	$ 5.72	$ 5.94	$ 6.16	$ 6.38	$ 6.60	$ 6.82	$ 7.04	$ 7.26	$ 7.48	$ 7.70	$ 7.92	$ 8.14
12.0	$ 6.00	$ 6.24	$ 6.48	$ 6.72	$ 6.96	$ 7.20	$ 7.44	$ 7.68	$ 7.92	$ 8.16	$ 8.40	$ 8.64	$ 8.88
13.0	$ 6.50	$ 6.76	$ 7.02	$ 7.28	$ 7.54	$ 7.80	$ 8.06	$ 8.32	$ 8.58	$ 8.84	$ 9.10	$ 9.36	$ 9.62
14.0	$ 7.00	$ 7.28	$ 7.56	$ 7.84	$ 8.12	$ 8.40	$ 8.68	$ 8.96	$ 9.24	$ 9.52	$ 9.80	$ 10.08	$ 10.36
15.0	$ 7.50	$ 7.80	$ 8.10	$ 8.40	$ 8.70	$ 9.00	$ 9.30	$ 9.60	$ 9.90	$ 10.20	$ 10.50	$ 10.80	$ 11.10
16.0	$ 8.00	$ 8.32	$ 8.64	$ 8.96	$ 9.28	$ 9.60	$ 9.92	$ 10.24	$ 10.56	$ 10.88	$ 11.20	$ 11.52	$ 11.84
17.0	$ 8.50	$ 8.84	$ 9.18	$ 9.52	$ 9.86	$ 10.20	$ 10.54	$ 10.88	$ 11.22	$ 11.56	$ 11.90	$ 12.24	$ 12.58
18.0	$ 9.00	$ 9.36	$ 9.72	$ 10.08	$ 10.44	$ 10.80	$ 11.16	$ 11.52	$ 11.88	$ 12.24	$ 12.60	$ 12.96	$ 13.32
19.0	$ 9.50	$ 9.88	$ 10.26	$ 10.64	$ 11.02	$ 11.40	$ 11.78	$ 12.16	$ 12.54	$ 12.92	$ 13.30	$ 13.68	$ 14.06
20.0	$ 10.00	$ 10.40	$ 10.80	$ 11.20	$ 11.60	$ 12.00	$ 12.40	$ 12.80	$ 13.20	$ 13.60	$ 14.00	$ 14.40	$ 14.80
21.0	$ 10.50	$ 10.92	$ 11.34	$ 11.76	$ 12.18	$ 12.60	$ 13.02	$ 13.44	$ 13.86	$ 14.28	$ 14.70	$ 15.12	$ 15.54
22.0	$ 11.00	$ 11.44	$ 11.88	$ 12.32	$ 12.76	$ 13.20	$ 13.64	$ 14.08	$ 14.52	$ 14.96	$ 15.40	$ 15.84	$ 16.28

Source: Singular Research

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Rating Definitions

BUY, 30% or greater increase in the next 12 months.
BUY-Long-Term, near-term EPS horizon is challenging, attractive long-term appreciation potential.
BUY-Venture, initial stages with little to no revenue and the potential for outsized returns with higher amounts of risk and volatility.
HOLD, perform in line with the market.
SELL, 30% or more declines in the next 12 months.

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Technical Analysis



Innovative Solutions & Support, Inc. (ISSC)
Quarterly Results & Estimates
$ in Thousands

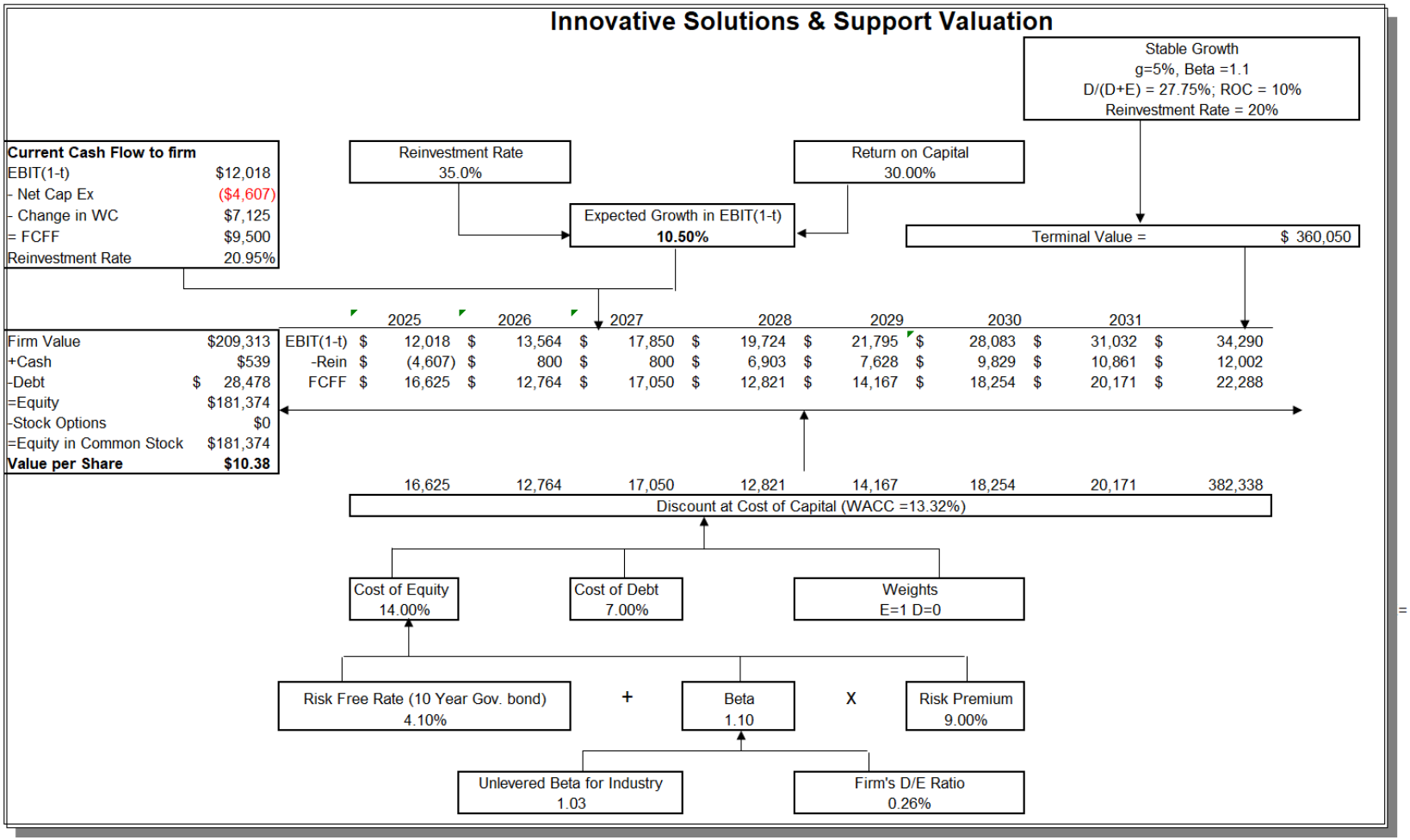
	2024 Estimated					2025 Estimated					2026 Estimated				
	1QA	2QA	3QA	4QA	Fiscal	1QA	2QA	3QE	4QE	Fiscal	1QE	2QE	3QE	4QE	Fiscal
	Dec-23	Mar-24	Jun-24	Sep-24	2024A	Dec-24	Mar-25	Jun-25	Sep-25	2025E	Dec-25	Mar-26	Jun-26	Sep-26	2026E
Product Revenue	$ 4,424	$ 4,896	$ 5,127	$ 9,833	$24,280	$9,984	$13,180	$10,767	$9,341	$43,272	$11,482	$15,157	$12,382	$10,836	$49,857
Customer Service Revenue	$ 4,227	$ 5,098	$ 6,409	$ 5,552	$21,286	$5,984	$8,756	$8,332	$7,218	$30,290	$7,480	$10,945	$10,415	$9,023	$37,863
EDC Revennue	$ 657	$ 746	$ 230	$ -	$ 1,633	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Revenue	**$ 9,308**	**$ 10,740**	**$ 11,766**	**$ 15,385**	**$ 47,199**	**$ 15,969**	**$ 21,936**	**$ 19,099**	**$ 16,559**	**$ 73,563**	**$ 18,962**	**$ 26,102**	**$ 22,797**	**$ 19,859**	**$ 87,720**
Growth YoY	*42.8%*	*46.3%*	*47.8%*	*18.4%*	*35.6%*	*71.6%*	*104.2%*	*62.3%*	*7.6%*	*55.9%*	*18.7%*	*19.0%*	*19.4%*	*19.9%*	*19.2%*
Cost of Product Revenue	$ 1,781	$ 2,348	$ 2,107	$ 4,335	$ 10,571	$ 6,263	$ 5,276	$ 5,060	$ 5,044	$ 21,643	$ 5,856	$ 7,882	$ 6,191	$ 5,418	$ 25,347
Cost of Services Revenue	$ 1,727	$ 2,462	$ 3,102	$ 2,522	$ 9,813	$ 3,096	$ 5,393	$ 4,333	$ 3,537	$ 16,359	$ 3,366	$ 4,980	$ 4,687	$ 4,060	$ 17,093
Cost of EDC Revenue	$ 277	$ 347	$ 277	$ -	$ 901	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cost of Sales	**$ 3,785**	**$ 5,157**	**$ 5,486**	**$ 6,857**	**$ 21,285**	**$ 9,359**	**$ 10,669**	**$ 9,393**	**$ 8,581**	$ 38,002	**$ 9,222**	**$ 12,862**	**$ 10,878**	**$ 9,478**	$ 42,440
Gross Profit	**$ 5,523**	**$ 5,583**	**$ 6,280**	**$ 8,528**	**$ 25,914**	**$ 6,610**	**$ 11,267**	**$ 9,706**	**$ 7,978**	**$ 35,561**	**$ 9,740**	**$ 13,240**	**$ 11,919**	**$ 10,381**	**$ 45,280**
Gross Margin	*59.3%*	*52.0%*	*53.4%*	*55.4%*	*54.9%*	*41.4%*	*51.4%*	*50.8%*	*48.2%*	*48.3%*	*51.4%*	*50.7%*	*52.3%*	*52.3%*	*51.6%*
Research and Development	$ 901	$ 1,031	$ 1,099	$ 1,106	$ 4,137	$ 1,108	$ 867	$ 1,146	$ 994	$ 4,115	$ 1,138	$ 1,566	$ 1,368	$ 1,192	$ 5,264
SG&A	$ 3,007	$ 2,908	$ 3,143	$ 3,056	$ 12,114	$ 4,159	$ 3,416	$ 4,775	$ 4,140	$ 16,490	$ 4,741	$ 6,526	$ 5,699	$ 4,965	$ 21,931
Operating Income	**$ 1,615**	**$ 1,644**	**$ 2,038**	**$ 4,366**	**$ 9,663**	**$ 1,343**	**$ 6,984**	**$ 3,785**	**$ 2,844**	$ 14,956	**$ 3,861**	**$ 5,148**	**$ 4,852**	**$ 4,224**	$ 18,085
Operating Margin	*17.4%*	*15.3%*	*17.3%*	*28.4%*	*20.5%*	*8.4%*	*31.8%*	*19.8%*	*17.2%*	*20.3%*	*20.4%*	*19.7%*	*21.3%*	*21.3%*	*20.6%*
Interest Expense	$ (360)	($171)	($173)	($233)	$ (937)	($427)	($387)	$ (387)	$ (427)	$ (1,628)	$ (427)	$ (387)	$ (387)	$ (427)	$ (1,628)
Interest Income	$ 79	$ 36	$ 6	$ 6	$ 127	$ 5	$ 5	$ 5	$ 5	$ 20	$ 5	$ 5	$ 5	$ 5	$ 20
Other Income	$ 18	$ 26	$ 13	$ (57)	$ -	$ -		$ 20	$ 20	$ 40	$ 20	$ 20	$ 20	$ 20	$ 80
Income Before Income Taxes	$ 1,352	$ 1,535	$ 1,884	$ 4,082	$ 8,853	$ 922	$ 6,602	$ 3,423	$ 2,442	$ 13,389	$ 3,460	$ 4,787	$ 4,491	$ 3,823	$ 16,561
Income Tax (benefit) expense	$ 295	$ 326	$ 331	$ 902	$ 1,854	$ 186	$ 1,265	$ 685	$ 488	$ 2,624	$ 865	$ 1,197	$ 1,123	$ 956	$ 4,141
Net Income-Common Shareholders	**$ 1,057**	**$ 1,209**	**$ 1,553**	**$ 3,180**	**$ 6,999**	**$ 736**	**$ 5,337**	**$ 2,738**	**$ 1,954**	**$ 10,765**	**$ 2,595**	**$ 3,590**	**$ 3,368**	**$ 2,867**	**$ 12,420**
GAAP Net Income Common Stockholders	$ 1,057	$ 1,209	$ 1,553	$ 3,180	$ 6,999	$ 736	$ 5,337	$ 2,738	$ 1,954	$ 10,765	$ 2,595	$ 3,590	$ 3,368	$ 2,867	$ 12,420
Non-GAAP Adjustements	$ -	$ -	$ -		$ -					$ -	$ -	$ -	$ -	$ -	$ -
Non-GAAP Adjusted Net Income	$ 1,057	$ 1,209	$ 1,553	$ 3,180	$ 6,999	$ 736	$ 5,337	$ 2,738	$ 1,954	$ 10,765	$ 2,595	$ 3,590	$ 3,368	$ 2,867	$ 12,420
Basic Weighted Average Shares	17,451	17,456	17,462	17,472	$ 17,472	17,514	17,549	17,567	17,585	$ 17,585	17,620	17,638	17,656	17,674	17,647
Basic EPS-Continuing Ops	$ 0.06	$ 0.07	$ 0.09	$ 0.18	$ 0.40	$ 0.04	$ 0.30	$ 0.16	$ 0.11	$ 0.61	$ 0.15	$ 0.20	$ 0.19	$ 0.16	$ 0.70
Diluted Weighted Average Shares	17,475	17,488	17,467	17,493	$ 17,493	17,584	17,644	17,662	17,680	$ 17,680	17,715	17,733	17,751	17,769	17,742
GAAP Diluted EPS-Continuing Ops	**$ 0.06**	**$ 0.07**	**$ 0.09**	**$ 0.18**	**$ 0.40**	**$ 0.04**	**$ 0.30**	**$ 0.16**	**$ 0.11**	**$ 0.61**	**$ 0.15**	**$ 0.20**	**$ 0.19**	**$ 0.16**	**$ 0.70**
Adjusted Diluted EPS-Continuing Ops	**$ 0.06**	**$ 0.07**	**$ 0.09**	**$ 0.18**	**$ 0.40**	**$ 0.04**	**$ 0.30**	**$ 0.16**	**$ 0.11**	**$ 0.61**	**$ 0.15**	**$ 0.20**	**$ 0.19**	**$ 0.16**	**$ 0.70**

Innovative Solutions & Support, Inc. (ISSC)
Balance Sheet
$ in Thousands

	2024 Actual					2025 Estimated					2026 Estimated				
	1QA	2QA	3QA	4QA	Fiscal	1QA	2QA/E	3QE	4QE	Fiscal	1QE	2QE	3QE	4QE	Fiscal
	Dec-23	Mar-24	Jun-24	Sep-24	2024A	Dec-24	Mar-25	Jun-25	Sep-25	2025E	Dec-25	Mar-26	Jun-26	Sep-26	2026E
Cash & Cash Equivalents	$ 467	$ 574	$ 521	$ 539	$ 539	$ 605	$ 1,226	$ 18,109	$ 6,465	$ 6,465	$ 24,257	$ (963)	$ 46,701	$ 15,504	$ 15,504
Account Receivables	$ 5,584	$ 6,061	$ 7,330	$ 12,612	$ 12,612	$ 7,717	$ 13,823	$ 7,398	$ 11,527	$ 11,527	$ 9,542	$ 19,460	$ 5,870	$ 16,196	$ 16,196
Contract assets	$ 648	$ 1,231	$ 1,098	$ 1,680	$ 1,680	$ 3,410	$ 1,769	$ 1,098	$ 1,098	$ 1,098	$ 1,098	$ 1,098	$ 1,098	$ 1,098	$ 1,098
Inventory	$ 7,800	$ 9,121	$ 14,540	$ 12,732	$ 12,732	$ 15,507	$ 18,853	$ 10,061	$ 23,566	$ 23,566	$ 9,897	$ 35,143	$ 234	$ 30,726	$ 30,726
Prepaid inventory	$ 11,509	$ 6,776	$ 1,899	$ 5,960	$ 5,960	$ 5,252	$ 4,430	$ 4,430	$ 4,430	$ 4,430	$ 4,430	$ 4,430	$ 4,430	$ 4,430	$ 4,430
Prepaid expenses and other current assets	$ 920	$ 711	$ 985	$ 1,161	$ 1,161	$ 1,566	$ 1,360	$ 1,360	$ 1,360	$ 1,360	$ 1,360	$ 1,360	$ 1,360	$ 1,360	$ 1,360
Assets held for sale	$ -	$ -			$ -					$ -					$ -
Toatal Current Assets	**$ 26,928**	**$ 24,474**	**$ 26,373**	**$ 34,684**	**$ 34,684**	**$ 34,055**	$ 41,461	**$ 42,456**	**$ 48,446**	**$ 48,446**	**$ 50,584**	**$ 60,528**	**$ 59,693**	**$ 69,314**	**$ 69,314**
Goodwill	$ 3,558	$ 3,558	$ 4,074	$ 5,213	$ 5,213	5,213	$ 6,703	$ 6,703	$ 6,703	$ 6,703	$ 6,703	$ 6,703	$ 6,703	$ 6,703	$ 6,703
Intangible Assets	$ 15,917	$ 15,648	$ 16,090	$ 27,012	$ 27,012	26,544	$ 24,688	$ 24,688	$ 24,688	$ 24,688	$ 24,688	$ 24,688	$ 24,688	$ 24,688	$ 24,688
Property and equipment, net	$ 7,931	$ 12,450	$ 11,590	$ 13,372	$ 13,372	13,449	$ 14,733	$ 13,566	$ 12,399	$ 12,399	$ 11,949	$ 11,499	$ 11,049	$ 10,599	$ 10,599
Deferred income taxes	$ 1,141	$ 1,173	$ 1,110	$ 1,625	$ 1,625	1,842	$ 2,135	$ 1,110	$ 1,110	$ 1,110	$ 1,110	$ 1,110	$ 1,110	$ 1,110	$ 1,110
Other Assets	$ 224	$ 320	$ 546	$ 474	$ 474	150	$ 166	$ 166	$ 166	$ 166	$ 166	$ 166	$ 166	$ 166	$ 166
Total Assets	**$ 55,699**	**$ 57,623**	**$59,783**	**$ 82,380**	**$ 82,380**	**$ 81,253**	**$ 89,886**	**$ 88,689**	**$ 93,512**	**$ 93,512**	**$ 95,200**	**$ 104,694**	**$ 103,409**	**$ 112,580**	**$ 112,580**
Current portion of long-term debt	$ 10,612	$ 10,643	$ 9,859		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	$ 1,546	$ 2,647	$ 3,344	$ 2,315	$ 2,315	$ 1,876	$ 4,711	$ 1,551	$ 4,170	$ 4,170	$ 1,978	$ 6,597	$ 655	$ 5,664	$ 5,664
Accrued expenses	$ 2,985	$ 2,415	$ 2,818	$ 4,609	$ 4,609	$ 4,283	$ 3,073	$ 3,073	$ 3,073	$ 3,073	$ 3,073	$ 3,073	$ 3,073	$ 3,073	$ 3,073
Contract liability	$ 228	$ 97	$ 132	$ 340	$ 340	$ 359	$ 732	$ 732	$ 732	$ 732	$ 732	$ 732	$ 732	$ 732	$ 732
Totall Current Liabilities	**$ 15,371**	**$ 15,802**	**$16,153**	**$ 7,264**	**$ 7,264**	**$ 6,519**	**$ 8,516**	**$ 5,356**	**$ 7,975**	**$ 7,975**	**$ 5,783**	**$ 10,402**	**$ 4,460**	**$ 9,469**	**$ 9,469**
Long-Term Debt	$ -	$ -	$ -	$ 28,027	$ 28,027	$ 26,512	$ 27,401	$ 27,401	$ 27,401	$ 27,401	$ 27,401	$ 27,401	$ 27,401	$ 27,401	$ 27,401
Other Long-Term Liabilities	$ 428	$ 444	$449	$ 451	$ 451	$ 451	$ 457	$ 457	$ 457	$ 457	$ 457	$ 502	$ 502	$ 502	$ 502
Total Liabilities	**$ 15,799**	**$ 16,246**	**$16,602**	**$ 35,742**	**$ 35,742**	**$ 33,482**	**$ 36,374**	**$ 33,214**	**$ 35,833**	**$ 35,833**	**$ 33,641**	**$ 38,305**	**$ 32,363**	**$ 37,372**	**$ 37,372**
Common Stock	$ 20	$ 20	$ 19.59	$ 19.59	$ 20	$ 20	$ 20.00	$ 20.00	$ 20.00	$ 20	$ 20	$ 20.00	$ 20.00	$ 20.00	$ 20
Additional Paid in Capital	$ 54,523	$ 54,792	$55,043	$ 55,320	$ 55,320	$ 55,717	$ 56,121	$ 55,346	$ 55,596	$ 55,596	$ 56,881	$ 58,121	$ 59,410	$ 60,705	$ 60,705
Retained earnings	$ 6,726	$ 7,934	$9,487	$ 12,667	$ 12,667	$ 13,403	$ 18,740	$ 21,478	$ 23,432	$ 23,432	$ 26,027	$ 29,617	$ 32,985	$ 35,852	$ 35,852
Treasury stock	$ (21,369)	$ (21,369)	($21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)	$ (21,369)
Total Equity	**$ 39,900**	**$ 41,377**	**$ 43,181**	**$ 46,638**	**$ 46,638**	**$ 47,771**	**$ 53,512**	**$ 55,475**	**$ 57,679**	**$ 57,679**	**$ 61,559**	**$ 66,389**	**$ 71,046**	**$ 75,208**	**$ 75,208**
Total Liabilities & Shareholders' Equity	**$ 55,699**	**$ 57,623**	**$59,783**	**$ 82,380**	**$ 82,380**	**$ 81,253**	**$ 89,886**	**$ 88,689**	**$ 93,512**	**$ 93,512**	**$ 95,200**	**$ 104,694**	**$ 103,409**	**$ 112,580**	**$ 112,580**

Innovative Solutions & Support, Inc. (ISSC)
Cash Flow Statement
$ in Thousands

	2024 Estimated					2025 Estimated					2026 Estimated				
	1QA Dec-23	2QA Mar-24	3QA Jun-24	4QE Sep-24	Fiscal 2024E	1QA Jun-23	2QA/E Sep-23	3QE Dec-23	4QE Mar-24	Fiscal 2025E	1QE Jun-23	2QE Sep-23	3QE Dec-23	4QE Mar-24	Fiscal 2026E
Net income	$ 1,057	$ 1,209	$ 1,553	$ 3,180	$ 6,999	$ 736	$ 5,337	$ 2,738	$ 1,954	$ 10,765	$ 2,595	$ 3,590	$ 3,368	$ 2,867	$ 12,420
Adjustments to reconcile net income to net cash provided by operating activities:															
Depreciation and amortization	$ 411	$ 415	$ 611	$ 661	$ 2,098	$ 1,367	$ 638	$ 1,367	$ 1,367	$ 4,739	$ 1,424	$ 1,424	$ 1,424	$ 1,424	$ 5,696
Share-based compensation expense											$ 250	$ 250	$ 250	$ 250	$ 1,000
Stock options	$ 105	$ 125	$ 34	$ 125	$ 389		$ 125	$ 125	$ 125	$ 375	$ 125	$ 125	$ 125	$ 125	$ 500
Stock awards	$ 100	$ 144	$ 216	$ 125	$ 585		$ 125	$ 125	$ 125	$ 375	$ 125	$ 125	$ 125	$ 125	$ 500
Impairment of long-lived assets	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gain on disposal of property and equipment	$ (161)	$ -		$ 655	$ 494	$ -	$ -	$ -	$ -	$ -					$ -
Deferred income taxes	$ (676)	$ (15)	$ 68		$ (623)	$ -				$ -	$ 20	$ 20	$ 20	$ 20	$ 80
(Increase) decrease in:															
Accounts receivable	$ 4,160	$ (478)	$ (1,268)	$ (5,282)	$ (2,868)	$ 4,895	$ (6,106)	$ 6,425	$ (4,129)	$ 1,085	$ 1,985	$ (9,918)	$ 13,590	$ (10,326)	$ (4,669)
Contract assets	$ (161)	$ (583)	$ 132	$ (582)	$ (1,194)	$ (1,730)	$ 1,641	$ 671	$ -	$ 582	$ -	$ -	$ -	$ -	$ -
Inventories	$ (1,100)	$ (1,127)	$ (1,048)	$ 1,808	$ (1,467)	$ (2,775)	$ (3,346)	$ 8,792	$ (13,505)	$ (10,834)	$ 13,669	$ (25,246)	$ 34,909	$ (30,492)	$ (7,160)
Prepaid expenses and other current assets	$ 153	$ 240	$ (83)	$ (4,061)	$ (3,751)	$ 708	$ 822	$ -	$ -	$ 1,530	$ -	$ -	$ -	$ -	$ -
Other non-current assets	$ (36)	$ (99)	$ (229)	$ (176)	$ (540)	$ (405)	$ 206	$ -	$ -	$ (199)	$ -	$ -	$ -	$ -	$ -
Increase (decrease) in:															
Accounts payable	$ 209	$ 1,101	$ 697	$ (1,029)	$ 978	$ (439)	$ 2,835	$ (3,160)	$ 2,619	$ 1,855	$ (2,192)	$ 4,619	$ (5,942)	$ 5,009	$ 1,494
Accrued expenses	$ (904)	$ 522	$ 290	$ 1,791	$ 1,699	$ (326)	$ (1,210)	$ -	$ -	$ (1,536)	$ -	$ -	$ -	$ -	$ -
Income taxes	$ 971	$ (1,120)	$ (73)	$ 3,170	$ 2,948	$ (209)	$ (152)	$ -	$ -	$ (361)	$ -	$ -	$ -	$ -	$ -
Contract liabilities	$ 85	$ (132)	$ 35	$ 208	$ 196	$ 19	$ 373	$ -	$ -	$ 392	$ -	$ -	$ -	$ -	$ -
Cash from Operating Activities	**$ 4,213**	**$ 202**	**$ 935**	**$ 593**	**$ 5,943**	**$ 1,841**	**$ 1,288**	**$ 17,083**	**$ (11,444)**	**$ 8,768**	**$ 18,001**	**$ (25,011)**	**$ 47,869**	**$ (30,998)**	**$ 9,861**
Purchases of property and equipment	$ (183)	$ (126)	$ (203)	$ (294)	$ (806)	$ (261)	$ (1,556)	$ (200)	$ (200)	$ (2,217)	$ -	$ -	$ -	$ -	$ -
Acquisition of a business		$ -		$ (18,448)	$ (18,448)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Proceeds from the sale of property and equipment	$ 2,226				$ 2,226					$ -	$ (209)	$ (209)	$ (205)	$ (199)	$ (822)
Cash from Investing Activities	**$ 2,043**	**$ (126)**	**$ (203)**	**$ (18,742)**	**$ (17,028)**	**$ (261)**	**$ (1,556)**	**$ (200)**	**$ (200)**	**$ (2,217)**	**$ (209)**	**$ (209)**	**$ (205)**	**$ (199)**	**$ (822)**
Repayments of term note	$ (19,500)				$ (19,500)	$ -	$ 374	$ -	$ -	$ 374	$ -	$ -	$ -	$ -	$ -
Proceeds from line of credit note	$ 19,403	$ 5,089	$ 4,553		$ 29,045	$ (1,514)	$ 515	$ -	$ -	$ (999)	$ -	$ -	$ -	$ -	$ -
Repayments of line of credit note	$ (8,791)	$ (5,058)	$ (5,337)	$ (9,859)	$ (29,045)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Proceeds from term note		$ -		$ 28,027	$ 28,027	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Proceeds from exercise of stock options		$ -			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash from Financing Activities	**$ (8,888)**	**$ 31**	**$ (784)**	**$ 18,168**	**$ 8,527**	**$ (1,514)**	**$ 889**	**$ -**	**$ -**	**$ (625)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Effect of Exchange Rate Changes on Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**					**$ -**					
Net Change in Cash	**$ (2,632)**	**$ 107**	**$ (52)**	**$ 19**	**$ (2,558)**	**$ 66**	**$ 621**	**$ 16,883**	**$ (11,644)**	**$ 5,926**	**$ 17,792**	**$ (25,220)**	**$ 47,664**	**$ (31,197)**	**$ 9,039**
Net Cash - Beginning Balance	$ 3,097	$ 465	$ 572	$ 520	$ 3,097	$ 539	$ 605	$ 1,226	$ 18,109	$ 539	$ 6,465	$ 6,465	$ 6,465	$ 6,465	$ 6,465
Net Cash - Ending Balance	$ 465	$ 572	$ 520	$ 539	$ 539	$ 605	$ 1,226	$ 18,109	$ 6,465	$ 6,465	$ 24,257	$ (963)	$ 46,701	$ 15,504	$ 15,504


Innovative Solutions & Support Valuation
Stable Growth
g=5%, Beta =1.1
D/(D+E) = 27.75%; ROC = 10%
Reinvestment Rate = 20%
Current Cash Flow to firm
EBIT(1-t) $12,018
- Net Cap Ex ($4,607)
- Change in WC $7,125
= FCFF $9,500
Reinvestment Rate 20.95%
Reinvestment Rate
35.0%
Return on Capital
30.00%
Expected Growth in EBIT(1-t)
10.50%
Terminal Value = $ 360,050
2025 2026 2027 2028 2029 2030 2031
EBIT(1-t) $ 12,018 $ 13,564 $ 17,850 $ 19,724 $ 21,795 $ 28,083 $ 31,032 $ 34,290
-Rein $ (4,607) $ 800 $ 800 $ 6,903 $ 7,628 $ 9,829 $ 10,861 $ 12,002
FCFF $ 16,625 $ 12,764 $ 17,050 $ 12,821 $ 14,167 $ 18,254 $ 20,171 $ 22,288
Firm Value $209,313
+Cash $539
-Debt $ 28,478
=Equity $181,374
-Stock Options $0
=Equity in Common Stock $181,374
Value per Share $10.38
16,625 12,764 17,050 12,821 14,167 18,254 20,171 382,338
Discount at Cost of Capital (WACC =13.32%)
Cost of Equity
14.00%
Cost of Debt
7.00%
Weights
E=1 D=0
Risk Free Rate (10 Year Gov. bond)
4.10%
+
Beta
1.10
X
Risk Premium
9.00%
Unlevered Beta for Industry
1.03
Firm's D/E Ratio
0.26%