

Air T (AIRT)

Price:	\$9.87	Net Tang. Bk Value Incl. Cash, Excl.	\$27,610,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$30,588,560.00
Market Cap:	\$24,181,500	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$1,019,712.00
Cash:	\$9,200,000	NTBVIC/Market Downside Recovery:	114.18%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	\$1,019,712	Year 5 Disposition Price:	\$33,647,696.00
Net Cash:	\$9,200,000	Implied Years to Fill Gap:	-3.36		
Enterprise Value:	\$14,981,500	Today's Equity if 5x Op. CF:	\$30,669,136		
		Net Tang. Book+ Gain Disposition:			\$33,647,696.00
Shares Outstanding:	2,450,000	IRR:			6.83%
		Price:			\$13.73
		Target Market Cap:			\$33,647,696
		Target Enterprise Value:			\$24,447,696

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

The Co. operates 3 businesses: 1) express air delivery, 2) ground equipment sales, 3) ground support service for airlines. The Co. operates 80+ airplanes for customers, mainly FedEx, to Eastern and MidWest US. They are small planes that probably reaches remote locations. This generates half of the revenue, or \$50MM. The airplanes are leased from FedEx and FedEx pays a fee for the flights. So essentially, FedEx is paying for the pilots, since all the operational fees are passed through to FedEx with no markups. FedEx is a 50% revenue customer and adverse results at FedEx can affect the Co. We have seen too many glass trophies shattered when a large customer suddenly withdraws their contract. However, the Co. has enjoyed a longstanding, 30 year relationship.

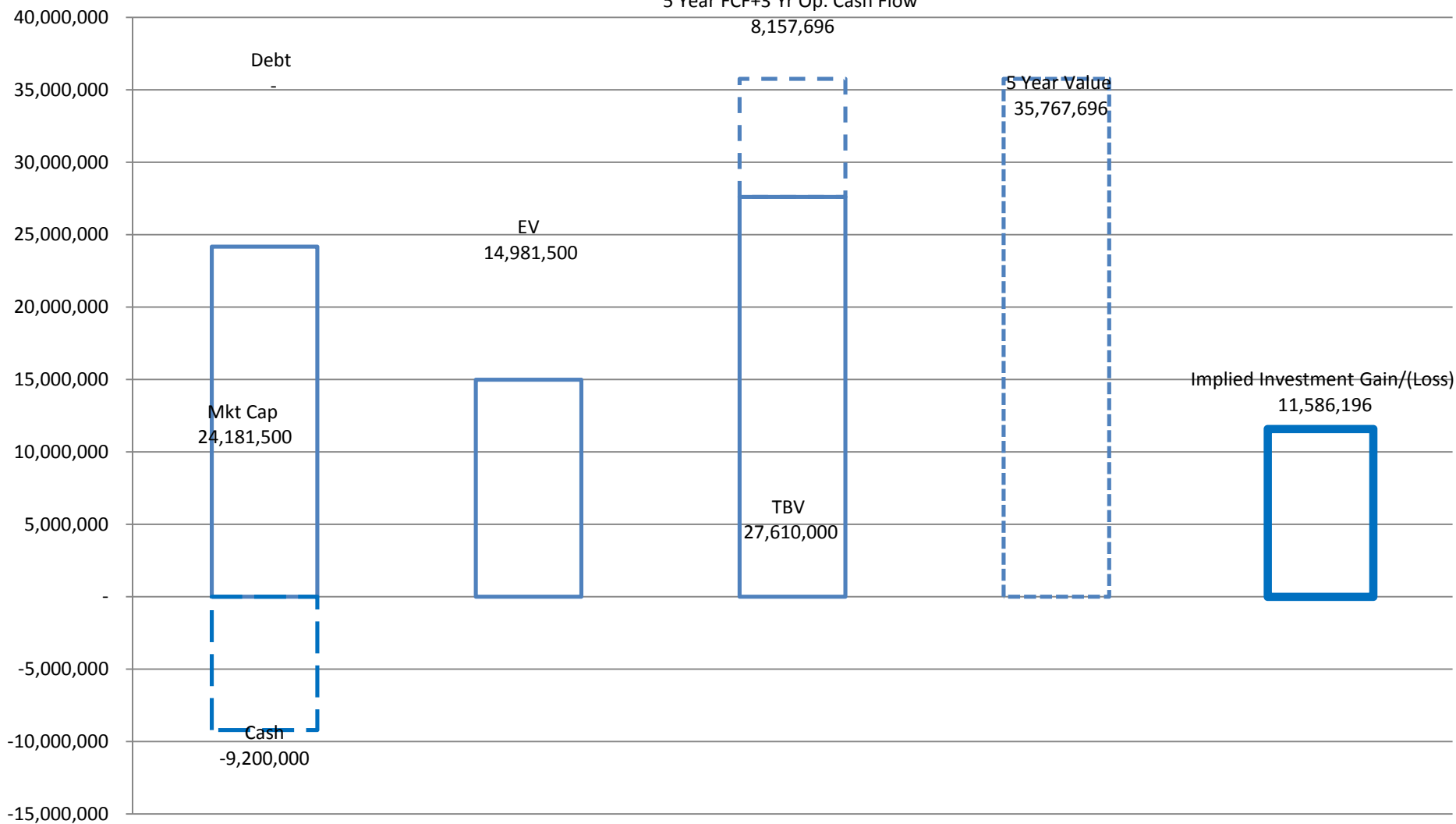
About \$40MM comes from equipment sales such as deicers, which look like pressurized nozzles used to remove ice off aircraft. This would be used primarily in the mountainous regions. The Co. assembles parts made from third party manufacturers. The Co. has 2 contracts with the USAF which have not been renewed. This is the worrisome part of the business since it contributes 23% of total revenue. In the recent 10Q, the Co. reported weakness in this area, with a 50% cut YoY, reporting revenue of \$5MM versus \$10MM in the previous year.

The remaining \$10MM comes from ground support contracts from airlines. This piece of the business was negatively impacted by Delta's weakness in 2010, but since then has reported growth, and will be a minor contributor to growth.

The Co's stock slid from \$11 to the current \$9.87. Downside protection of 114%, 3.5% dividend yield, zero debt, \$2MM op cash flow, \$1MM cap ex, \$0.6MM dividend. Margins are slim with GM at 15% and EBIT at 2%, but the Co. operates a real business, and the discount is present. The asset is \$35MM with \$10MM in cash, \$8MM in inventory, \$10MM in A/R, and \$3MM in PP&E. No debt, \$22MM in retained earnings, and \$8MM in payables. We have adjusted our model for further weakness in topline by reflecting a 50% cut to future revenue from weakness in equipment sales. It is a low margin business so it should not negatively impact overall margins. The real risk is a failure to extend the contract with the USAF as their 4 year, annually renewable contract is coming to an end in 2014. We have forecasted a future extension, but we can't guarantee this will happen, so our valuation may be more optimistic than other analysts.

The issue with these smaller names is the sustainable business flow and reliance on 2 large customers. It is commendable the Co. has grown primarily by organic growth over the 30+ years, but we are at a standstill of whether the stock will appreciate for the next few years. We will hold on to the stock for the 3% yield and 110% downside protection.

5 Year FCF+3 Yr Op. Cash Flow



Air T, Inc., was incorporated under the laws of the State of Delaware in 1980. The Company through its subsidiaries, provides overnight air freight service to the express delivery industry, manufactures and sells aircraft deicers and other special purpose industrial equipment, and provides ground support equipment and facilities maintenance to airlines. The Company operates in three business segments namely The overnight air cargo segment, The ground equipment sales segment and The ground support services segment. The overnight air cargo segment, comprised of its Mountain Air Cargo, Inc. (MAC) and CSA Air, Inc. (CSA) subsidiaries, operates in the air express delivery services industry. The ground equipment sales segment, comprised of its Global Ground Support, LLC (GGS) subsidiary, manufactures and provides mobile deicers and other specialized equipment products to passenger and cargo airlines, airports, the U. S. military and industrial customers. The ground support services segment, comprised of its Global Aviation Services, LLC (GAS) subsidiary, provides ground support equipment maintenance and facilities maintenance services to domestic airlines and aviation service providers. Each business segment has separate management teams and infrastructures that offer different products and services. The Department of Transportation (DOT) has the authority to regulate economic issues affecting air service.

Company Name:		Air T		Market Capitalization:		\$24,181,500.00		Revenue:		\$99,860,000.00		100.0%									
Ticker Symbol:	AIRT	Total Debt:	\$0.00	Cost of Goods Sold:	\$84,140,000.00	84.3%		Gross Profit:	\$15,720,000.00	15.7%		EBITDA:		\$2,850,000.00	2.9%						
Last Price:	\$9.87	Enterprise Value:	\$14,981,500.00	Net Income:	\$1,390,000.00	1.4%		Net Cash/(Debt):		\$9,200,000.00		EBITDA:		\$2,850,000.00	2.9%						
Net Cash/Share:	\$3.76	Current EV/Share:	\$6.11	EBITDA:		\$3,790,000.00		Cash:		\$9,200,000.00		Short Term Investment:		\$0.00							
Net Cash to Last Price:	38.05%	EV/EBITDA Multiple:	3.95	EV/EBITDA Multiple Average Year 1-5:		12.00		A/R:		\$12,000,000.00		PP&E:		\$3,000,000.00							
Shares Outstanding:	2,450,000	EV/FCF Multiple (excluding acquisition):	3.76	EV/FCF Multiple Average Year 1-5 (excluding acquisition):		28.83		Assets:		\$35,310,000.00		Retained Earnings:		\$21,000,000.00							
Industry:	Integrated Shipping & Logistics	Upper Range		DCF: EV/EBITDA Terminal Value		Implied TV from 3 X EV/EBITDA Multiple		A/P:		\$6,000,000.00		Deferred Tax:		\$70,000.00							
Sector:	Industrials	DCF: EV/EBITDA Terminal Value		Implied TV from 3 X EV/EBITDA Multiple		\$2,473,440.00		Other Liabilities:		\$1,860,000.00		Short term Debt:		\$0.00							
Institutional Ownership:	28.83%	Lower Range		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		Liabilities:		\$7,930,000.00		Long Term Debt:		\$0.00							
Mutual Fund Ownership:	12.53%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Retained Earnings:		\$21,000,000.00		Paid-In Capital:		\$6,610,000.00							
Insider Ownership:	6.52%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Treasury Stock:		\$0.00		Stockholder's Equity:		\$27,610,000.00							
Float:	70.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Cash from Investing Activities:		-370,000.00		Cash Flow		Net Income:		1,670,000.00					
Technicals		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Depreciation/Amortization:		530,000.00		Change in Working capital:		2,030,000.00							
52 week low:	\$7.76	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Cash from Operating Activities:		4,360,000.00		Capital Expenditures:		-380,000.00							
Today from 52 week low:	27.19%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Cash from Financing Activities:		-610,000.00		Issuance (Retirement) of Stock:		0.00							
52 week high:	\$10.98	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Issuance (Retirement) of Debt:		0.00		Cash from Financing Activities:		-610,000.00							
Today from 52 week high:	11.25%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Cash from Financing Activities:		-610,000.00		Profitability Margins		Debt to Equity:		0.00%					
Analyst/Consensus		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Return on Assets:		4.73%		Return on Capital:		6.05%		Return on Equity:		6.05%			
Analyst Sales Growth FY1:	N/A	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		-8.56%		Current Net Tangible Asset		Net Tangible Asset/Share:		\$11.18		Net Tangible Asset/Share in Year 5:		\$12.39	
Analyst Sales Growth FY2:	N/A	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
SN Valuation Estimate FY1:	-20.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
SN Valuation Estimate FY2:	0.00%	DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Analyst Earnings Estimate FY1:		N/A		EVA today:		\$26,567,112.45		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Analyst Earnings Estimate FY2:		N/A		EVA in 5 Years:		\$16,986,647.65		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
SN Valuation Earnings Est. FY1:		\$0.24		EVA/Share:		\$6.93		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
SN Valuation Earnings Est. FY2:		\$0.24		Cash at Year 5:		\$11,798,560.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Multiples		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Market Value to Book:		0.88		Debt at Year 5:		\$0.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
EV to Book:		0.54		Equity Value Year 5:		\$26,668,560.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Market Value to Tangible Net Assets:		1.63		Equity/Share at Year 5:		\$10.89		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
P/E Ratio:		17.40		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Trailing P/E Ratio:		17.34		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Forward P/E Ratio:		N/A		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Beta:		0.75		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Dividend:		0.30		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Dividend Yield:		3.04%		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Dividend Date:		Jun 27, 2013		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Ex-Dividend Date:		Jun 5, 2013		Annualized Return:		1.98%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Competitors		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value		Year 5 Net Tangible Assets excluding cash and debt		\$14,870,000.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Average EV to EBITDA:		N/A		EVA today:		\$26,567,112.45		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Company EV to EBITDA:		3.95		EVA in 5 Years:		\$16,986,647.65		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Average EV to EBIT:		N/A		EVA/Share:		\$6.93		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Company EV to EBITA:		5.49		Cash at Year 5:		\$11,798,560.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Current Equity Price:		\$9.87		Debt at Year 5:		\$0.00		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Selling at Discount?		Discount		Equity Value Year 5:		\$28,785,207.65		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Appreciation Potential:		13.23%		Equity/Share at Year 5:		\$11.75		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	
Copyright SN Valuation All Rights Reserved		www.snvaluation.com		Annualized return:		-8.56%		Annualized return:		2.09%		Current Equity Price:		\$9.87		Selling at Discount?		Discount		13.23%	

SN VALUATION

LBO Pro Forma Income Statement

Name:

Air T

Ticker:

AIRT

	Historical				Forecasted				
	12 months ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2013	2014	2015	2016	2017
Revenue	81.08	83.36	89.38	103.06	82.45	82.45	82.45	82.45	82.45
COGS	64.58	69.07	75.72	87.34	70.08	70.08	70.08	70.08	70.08
Gross margin	16.50	14.29	13.66	15.72	12.37	12.37	12.37	12.37	12.37
SG&A	10.64	10.59	11.34	12.46	11.54	11.54	11.54	11.54	11.54
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	-0.10	-0.02	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	5.86	3.80	2.34	3.26	0.82	0.82	0.82	0.82	0.82
Interest income/(expense)	0.12	0.13	0.03	0.00	0.09	0.09	0.09	0.09	0.09
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	5.56	3.57	2.10	2.73	0.92	0.92	0.92	0.92	0.92
Tax	1.80	1.43	0.75	1.06	0.32	0.32	0.32	0.32	0.32
Income after tax	3.76	2.14	1.35	1.67	0.60	0.60	0.60	0.60	0.60
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	3.76	2.14	1.35	1.67	0.60	0.60	0.60	0.60	0.60
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.53	\$0.87	\$0.55	\$0.68	\$0.24	\$0.24	\$0.24	\$0.24	\$0.24
P/E (historical today's price; forecasted intrinsic price)	6.43	11.30	17.91	14.48	43.37	46.33	49.49	52.87	56.48
Revenue Growth	N/A	2.81%	7.22%	15.31%	-20.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	32.37%	40.06%	35.71%	38.83%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	600.00%	1300.00%	0.00%	0.00%	NA	NA	NA	NA	NA
Margins									
COGS	79.65%	82.86%	84.72%	84.75%	85.00%	85.00%	85.00%	85.00%	85.00%
Gross margin	20.35%	17.14%	15.28%	15.25%	15.00%	15.00%	15.00%	15.00%	15.00%
SG&A	13.12%	12.70%	12.69%	12.09%	14.00%	14.00%	14.00%	14.00%	14.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	-0.12%	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	7.23%	4.56%	2.62%	3.16%	1.00%	1.00%	1.00%	1.00%	1.00%
Interest income/(expense)	0.15%	0.16%	0.03%	0.00%	0.11%	0.11%	0.11%	0.11%	0.11%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.86%	4.28%	2.35%	2.65%	1.11%	1.11%	1.11%	1.11%	1.11%
Tax	2.22%	1.72%	0.84%	1.03%	0.39%	0.39%	0.39%	0.39%	0.39%
Income after tax	4.64%	2.57%	1.51%	1.62%	0.72%	0.72%	0.72%	0.72%	0.72%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	4.64%	2.57%	1.51%	1.62%	0.72%	0.72%	0.72%	0.72%	0.72%

	As of 2010-03-31	As of 2011-03-31	As of 2012-03-31	As of 2013-03-31	As of 2013-03-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	9.78	6.52	5.81	9.20	9.20			9.20	9.72	10.24	10.76	11.28	11.80
Short term investment	2.25	0.05	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	12.03	6.57	5.81	9.20	9.20			9.20	9.72	10.24	10.76	11.28	11.80
Accounts Receivable	5.60	11.69	8.95	11.69	12.00			12.00	12.00	12.00	12.00	12.00	12.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	5.60	11.69	8.95	11.69	12.00			12.00	12.00	12.00	12.00	12.00	12.00
Total Inventory	6.84	11.54	13.45	8.18	8.18			8.18	8.18	8.18	8.18	8.18	8.18
Prepaid Expenses	0.36	0.43	0.76	0.62	0.62			0.62	0.62	0.62	0.62	0.62	0.62
Other Current Assets	0.40	0.41	0.43	0.41	0.41			0.41	0.41	0.41	0.41	0.41	0.41
Current Assets	25.23	30.64	29.40	30.10	30.41	0.00	0.00	30.41	30.93	31.45	31.97	32.49	33.01
PP&E, Gross	7.93	7.98	10.17	0.00	10.00			10.00	10.50	11.00	11.50	12.00	12.50
Change in Depreciation	0.42	0.37	0.28	0.53	0.53			0.53	0.42	0.42	0.42	0.42	0.42
Accumulated Depreciation	6.62	6.79	7.19	0.00	7.00			7.00	7.42	7.85	8.27	8.70	9.12
PP&E, Net	1.31	1.19	2.98	0.00	3.00			3.00	3.08	3.15	3.23	3.30	3.38
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	1.96	2.04	1.80	1.90	1.90			1.90	1.90	1.90	1.90	1.90	1.90
Long Term Assets	3.27	3.23	4.78	1.90	4.90			4.90	4.98	5.05	5.13	5.20	5.28
Total Assets	28.50	33.87	34.18	32.00	35.31	0.00	0.00	35.31	35.91	36.50	37.10	37.69	38.29
Accounts Payable	2.62	6.10	6.00	5.74	6.00			6.00	6.00	6.00	6.00	6.00	6.00
Accrued Expense	2.06	1.80	1.97	2.12	2.00			2.00	2.00	2.00	2.00	2.00	2.00
Other current Liabilities	0.00	0.07	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	4.68	7.97	7.97	7.86	8.00	0.00	0.00	8.00	8.00	8.00	8.00	8.00	8.00
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.01	0.01	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.01	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Income tax	0.00	0.00	0.06	0.07	0.07			0.07	0.07	0.07	0.07	0.07	0.07
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.00	0.00	0.00	0.00	-0.14			-0.14	-0.14	-0.14	-0.14	-0.14	-0.14
Total Liabilities	4.70	7.98	8.03	7.93	7.93	0.00	0.00	7.93	7.93	7.93	7.93	7.93	7.93
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.61	0.61	0.61	0.61	0.61		0.00	0.61	0.61	0.61	0.61	0.61	0.61
Additional Paid-in capital	6.23	6.24	6.31	6.32	6.00	0.00	0.00	6.00	6.00	6.00	6.00	6.00	6.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	18.06	19.39	20.13	21.19	21.00			21.00	21.60	22.19	22.79	23.38	23.98
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	24.90	26.24	27.05	28.12	27.61	0.00	0.00	27.61	28.21	28.80	29.40	29.99	30.59
Liability + Equity	29.60	34.22	35.08	36.05	35.54	0.00	0.00	35.54	36.14	36.73	37.33	37.92	38.52
Variance	-1.10	-0.35	-0.90	-4.05	-0.23			-0.23	-0.23	-0.23	-0.23	-0.23	-0.23
Debt/Equity	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	11.85	7.22	6.65	12.60	10.08			12.60	10.08	10.08	10.08	10.08	10.08
Inventory Turnover Days	30.79	50.53	54.93	28.97	36.21			28.97	36.21	36.21	36.21	36.21	36.21
Days Inventory Outstanding	38.66	60.98	64.83	34.18	42.60			34.18	42.60	42.60	42.60	42.60	42.60
Accounts Receivable Turnover	14.48	7.13	9.99	8.82	6.87			6.87	6.87	6.87	6.87	6.87	6.87
Accounts Receivable Turnover Days	25.21	51.19	36.55	41.40	53.12			42.50	53.12	53.12	53.12	53.12	53.12
Days Payable Outstanding	14.81	32.24	28.92	23.99	31.25			25.07	31.25	31.25	31.25	31.25	31.25
Days Sales Outstanding	25.21	51.19	36.55	41.40	53.12			41.40	42.50	53.12	53.12	53.12	53.12
Cash Conversion Cycle	49.06	79.93	72.46	51.60	64.48			50.51	53.85	64.48	64.48	64.48	64.48
Net tangible assets/share	\$10.16	\$10.71	\$11.04	\$11.48	\$11.27				\$11.51	\$11.76	\$12.00	\$12.24	\$12.49

	12 months ending 2010-03-31	12 months ending 2011-03-31	12 months ending 2012-03-31	12 months ending 2013-03-31	2011	2012	2013	2014	2015
Net Income	3.76	2.14	1.35	1.67	0.60	0.60	0.60	0.60	0.60
Depreciation	0.42	0.37	0.28	0.53	0.42	0.42	0.42	0.42	0.42
Net Income + Depreciation	4.18	2.51	1.63	2.20	1.02	1.02	1.02	1.02	1.02
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	0.46	0.01	0.41	0.03	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.23	0.00	0.38	0.10	0.00	0.00	0.00	0.00	0.00
Change in Working capital	0.64	-7.02	-1.66	2.03	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-6.09	-2.74	-2.74	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-4.70	-1.91	5.27	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	-0.07	-0.33	0.14	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	3.48	-0.10	-0.26	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	5.51	-4.50	0.76	4.36	1.02	1.02	1.02	1.02	1.02
Capital Expenditures Expenditures	-0.13	-0.26	-1.00	-0.38	-0.50	-0.50	-0.50	-0.50	-0.50
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-1.25	2.32	0.10	0.01	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-1.38	2.06	-0.90	-0.37	-0.50	-0.50	-0.50	-0.50	-0.50
Financing Cash flow items	0.00	0.00	-0.05	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-0.80	-0.80	-0.61	-0.61	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	0.06	0.00	0.12	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.46	-0.01	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-1.20	-0.81	-0.55	-0.61	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	6.86	9.78	6.52	5.81	9.20	9.72	10.24	10.76	11.28
Net Change in Cash	2.92	-3.26	-0.70	3.38	0.52	0.52	0.52	0.52	0.52
Ending Cash Balance	9.78	6.52	5.82	9.19	9.72	10.24	10.76	11.28	11.80
Capex to Revenue	0.16%	0.31%	1.12%	0.37%	0.61%	0.61%	0.61%	0.61%	0.61%
Depreciation to Sales	0.52%	0.44%	0.31%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	6.91%	14.02%	10.01%	11.34%	14.18%	14.18%	14.18%	14.18%	14.18%
Distributable FCF/EV Yield	27.57%	-16.29%	-0.93%	26.63%	3.47%	3.47%	3.47%	3.47%	3.47%
Dividend Yield	-3.31%	-3.31%	-2.52%	-2.52%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	6.18	-3.96	0.37	4.59	0.52	0.52	0.52	0.52	0.52

SN VALUATION

LBO Debt Schedule

Ticker:

AIRT

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	3.38	0.52	0.52	0.52	0.52	0.52
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	0.00	0.00	0.00	0.00	0.00	0.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		0.00	0.00	0.00	0.00	0.00
Cash Balance		9.20				
Interest @ 1.0%		0.09	0.09	0.09	0.09	0.09
Net Interest Expense/(Income)		(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Net Interest Rate		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA		0.82	0.82	0.82	0.82	0.82
EBITDA/Interest Expense Coverage		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Air T

Ticker:

AIRT

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	20.55	22.67	21.43	22.41	22.93	23.45	23.97	24.49	25.01
Total Assets	28.50	33.87	34.18	35.31	35.91	36.50	37.10	37.69	38.29
X1	0.72	0.67	0.63	0.63	0.64	0.64	0.65	0.65	0.65
Retained Earnings	18.06	19.39	20.13	21.00	21.60	22.19	22.79	23.38	23.98
Total Assets	28.50	33.87	34.18	35.31	35.91	36.50	37.10	37.69	38.29
X2	0.63	0.57	0.59	0.59	0.60	0.61	0.61	0.62	0.63
EBITDA	5.86	3.80	2.34	3.26	0.82	0.82	0.82	0.82	0.82
Total Assets	28.50	33.87	34.18	35.31	35.91	36.50	37.10	37.69	38.29
X3	0.21	0.11	0.07	0.09	0.02	0.02	0.02	0.02	0.02
Market Value of Equity	24.18	24.18	24.18	24.18	25.83	27.60	29.48	31.50	33.65
Total Liabilities	4.70	7.98	8.03	7.93	7.93	7.93	7.93	7.93	7.93
X4	5.15	3.03	3.01	3.05	3.26	3.48	3.72	3.97	4.24
Net Sales	81.08	83.36	89.38	103.06	82.45	82.45	82.45	82.45	82.45
Total Assets	28.50	33.87	34.18	35.31	35.91	36.50	37.10	37.69	38.29
X5	2.84	2.46	2.61	2.92	2.30	2.26	2.22	2.19	2.15
Altman Z Score	8.36	6.25	6.22	6.65	5.93	6.04	6.16	6.29	6.43

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	27.61	28.21	28.80	29.40	29.99	30.59				30.59
Annual Change		0.60	0.60	0.60	0.60	0.60				
Annual FCF	3.98	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	1.56
Annual Op. Cash Flow	4.36	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	
Annual PP&E Investment	(0.38)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
Today's Tangible Book Value	27.61	28.18	28.76	29.36	29.97	30.59				32.15
Intrinsic Value IRR	2.07%									
Market Price	24.18	25.60	27.10	28.69	30.37	32.15				32.15
Market Price IRR	5.86%									

Debt	50.00%	12.09
Equity	50.00%	12.09
Total	100.00%	24.18

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	27.61	12.09	12.07	12.05	12.03	12.00	11.98			
Goodwill	0	(3.43)	(3.43)	(3.43)	(3.43)	(3.43)	(3.43)			
Debt	0	12.09	12.09	12.09	12.09	12.09	12.09			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		0.94	0.94	0.94	0.94	0.94				
Tangible Book Value	27.61	15.52	15.50	15.48	15.45	15.43	15.41			15.41
Annual Change			-0.02	-0.02	-0.02	-0.02	-0.02			
Annual FCF	3.98		(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.29)
Annual Net Income	1.67		(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	
Annual Op. Cash Flow	4.36		0.40	0.40	0.40	0.40	0.40	0.40	0.40	
Dividend Payments										
Annual PP&E Investment	(0.38)		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
Debt Paydown	0.00							0.00	0.00	0.00
Sale Price in Year 5										15.12
Capital Left for Equity Investor										15.12
Dividend Payments										0.00
Total Cash In Flow										15.12
Invested Equity	12.09	12.64	13.22	13.82	14.46	15.12				
IRR	4.57%									

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

<u>Value Creation</u>	
TBV Growth (equals sum of NI Year 1-5)	-0.11
Cash Flow (Year 6-8)	-0.29
	-0.40

<u>Value Dilution</u>	
Debt	12.09
Goodwill	-3.43
Additional Interest	4.69
	13.35