

AIR T INC  
Form 10-Q  
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2018  
Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35476

**Air T, Inc.**

(Exact name of registrant as specified in its charter)

Delaware 52-1206400  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**5930 Balsom Ridge Road, Denver, North Carolina 28037**

(Address of principal executive offices, including zip code)

(828) 464 – 8741

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes                      No

Indicate by check mark whether the registrant has submitted electronically and every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes                      No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. (See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act)

Large accelerated filer    Accelerated filer

Non-accelerated filer    Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes                      No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Common Shares, par value of \$.25 per share
Outstanding Shares at February 8, 2019	2,024,331



AIR T, INC. AND SUBSIDIARIES  
 QUARTERLY REPORT ON FORM 10-Q  
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## Item 1. Financial Statements

AIR T, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Operating Revenues:				
Overnight air cargo	\$17,868,191	\$18,028,688	\$52,573,449	\$52,851,936
Ground equipment sales	16,278,359	12,911,101	35,501,936	34,376,866
Ground support services	8,136,466	8,643,267	25,658,143	26,557,666
Printing equipment and maintenance	104,980	905,860	543,748	5,340,163
Commercial jet engines and parts	20,990,088	3,930,510	58,953,054	21,781,095
Corporate and other	244,587	81,820	600,587	152,383
	63,622,671	44,501,246	173,830,917	141,060,109
Operating Expenses:				
Overnight air cargo	16,292,144	15,538,554	46,816,294	46,020,254
Ground equipment sales	13,760,055	10,578,846	29,677,280	28,606,906
Ground support services	7,098,098	7,337,862	22,925,769	21,738,525
Printing equipment and maintenance	94,733	265,054	289,164	2,848,861
Commercial jet engines and parts	12,268,266	2,143,540	38,052,172	15,534,775
Research and development	-	-	-	195,653
General and administrative	10,373,194	7,252,381	28,028,050	21,114,626
Depreciation and amortization	2,253,291	768,660	5,554,904	1,522,998
Impairment	7,125	46,930	27,818	220,957
Gain on sale of property and equipment	10,802	17,739	10,802	16,648
	62,157,708	43,949,566	171,382,253	137,820,203
Operating Income	1,464,963	551,680	2,448,664	3,239,906
Non-operating Income (Expense):				
Gain on sale of marketable securities	81,388	72,145	81,388	72,145
Foreign currency loss, net	(15,352 )	(11,797 )	(17,484 )	(260,903 )
Other-than-temporary impairment loss on investments	(2,000,000 )	(788,799 )	(2,000,000 )	(1,559,972 )
Other investment income (loss), net	(586,039 )	50,485	(623,623 )	123,286
Interest expense	(1,186,349 )	(538,459 )	(2,607,639 )	(1,010,177 )
Gain on asset retirement obligation	-	-	-	562,500
Unrealized gain (loss) on interest rate swap	-	(199,122 )	145,222	(199,122 )
Bargain purchase acquisition gain	-	-	1,983,776	501,880

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Income from equity method investments	200,929	89,426	370,670	119,363
Other expense, net	(102,406 )	-	(74,720 )	-
	(3,607,829 )	(1,326,121 )	(2,742,410 )	(1,651,000 )
Income (Loss) Before Income Taxes	(2,142,866 )	(774,441 )	(293,746 )	1,588,906
Income Taxes (Benefit)	174,000	(60,000 )	168,000	595,000
Net Income (Loss)	(2,316,866 )	(714,441 )	(461,746 )	993,906
Net (Income) Loss Attributable to Non-controlling Interests	\$(398,085 )	\$42,502	\$(745,697 )	\$(275,755 )
Net Income (Loss) Attributable to Air T, Inc. Stockholders	\$(2,714,951 )	\$(671,939 )	\$(1,207,443 )	\$718,151
Income (Loss) Per Share:				
Basic	\$(1.34 )	\$(0.33 )	\$(0.59 )	\$0.35
Diluted	\$(1.34 )	\$(0.33 )	\$(0.59 )	\$0.35
Weighted Average Shares Outstanding:				
Basic	2,028,194	2,042,789	2,038,523	2,042,789
Diluted	2,028,194	2,042,789	2,038,523	2,047,547

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$(2,316,866)	\$(714,441)	\$(461,746 )	\$993,906
Other comprehensive income (loss):				
Foreign currency translation gain	120,476	22,067	200,346	255,433
Unrealized loss on interest rate swaps, net of tax of \$48,575 and \$39,920 respectively	(163,451 )	-	(134,327 )	-
Unrealized net loss on marketable securities, net of tax of (\$21,000) and (\$282,115) respectively	-	(258,739)	-	(1,131,769)
Reclassification of other-than-temporary impairment loss on investments, net of gains on sale of marketable securities, included in income (loss), net of tax of \$0 and 277,622 respectively	-	716,654	-	1,210,205
Total Other Comprehensive Income (Loss)	(42,975 )	479,982	66,019	333,869
Total Comprehensive Income (Loss)	(2,359,841)	(234,459)	(395,727 )	1,327,775
Comprehensive Loss (Income) Attributable to Non-controlling Interests	(404,718 )	80,472	(777,446 )	(279,997 )
Comprehensive Income (Loss) Attributable to Air T, Inc. Stockholders	\$(2,764,559)	\$(153,987)	\$(1,173,173)	\$1,047,778

See notes to condensed consolidated financial statements.



AIR T, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2018	March 31, 2018
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Delphax \$58,511 and \$241,430)*	\$2,729,249	\$4,803,238
Marketable securities	2,457,609	290,449
Restricted cash	907,488	269,659
Restricted investments	135,291	1,235,405
Accounts receivable, less allowance for doubtful accounts of \$739,607 and \$801,000 (Delphax \$293,044 and \$317,000)*	17,881,122	15,157,855
Costs and estimated earnings in excess of billings on uncompleted projects	-	2,012,121
Income tax receivable	1,940,955	1,557,180
Inventories, net	39,585,915	34,231,005
Other current assets	4,298,164	658,630
Prepaid expenses (Delphax \$58,516 and \$72,269)*	1,680,419	1,455,566
Total Current Assets	71,616,212	61,671,108
Investments in securities	356,013	1,026,920
Assets on lease, net of accumulated depreciation of \$4,932,576 and \$1,625,237	26,920,552	15,664,606
Property and equipment, net of accumulated depreciation of \$5,356,017 and \$4,722,016	4,904,741	4,608,565
Cash surrender value of life insurance policies, net of policy loans	562,430	2,356,507
Other tax receivables-long-term (Delphax \$311,000 and \$311,000)*	311,000	311,000
Investments in funds	278,709	324,854
Equity method investments	5,666,430	5,032,268
Other assets	598,006	420,981
Intangible assets, net of accumulated amortization of \$2,081,004 and \$1,788,598	1,271,688	1,312,472
Goodwill	4,417,605	4,417,605
Total Assets	\$116,903,386	\$97,146,886
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable (Delphax \$2,163,424 and \$2,145,847)*	\$10,960,852	\$10,181,143
Income tax payable (Delphax \$0 and \$11,312)*	23,000	23,000
Accrued expenses (Delphax \$3,127,229 and \$3,244,514)*	12,151,574	11,743,973
Current portion of long-term debt	33,437,246	9,229,690
Total Current Liabilities	56,572,672	31,177,806
Long-term debt	33,361,871	38,855,260

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Deferred tax liabilities	641,080	92,000
Other non-current liabilities	1,012,234	785,797
Total Liabilities	91,587,857	70,910,863
Redeemable non-controlling interest	2,998,161	1,992,939
Commitments and contingencies (Note 17)		
Equity:		
Air T, Inc. Stockholders' Equity:		
Preferred stock, \$1.00 par value, 50,000 shares authorized	-	-
Common stock, \$.25 par value; 4,000,000 shares authorized, 2,024,331 and 2,043,607 shares issued and outstanding	506,084	510,901
Additional paid-in capital	4,195,484	4,171,869
Retained earnings	18,694,300	20,695,981
Accumulated other comprehensive loss	(120,284 )	(260,900 )
Total Air T, Inc. Stockholders' Equity	23,275,584	25,117,851
Non-controlling Interests	(958,216 )	(874,767 )
Total Equity	22,317,368	24,243,084
Total Liabilities and Equity	\$116,903,386	\$97,146,886

\* Amounts related to Delphax as of December 31, 2018 and March 31, 2018, respectively.

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$(461,746 )	\$993,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of marketable securities	(28,060 )	(72,145 )
Loss on sale of property and equipment	15,671	16,648
Profit from sale of assets on lease	(946,185 )	-
Change in inventory reserves	(367,022 )	(69,222 )
Change in accounts receivable reserves	(61,823 )	(2,731 )
Depreciation and amortization	5,554,904	1,522,998
Impairment	27,818	220,957
Change in cash surrender value of life insurance	(102,710 )	(118,254 )
Gain on asset retirement obligation	-	(562,500 )
Gain on bargain purchase, net of tax	(1,983,777 )	(501,880 )
Deferred income taxes	-	(102,566 )
Change in warranty reserve	156,253	53,092
Other-than-temporary impairment loss on investments	2,000,000	1,559,972
Unrealized loss on marketable securities	854,874	-
Unrealized (gain) loss on interest rate swap	(145,222 )	199,122
Change in operating assets and liabilities:		
Accounts receivable	(718,690 )	3,011,203
Costs and estimated earnings in excess of billings and uncompleted projects	2,012,121	-
Notes receivable and other non-trade receivables	(3,638,929 )	1,053,846
Inventories	(75,059 )	4,223,445
Prepaid expense and other assets	(742,050 )	145,640
Accounts payable	(506,587 )	(2,294,265 )
Accrued expenses	147,160	(538,232 )
Income taxes payable/receivable	(72,775 )	(603,843 )
Non-current liabilities	356,541	165,039
Total adjustments	1,736,453	7,306,324
Net cash provided by operating activities	1,274,707	8,300,230
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of marketable securities	(2,013,921 )	(1,007,071 )
Proceeds from sale of marketable securities	836,510	537,826
Acquisition of businesses, net of cash acquired	(3,375,700 )	(2,900,000 )
Cash used for equity method investments	(263,492 )	-
Investment in reinsurance entity	(2,000,000 )	-
Capital expenditures related to property & equipment	(1,010,330 )	(1,655,551 )
Capital expenditures related to assets on lease	(19,149,515)	(13,591,693)
Proceeds from sale of property and equipment	50,602	1,861

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Proceeds from sale of assets on lease	4,180,208	-
Net cash used in investing activities	(22,745,638)	(18,614,628)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from lines of credit	86,519,612	86,949,125
Payments on lines of credit	(83,566,277)	(88,817,034)
Proceeds from term loan	22,539,000	20,841,000
Payments on term loan	(6,787,210 )	