

AIR T Inc.



**Industrials
Coverage Group:**

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Company Background

- Ticker: AIRT
- Nano-cap stock
- Air T is an air freight company with three main sectors
 - overnight air cargo - overnight deliveries
 - ground equipment sales - manufactures and sells tow tractors, scissor lifts, etc.
 - ground support services - provides ground support services and maintenance

Price: \$19.51

Market Cap:
46.25M

Beta: 0.21

P/E: 12.34





Investment Thesis

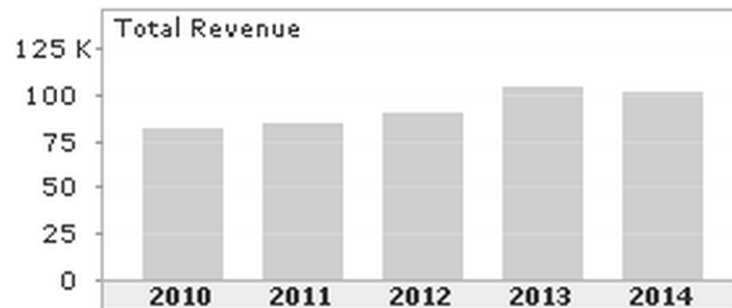
- Buy: \$41.70 price target
- Well-diversified business operations and reliable business partners
- Forecasted growth of airline traffic and tourism
- Globalization, growth in shipping demands (Asia)



Performance



Income statement



Financial Strength

	12 Mo Mar 12	12 Mo Mar 13	12 Mo Mar 14	MRQ	3 Year Average
Quick Ratio	1.97	2.73	1.99	2.78	2.23
Current Ratio	3.92	3.88	3.45	3.53	3.75
LT Debt/Equity	0.00	0.00	0.00	0.00	0.00
Total Debt Equity	0.00	0.00	0.00	0.00	0.00

Profitability

	12 Mo Mar 12	12 Mo Mar 13	12 Mo Mar 14	TTM	3 Year Average
Gross Margin (%)	15.29	15.25	16.08	17.25	15.54





Management Overview

- Reconstruction of Board and Senior Management Team
 - Mike Moore promoted to CEO of GGS subsidiary
 - Jeff Walsh promoted to Worldwide Director of Sales & Marketing
- CEO (2014): Nicholas Swenson
 - MBA in Finance from the University of Chicago
 - Over 10 years experience in PWM and leadership/management roles
 - Total annual compensation of \$50,000
- CFO (2014): Candice Otey
 - MBA from Harvard University
 - Former Senior Tax Associate at Time Warner Cable



Industry Outlook



Current Industry Trends:

- Higher EBITDA margins and revenue growth rates correlate to high performance
- Rapid globalization and declining trade barriers spurring growth
- Expected demand for international cargo transportation driven by Asia and developing economies
- Companies can gain supply chain control by expanding upstream or downstream



AirT Catalysts



- Strong and established relationships
 - FedEx for deliveries (1980)
 - US Air Force for deicers (1999)
 - Delta Airlines for plane maintenance (2007)
- Delta Airlines' international expansion will spur growth of AirT
 - Delta is turning SeaTac airport into a hub for Asian flights
 - Additional expansion into European market



AirT Catalysts



Strategic recent investment:

- Insignia Systems (ISIG)
- focused on marketing packaged goods
- intent to use shareholder rights to influence board and encourage expansion
- current ownership = 1.5/12.2 mil shares (~12%)



BLYTH FUND

Date	Insider	Shares	Type	Transaction
May 5, 2015	AIR T INC Beneficial Owner (10% or more)	7,000	Direct	Purchase at \$2.98 per share.
May 4, 2015	AIR T INC Beneficial Owner (10% or more)	3,400	Direct	Purchase at \$2.99 per share.
May 1, 2015	AIR T INC Beneficial Owner (10% or more)	1,200	Direct	Purchase at \$3 per share.
Apr 30, 2015	AIR T INC Beneficial Owner (10% or more)	2,500	Direct	Purchase at \$2.99 per share.
Apr 29, 2015	AIR T INC Beneficial Owner (10% or more)	3,300	Direct	Purchase at \$3 per share.
Apr 28, 2015	AIR T INC Beneficial Owner (10% or more)	1,400	Direct	Purchase at \$3.04 per share.
Apr 27, 2015	AIR T INC Beneficial Owner (10% or more)	3,400	Direct	Purchase at \$3 per share.
Apr 24, 2015	AIR T INC Beneficial Owner (10% or more)	3,733	Direct	Purchase at \$3.02 per share.
Apr 23, 2015	AIR T INC Beneficial Owner (10% or more)	2,300	Direct	Purchase at \$3.04 per share.
Apr 22, 2015	AIR T INC Beneficial Owner (10% or more)	3,300	Direct	Purchase at \$3.04 per share.
Apr 21, 2015	AIR T INC Beneficial Owner (10% or more)	4,000	Direct	Purchase at \$2.98 per share.
Apr 20, 2015	AIR T INC Beneficial Owner (10% or more)	2,800	Direct	Purchase at \$3 per share.
Apr 17, 2015	AIR T INC Beneficial Owner (10% or more)	1,900	Direct	Purchase at \$3.01 per share.
Apr 15, 2015	AIR T INC Beneficial Owner (10% or more)	6,000	Direct	Purchase at \$3.02 per share.
Apr 14, 2015	AIR T INC Beneficial Owner (10% or more)	3,000	Direct	Purchase at \$3.04 per share.
Apr 13, 2015	AIR T INC Beneficial Owner (10% or more)	2,400	Direct	Purchase at \$3.04 per share.
Apr 10, 2015	AIR T INC Beneficial Owner (10% or more)	5,800	Direct	Purchase at \$3.01 per share.
Apr 9, 2015	AIR T INC Beneficial Owner (10% or more)	5,200	Direct	Purchase at \$3.01 per share.
Apr 8, 2015	AIR T INC Beneficial Owner (10% or more)	1,200	Direct	Purchase at \$3 per share.
Apr 7, 2015	AIR T INC Beneficial Owner (10% or more)	2,600	Direct	Purchase at \$2.97 per share.
Apr 6, 2015	AIR T INC Beneficial Owner (10% or more)	9,000	Direct	Purchase at \$2.95 per share.

AirT Catalysts



- No. of air passengers in U.S. domestic market forecast to grow by 3.2% p.a. from 2014 to 2034
- North American air cargo traffic to expected to grow by 3.4% p.a. from 2014 to 2033
- Growth in air traffic beneficial for ground service equipment and maintenance services divisions (48% of sales)
 - Addition of new customers and locations
 - Increased demand from existing customers and locations



Risk



- Over-dependence on FedEx - Air T generates 52% of its revenue from FedEx
- Declining Operational Performance (decline of 2.2% from 2014)
 - Return on Equity (ROE) was 5.4%, compared to Alaska Air's 25% and AAR's 7.3%
- Unforeseen circumstances such as natural disasters will decrease tourism drastically



Comparables Analysis



Company Name	Fiscal Period	Market Value	Price	P/E	P/B	EV/EBITDA	EV/EBIT
Air T	12/31/2014	47.4	20.02	12.67x	1.53x	5.98x	7.11x
Average		429.3	7.26	26.46x	4.69x	10.97x	16.26x
Median		157.1	1.35	15.46x	1.92x	6.54x	12.50x
Taiwan Pelican Express	12/31/2014	127.9	1.34	24.90x	2.23x	14.00x	19.34x
Cargo Carriers	08/31/2014	26.9	1.35	9.95x	0.65x	3.93x	12.50x
ASR Logistics Holdings	12/31/2014	157.1	0.19	92.73x	21.26x	34.61x	39.62x
CTI Logistics	12/31/2014	71.1	1.07	10.32x	1.38x	7.61x	11.14x
Air Transport Svcs Grp	12/31/2014	668.3	10.29	22.37x	1.92x	5.47x	13.79x
Republic Airways	12/31/2014	600.3	11.81	9.52x	0.95x	6.54x	11.28x
Hawaiian	03/31/2015	1,353.7	24.74	15.46x	4.46x	4.62x	6.16x



Discounted Cash Flow Model



Company	Air T, Inc.
Ticker	AIRT
Current Price	\$19.83
Terminal Growth Rate	2.00%
Market Risk Premium	6.17%
Risk-Free Rate	2.12%
WACC	3.90%

Fair Price	\$	41.70
Appreciation		110.30%

Fair Value Calculation

Projected Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Terminal
FCF	9,506,960.00	55,548.00	(489,950.00)	2,952,628.00	1,665,478.66	4,182,723.95	3,230,494.12	3,484,402.76	4,759,878.76	3,484,402.76
Discount Factor					1.04	1.08	1.12	1.17	1.21	0.02
Discounted					1,602,932.24	3,874,461.85	2,880,031.47	2,989,735.17	3,930,758.43	186,860,716.00
Enterprise Value	202,138,635.15									
Net Debt	0									
Fair Value	202,138,635.15									

WACC Assumptions

WACC	3.90%			
	Amount	Weight	Notes	
Equity	27,360	1.00		
Debt	0	0.00		
Beta	0.44			
Rm-Rf	4.05%			
Cost of Equity	3.90%			
Cost of Debt	0.00%			
Tax Rate	0.00%			
After Tax Cost of Debt	0.00%			
Shares Outstanding	4847242			



BLYTH FUND

Statements	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	Mar. 31, 2014	2015	2016	2017	2018	2019
Operating Revenues:										
Overnight Air Cargo	38,987,899	42,335,364	48,344,211	49,850,693	52,341,439	54958510.95	57706436.5	60501758.32	63621346.24	66802413.55
change (in decimals)		0.0859	0.1419	0.0312	0.0500	5%	5%	5%	5%	5%
Ground Equipment Sales	32,920,571	32,808,927	32,089,800	40,294,093	31,510,192	33085701.6	34739986.68	36476886.01	38300835.31	40125877.08
change		-0.0034	-0.0219	0.2557	-0.2180	0.05	0.05	0.05	0.05	0.05
Ground Support Services	9,168,519	8,217,641	8,948,120	12,919,453	16,920,414	18612455.4	20473700.94	22521073.03	24773178.14	27250495.95
change		-0.1087	0.0889	0.4438	0.3097	0.1	0.1	0.1	0.1	0.1
Operating Revenues	81,076,989	83,361,932	89,382,131	103,064,239	100,772,045	106,656,667.95	112920124.1	119589815.4	126693359.7	13428786.6
Operating Expenses:										
Flight-air cargo	17,574,982	18,406,739	19,874,129	20,016,194	20,679,970	22397900.27	23713226.06	25113861.23	26505025.54	28196445.18
% rev	0.2168	0.2208	0.2224	0.1942	0.2052	0.21	0.21	0.21	0.21	0.21
Maintenance-air cargo	15,541,888	17,634,724	21,594,370	23,142,513	25,718,067	24531033.63	25971628.55	27505667.54	29139932.73	30881820.51
% rev	0.1917	0.2114	0.2416	0.2245	0.2552	0.23	0.23	0.23	0.23	0.23
Ground equipment sales	24,928,161	27,004,427	28,071,008	35,011,459	24,580,644	29863967.03	31617634.75	33485148.3	35474700.71	37505260.24
% rev	0.3075	0.3239	0.3141	0.3372	0.2439	0.28	0.28	0.28	0.28	0.28
Ground support services	6,530,126	6,035,683	6,091,993	10,325,812	13,588,522	10665666.8	11202012.41	11958981.54	12669335.97	13428786.66
% rev	0.0807	0.0724	0.0682	0.1002	0.1348	0.1	0.1	0.1	0.1	0.1
General and administrative	10,643,656	10,899,408	11,335,044	11,303,067	12,843,507	12798800.15	13550414.89	14350777.84	15203464.16	16112543.39
% rev	0.1313	0.1270	0.1268	0.1097	0.1275	0.12	0.12	0.12	0.12	0.12
Depreciation and amortization	415,104	365,912	364,215	532,770	752,412	53283328.319	564600.6206	597949.0769	63476.7985	671448.9329
% rev	0.0051	0.0044	0.0041	0.0052	0.0075	0.005	0.005	0.005	0.005	0.005
Loss (gain) on sale of property and equipment	2,997	-103,412	-22,368	4,363	-23,617	-2133133359	-2238402482	-2391756307	-2533907194	-2685375732
% rev	0.0000	-0.0012	-0.0003	0.0000	-0.0002	-0.0002	-0.0002	-0.0002	-0.0002	-0.0002
% rev	75,245,914	79,924,481	87,308,591	100,336,211	98,139,505	100,769,219.88	106,686,333.27	112,988,457.56	119,701,775.84	126,857,149.56
Operating Income	5,431,075	3,438,451	2,073,540	2,728,028	2,632,540	5,887,448.07	6,233,190.85	6,601,357.81	6,993,583.85	7,411,637.02
Non-operating Income:										
Gain on sale of marketable securities					10,954					
Other investment income, net	124,948	130,451	22,684	1,832	15,142	28,705.60	35,376.16	34,733.78	38,207.15	42,027.87
charge	124,948	130,451	22,684	1,832	26,096	0.1	0.1	0.1	0.1	0.1
Income Before Taxes	5,556,023	3,568,902	2,096,224	2,729,860	2,658,636	5,916,153.67	6,264,767.01	6,636,091.58	7,021,792.01	7,453,664.89
Taxes	1,789,000	1,431,000	746,000	1,060,000	1,130,000	2,662,269.15	2,819,145.16	2,986,241.21	3,164,305.35	3,354,149.20
Net Income	3,757,023	2,137,902	1,350,224	1,669,860	1,468,636	3,253,884.52	3,445,621.86	3,649,850.37	3,867,486.66	4,099,515.69

Conclusion



Strengths in reliable business partners, diversified subsidiaries, and growth in tourism and air traffic industries makes AIR T, Inc. a strong buy that we must act on as soon as possible.

