

AIR T INC
Form 10-Q
February 01, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2007

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

0-11720

Air T, Inc.

(Exact name of registrant as specified in its charter)

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

Post Office Box 488, Denver, North Carolina 28037
(Address of principal executive offices, including zip code)

(828) 464-8741
(Registrant's telephone number, including area code)

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 X No _____

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (see definition of “accelerated filer and large accelerated filer) in Rule 12b-2 of the Exchange Act)

Large Accelerated Filer____ Accelerated Filer____ Non-Accelerated Filer__X__

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

Yes No __X__

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

2,423,506 shares of Common Stock, par value of \$.25 per share were outstanding as of January 31, 2008. Common Stock is the only class of stock outstanding.

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Item 1. Financial Statements

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Operating Revenues:				
	\$			
Overnight air cargo	10,114,872	\$8,844,879	\$28,131,038	\$26,067,138
Ground equipment	11,033,978	8,549,652	26,225,596	22,132,307
	21,148,850	17,394,531	54,356,634	48,199,445
Operating Expenses:				
Flight-air cargo	4,606,970	4,457,557	13,867,260	12,945,381
Maintenance-air cargo	3,904,042	3,041,183	9,914,606	9,251,179
Ground equipment	8,380,149	6,832,895	19,668,962	16,561,498
General and administrative	2,709,507	2,384,078	7,292,877	6,780,723
Depreciation and amortization	115,496	153,815	364,418	478,611
	19,716,164	16,869,528	51,108,123	46,017,392
Operating Income	1,432,686	525,003	3,248,511	2,182,053
Non-operating (Income) Expense:				
Interest, net	29,804	85,003	151,385	117,020
Deferred retirement expense	-	5,250	101	15,750
Investment income and other	(41,246)	(60,197)	(155,128)	(179,213)
	(11,442)	30,056	(3,642)	(46,443)
Earnings Before Income Taxes	1,444,128	494,947	3,252,153	2,228,496
Income Tax Expense	524,108	191,188	1,168,115	826,875
Net Earnings	\$ 920,020	\$ 303,759	\$ 2,084,038	\$ 1,401,621
Basic and Diluted Net				
Earnings Per Share	\$ 0.38	\$ 0.11	\$ 0.85	\$ 0.52
Dividends Declared Per Share	\$ -	\$ -	\$ 0.25	\$ 0.25

Weighted Average Shares Outstanding:				
Basic and				
Diluted	2,423,506	2,667,932	2,439,077	2,670,173
Diluted	2,423,506	2,667,932	2,439,077	2,670,173

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2007 (Unaudited)	March 31, 2007 (Note)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,448,615	\$ 2,895,499
Marketable securities	869,209	860,870
Accounts receivable, less allowance for doubtful accounts of \$231,000 at December 31, 2007 and \$413,000 at March 31, 2007	7,752,244	7,643,391
Notes and other non-trade receivables-current	33,309	68,730
Inventories, net	9,034,349	8,085,755
Deferred tax assets	729,655	724,534
Prepaid expenses and other	386,545	325,533
Total Current Assets	20,253,926	20,604,312
Property and Equipment	7,802,723	8,113,363
Less accumulated depreciation	(5,943,771)	(5,820,852)
Property and Equipment, net	1,858,952	2,292,511
Deferred Tax Assets	311,762	170,353
Cash Surrender Value of Life Insurance Policies	1,347,707	1,296,703
Notes and Other Non-Trade Receivables-Long Term	173,174	200,529
Other Assets	79,763	50,576
Total Assets	\$ 24,025,284	\$ 24,614,984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 4,143,036	\$ 5,304,022
Accrued expenses	1,801,966	2,236,106
Income taxes payable	120,543	194,840
Current portion of long-term debt and obligations	123,217	144,684
Total Current Liabilities	6,188,762	7,879,652
Capital Lease Obligations (less current portion)	65,277	77,702

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Long-Term Debt (less current portion)	654,295	575,204
Deferred Retirement Obligations (less current portion)	640,605	633,693
Stockholders' Equity:		
Preferred stock, \$1 par value, authorized 50,000 shares, none issued	-	-
Common stock, par value \$.25; authorized 4,000,000 shares; 2,423,506 and 2,509,998 shares issued and outstanding	605,876	627,499
Additional paid in capital	5,628,641	6,058,070
Retained earnings	10,131,793	8,658,606
Accumulated other comprehensive income, net	110,035	104,558
Total Stockholders' Equity	16,476,345	15,448,733
Total Liabilities and Stockholders' Equity	\$ 24,025,284	\$ 24,614,984

Note: The balance sheet at March 31, 2007 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	December 31,	
	2007	2006
Cash flows from operating activities:		
Net earnings	\$ 2,084,038	\$ 1,401,621
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Change in accounts receivable and inventory reserves	126,747	123,529
Depreciation and amortization	364,418	478,611
Increase in cash surrender value of life insurance	(51,004)	(42,638)
Deferred taxes	(149,801)	(90,626)
Warranty reserve	70,000	(48,206)
Compensation expense related to stock options	261,834	185,864
Change in assets and liabilities which provided (used) cash:		
Accounts receivable	73,163	(146,997)
Notes receivable	62,776	60,862
Income taxes payable	(74,297)	(225,650)
Inventories	(813,561)	(3,730,991)
Prepaid expenses and other	(90,200)	82,714
Accounts payable	(1,160,986)	12,374
Accrued expenses and other current liabilities	(509,209)	(633,744)
Total adjustments	(1,890,120)	(3,974,898)
Net cash provided (used) by operating activities	193,918	(2,573,277)
Cash flows from investing activities:		
Capital expenditures	(374,655)	(111,526)
Net cash used by investing activities	(374,655)	(111,526)
Cash flows from financing activities:		
Payments on aircraft term loan	(92,043)	(51,568)
Net borrowings on line of credit	163,709	3,057,763
Stock repurchase	(712,886)	(90,472)
Payments on capital leases	(14,076)	(43,402)
Payment of cash dividend	(610,851)	(667,823)
Net cash (used) provided by financing activities	(1,266,147)	2,204,498
Net decrease in cash and cash equivalents	(1,446,884)	(480,305)
	2,895,499	2,702,424

Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period	\$	1,448,615	\$ 2,222,119
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$	187,541	\$ 135,565
Income taxes		1,393,446	1,139,435
Summary of significant non-cash information:			
Increase in fair value of marketable securities, net of tax		5,477	\$ 44,746
Leased equipment transferred to (from) inventory		(458,300)	815,293
See notes to condensed consolidated financial statements.			

AIR T, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (UNAUDITED)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income		Total Stockholders' Equity
	Shares	Amount					
Balance, March 31, 2006	2,671,293	\$ 667,823	\$ 6,939,357	\$ 6,840,383	\$ 52,479	\$ 14,500,042	
Comprehensive Income:							
Net earnings				1,401,621			
Unrealized loss on securities, net of tax					44,746		
Total Comprehensive Income							1,446,367
Cash dividend				(667,823)			(667,823)
Compensation expense related to stock options			185,864				185,864
Stock repurchase	(10,084)	(2,521)	(87,951)				(90,472)
Balance, December 31, 2006	2,661,209	\$ 665,302	\$ 7,037,270	\$ 7,574,181	\$ 97,225	\$ 15,373,978	