

May 15, 2025

Sky Harbour Group

Transportation

Leasing Momentum Drives Favorable Revenue Cadence

SKYH

NYSE

Q1 results. The company reported Q1 revenue of \$5.6 million, better than our estimate of \$5.1 million. An adj. EBITDA loss of \$3.3 million was roughly in line with our estimate of a loss of \$3.4 million.

Rating

Outperform

Unchanged

New campuses leasing up. Notably, the company's new campus at Phoenix Deerfield Airport (DVT) welcomed its first tenants, while Dallas (ADS) and Denver (APA) are also in the phase 1 lease-up process and should welcome tenants within weeks. The continued lease up of these three campuses is expected to be a significant driver of sequential revenue improvement throughout the balance of the year.

Current Price

\$12.32

Target Price

\$23.00

Market Capitalization

934.9M

Enhancing construction capabilities. Importantly, the company has taken substantive steps to bring more of the construction process in-house. The company owns a prefabricated steel construction operation and handles material procurement itself. In recent quarters, the company also brought the architectural design and engineering processes in-house seeking lower costs and greater construction quality and versatility.

Shares Outstanding

33.84M

Float

20.6M

Solid balance sheet. As of March 31, the company had \$83.6 million of cash and \$169.8 million in total debt. Management indicated that the company will likely raise another \$150 million to \$175 million in Private Activity Bonds later this year. We believe the company will likely obtain an interest rate near 5.5% on the new issuance, given the yield of its existing Private Activity Bonds at current trading levels (approx. 5.5%).

Institutional Holdings

5%

12-Month Low/High

\$8.26/\$14.52

Outperform rating. We believe the SKYH shares offer a compelling risk/reward dynamic based on the company's favorable financing options, large market opportunity, and scalable, high margin recurring revenue model. Our \$23 price target is derived from our discounted levered free cashflow model, detailed later in this report.

Average 90-Day Volume

178320

Fiscal Year End

12/31/2025

Equity Research

Patrick McCann, CFA, Research Analyst

(314) 724-6266, pmccann@noblecapitalmarkets.com,  Connect on LinkedIn

Michael Kupinski, Director of Research, Equity Research Analyst, Digital, Media & Technology - mkupinski@noblefinancialgroup.com

Noble Capital Markets, Inc.

Trading: (561) 998-5489 Sales: (561) 998-5491

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Revenues (\$ MIL)

Period	2024	2025	2026E
Q1	2.4	5.6A	
Q2	3.6	6.9E	
Q3	4.1	9.3E	
Q4	4.6	10.8E	
	14.8	32.6E	59.9E

EPS (\$)

Period	2024	2025	2026E
Q1	(0.78)	(0.19)	
Q2	0.23	(0.16)	
Q3	(0.74)	(0.09)	
Q4	(0.47)	(0.05)	
	(1.76)	(0.32)	0.51E

Investment Appraisal

The company reported Q1 revenue of \$5.6 million, better than our estimate of \$5.1 million, illustrated in Figure #1 Q1 Results. An adjusted EBITDA loss of \$3.3 million was roughly in line with our estimate of a loss of \$3.4 million. Notably, the company's new campus at Phoenix Deer Valley Airport (DVT) welcomed its first tenants during the quarter, while facilities in Dallas (ADS) and Denver (APA) are now in active phase 1 lease-up. Tenants are expected to begin occupying those locations in the coming weeks. With three campuses progressing through initial lease-up we expect these sites to drive meaningful sequential revenue improvement through the remainder of 2025.

In addition to the newly constructed campuses, the company recently took over a ground lease at Boeing Field (BFI) in the Seattle metro area. We expect BFI to be additive to near-term revenue momentum alongside the ramping activity at DVT, ADS, and APA. Combined, we believe these four campuses represent a significant driver of incremental revenue, which is expected to be reflected in an upward stepping revenue cadence over the next several quarters.

Looking further ahead, the company continues to aggressively pursue long-term lease agreements with airports across the country. In April, management announced a long-term ground lease at Hillsboro Airport (HIO), located near Portland, to develop a two-phase hangar campus across approximately 13 acres. We believe this strategic move reinforces management's continued success in growing its national development pipeline. Notably, management highlighted that the company has over 100 airports in its pipeline, albeit ground acquisition efforts can take years in many cases.

The company commenced Phase 2 construction at Miami-Opa Locka (OPF) in April. Management expects that the ADS and OPF Phase 2 projects will be delivered by early 2026, which we believe positions Sky Harbour to sustain its multi-year runway for growth. As campus development accelerates, so too does the company's integration of its construction ecosystem. Beyond owning its prefabricated steel construction capability and directly procuring materials, Sky Harbour has recently brought architectural design and engineering functions in-house. The company is now taking steps to internalize general contracting as well—capturing previously outsourced margins, while gaining cost control and executional flexibility.

We view this progression as a meaningful stride in the company's broader vertical integration roadmap. As Sky Harbour scales across a growing number of concurrent construction sites, we expect cost savings from internalized operations and volume-driven material procurement to drive improved unit-level margins over time.

Importantly, we believe the company's competitive position is strong, based on structural and executional advantages. To date, it has not faced significant competition attempting to replicate its airport campus model, though it does face competition from fixed base operators (FBOs) that tend to focus more on fuel sales. That being said, we would expect new entrants to eventually attempt to mirror SKYH's strategy given the compelling economics and large market opportunity of underserved airports. With that in mind, management believes the land acquisition process is the company's most durable competitive moat, as negotiating long-term airport leases can require years of effort, specialized municipal engagement, and deep institutional knowledge. Securing the lease is the most critical—and most difficult—step in the business model, and one that the company has proven adept at executing across a growing portfolio. Beyond site control, the company has layered in additional competitive barriers through its vertically integrated development and construction process, its operational track record in delivering premium tenant service, and a feedback-driven design process that continuously adapts hangar buildouts to evolving client needs. In our view, these elements, taken together, create a meaningful first-mover advantage that would be difficult for new entrants to match.

As of March 31, the company had \$83.6 million in cash and \$169.8 million in total debt. Management has signaled plans to raise an additional \$150 million to \$175 million in Private Activity Bonds later this year, and we anticipate a coupon near 5.5% based on current trading levels of the company's existing tax-exempt debt.

We are valuing the SKYH shares based on the company's levered free cash flow potential. We believe the company can generate levered free cashflow growth (free cashflow to equity) of 15% CAGR, over an extended timeframe (we estimate 15% free cashflow CAGR from 2027-2045). Our estimate is based on an assumption that the company expands its rentable hangar space by an average of roughly 0.5 million square feet per year over that span. We believe our rentable square footage growth

estimate is conservative given the company's goal of 5-7 new long-term leases per year until the company reaches 50 airports (the company's hangar campuses are usually 150,000-200,000 square feet). As such, we believe in the early years of our model, there is the potential upside of the company materially exceeding our rentable square footage growth estimates. Our \$23 price target represents a total equity value of approximately \$2.1 billion. Our valuation uses a 13% cost of equity as the discount rate applied to our estimates of levered free cashflow.

As part of our calculation, we estimate that the company will finance its future campuses with Private Activity Bond issuances at interest rates in the range of 6%-6.5% and with 30 year terms. We also estimate rent rates to rise by approximately 4% per year. We also estimate construction costs of \$300 per square foot, growing at an inflation estimate of 2.5% annually.

Risks to achieving our price target include the potential for disruptions to financing availability, whether from debt markets or public/private equity sources, increases in interest rates or tighter credit conditions, which could raise the cost of capital, inflation, and construction cost volatility, and others.

Figure #1 Q1 Results

SKYH ((\$M))	Q1 25E	Q1 25	% Change
	Mar	Mar	
Total Revenues	5.100	5.593	9.7%
% Change YoY	112.15%	132.65%	
% of revenue	15.89%	17.16%	
Cost of Revenue	6.000	5.522	-8.0%
% Change YoY	188.05%	165.10%	
% of revenue	117.65%	98.73%	
Selling and Marketing expenses	0.700	1.099	57.0%
% Change YoY	11.29%	74.7%	
% revenue	13.73%	19.65%	
% Change YoY	-28.80%	0.62%	
% revenue	68.63%	#DIV/0!	
General and Administrative expenses	3.500	5.795	65.6%
% Change YoY	-28.80%	17.88%	
% revenue	68.63%	103.61%	
Other expenses	0.000	0.000	
% Change YoY	#DIV/0!	#DIV/0!	
% revenue	0.00%	0.00%	
Operating Expenses	10.20	12.416	21.7%
% Change YoY	33.72%	62.77%	
% revenue	200.00%	221.99%	
Adjusted EBITDA	(3.400)	(3.313)	-2.6%
% Change YoY	22.17%	19.04%	
Adjusted EBITDA Margin	-66.67%	-59.23%	

Source: company filings and Noble estimates

Company Profile

Sky Harbour Group (NYSE: SKYH), founded in 2017 by Tal Keinan, leases airport land, develops custom-built hangar campuses, and generates recurring revenue primarily through rental agreements with business aircraft owners. Sky Harbour addresses a persistent structural gap in U.S. aviation infrastructure: the chronic undersupply of hangar space for business aircraft. Having gone public via a SPAC, SKYH now trades on the NYSE. It is headquartered in White Plains, New York.

Fundamental Analysis 3.5/5.0 Checks

In our assessment, we gave the company 3.5 checks, which implies an above average score. This analysis takes into account the company's corporate governance / management, market opportunity analysis, competitive position, operating leverage and financial leverage. The company scored particularly high for its operating leverage and expansive market opportunity. The company also boasts an experienced management team and favorable access to capital.

Valuation Summary

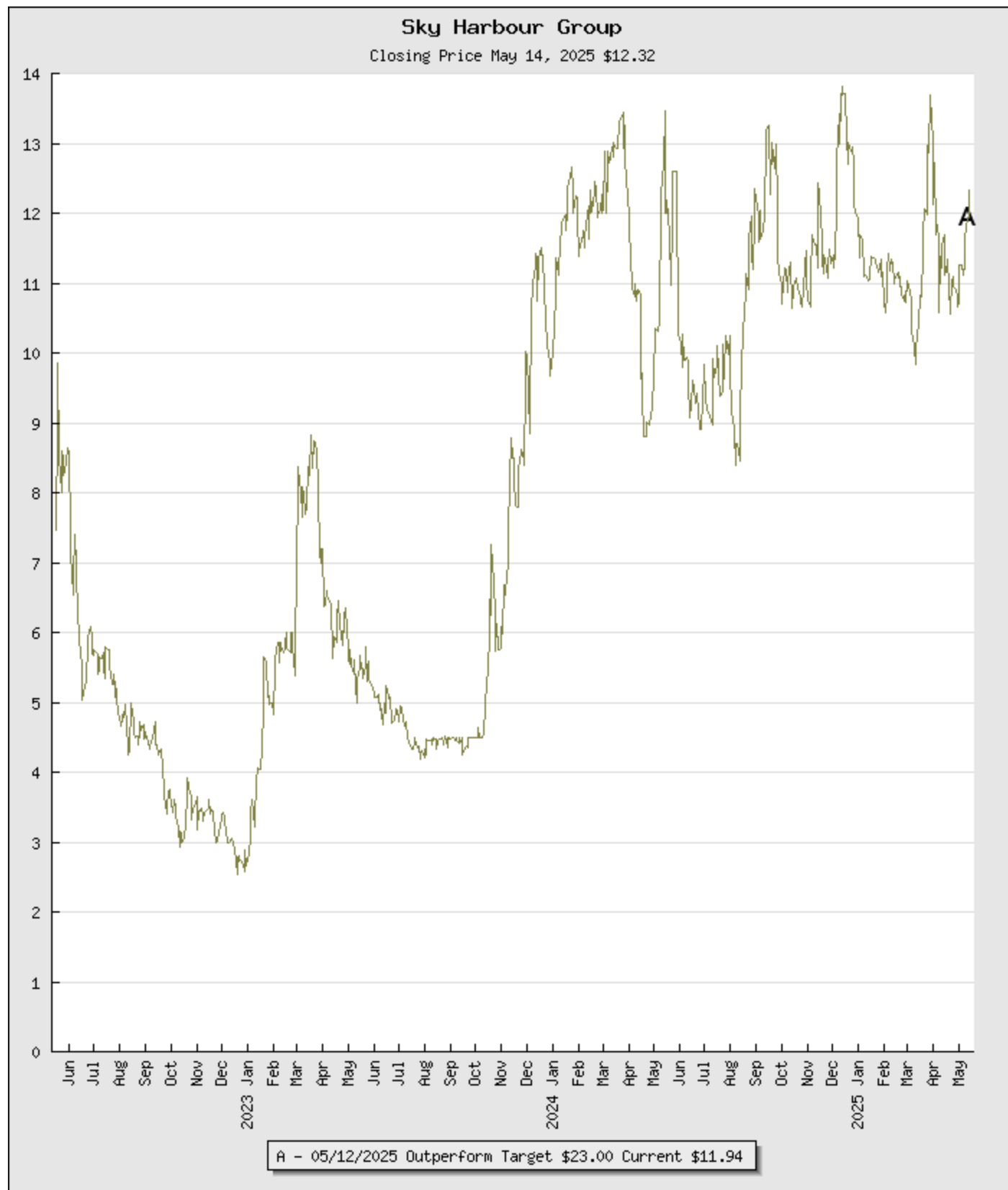
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As part of our calculation, we estimate that the company will finance its future campuses with Private Activity Bond issuances at interest rates in the range of 6%-6.5% and with 30 year terms. We also estimate rent rates to rise at approximately 4% per year. We also estimate construction costs of \$300 per square foot, growing at an inflation estimate of 2.5% annually.

Risks to achieving our price target include the potential for disruptions to financing availability, whether from debt markets or public/private equity sources, increases in interest rates or tighter credit conditions, which could raise the cost of capital, inflation, and construction cost volatility, and others.

Sky Harbour Group (SKYH) | Current Price: \$12.32 | Outperform | May 15, 2025

SKYH	2022	2023	Q1 24	Q2 24	Q3 24	Q4 24	2024	Q1 25	Q2 25E	Q3 25E	Q4 25E	2025E	2026E
(\$M)			Mar	Jun	Sept	Dec		Mar	Jun	Sept	Dec		
Total Revenues	1,845	7,575	2,404	3,618	4,097	4,642	14,761	5,593	6,900	9,300	10,800	32,593	59,900
% Change YoY		330.57%	117.2%	109.38%	63.75%	107.42%	94.86%	132.7%	90.71%	127.00%	132.66%	120.80%	83.78%
% of revenue			16.29%	24.51%	27.76%	31.45%		17.16%	21.37%	28.53%	33.14%		
Operating Expenses	5,046	7,168	2,083	3,339	3,681	5,996	15,099	5,522	6,000	6,000	6,000	23,522	28,600
% Change YoY		42.05%	16.2%	95.15%	139.78%	201.31%	110.64%	165.1%	79.69%	63.00%	0.07%	55.79%	21.59%
% of revenue			273.50%	94.63%	86.65%	92.29%	89.85%	129.17%	102.29%	98.73%	86.96%	64.52%	55.56%
Depreciation & Amortization	0,695	2,278	0,629	0,642	0,646	0,789	2,706	1,099	0,700	0,750	0,750	3,299	31,700
% Change YoY		227.77%	39.8%	20.9%	-3.6%	25.8%	18.79%	74.7%	9.0%	16.3%	-4.9%	21.91%	860.90%
% revenue			26.16%	17.74%	15.77%	17.00%	18.38%	19.65%	10.14%	8.06%	6.94%		
% Change YoY		ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI
% revenue		ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI
Total General and Administrative expenses	14,714	15,122	4,916	4,595	4,634	3,225	17,370	5,795	4,000	4,100	4,100	17,995	16,750
% Change YoY		2.7%	2.7%	38.5%	23.12%	30.31%	-24.74%	14.80%	-12.95%	-11.52%	27.13%	3.60%	-6.92%
% revenue			190.63%	204.49%	127.00%	133.12%	69.47%	117.67%	103.61%	57.97%	44.09%	37.96%	55.21%
Other expenses	0,248	0,00					0,00					0,00	0,00
% Change YoY		ADN/DI	ADN/DI	ADN/DI	ADN/DI	ADN/DI		ADN/DI	ADN/DI	ADN/DI	ADN/DI		
% revenue		13.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Total Operating Expenses	20,703	24,568	7,628	8,576	8,961	10,010	35,175	12,416	10,700	10,850	10,850	44,82	48,45
% Change YoY		38.67%	31.7%	43.56%	51.86%	45.03%	43.17%	62.8%	24.77%	21.08%	8.99%	27.41%	8.11%
% revenue			326.33%	317.30%	237.04%	238.72%	215.64%	221.99%	155.07%	116.67%	100.46%	337.50%	80.68%
Adjusted EBITDA	(14,976)	(10,574)	(2,783)	(2,063)	(2,087)	(2,365)	(9,248)	(3,313)	(2,100)	0,200	1,700	(3,513)	18,550
% Change YoY		29.39%	-15.56%	-23.56%	11.13%	-13.87%	-12.54%	19.04%	1.79%	-109.82%	-171.88%	-62.01%	628.04%
Adjusted EBITDA Margin		139.59%	-115.77%	-57.02%	-49.72%	-50.95%	62.65%	-59.23%	-30.43%	2.19%	15.74%	-30.78%	30.97%
Operating Income (loss)	(18,858)	(16,993)	(5,224)	(4,958)	(4,864)	(5,368)	(20,414)	(6,823)	(3,800)	(1,550)	(0,050)	(12,223)	11,450
% Change YoY		-9.3%	11.5%	16.8%	43.1%	15.1%	20.1%	30.6%	-23.4%	-68.3%	-99.1%	-40.1%	-193.7%
Operating Margin		-224.3%	-217.3%	-137.0%	-116.7%	-115.6%	-138.3%	-122.0%	-55.1%	-16.7%	-0.5%	-37.5%	19.1%
Other (Income) Expense:													
Interest Expense (Income), net	0,000	0,541	0,194	0,187	0,177	0,157	0,715	0,138	1,500	1,500	1,500	4,638	6,000
Unrealized loss on warrants	-5,062	8,644	16,188	-8,219	15,961	10,585	34,515	2,528				0,000	0,000
Other (Income) Expense	-0,098	-0,737	-0,407	-1,089	-0,303	-0,162	-1,961	-0,363				-0,363	0,000
Gain (loss) on Extinguishment of Debt	0,000	0,000					0,000					0,000	0,000
Total Other expense (Income)	-5,180	8,448	15,975	-9,121	15,835	10,580	33,269	2,303	1,500	1,500	1,500	4,275	6,000
Income (Loss) before Income Tax	(13,678)	(25,441)	(21,199)	4,163	(20,699)	(15,948)	-53,683	(9,126)	(5,300)	(3,050)	(1,550)	-7,948	17,450
Income Tax Expense (benefit)	0,000	0,000					0,000					0,000	0,000
Effective Tax Rate	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%
Net Income (loss)	(13,678)	(25,441)	(21,199)	4,163	(20,699)	(15,948)	-53,683	(9,126)	(5,300)	(3,050)	(1,550)	-7,948	17,450
Preferred dividends	13,678	0,000					0,000					0,000	0,000
Net Gain (loss) attributable to noncontrolling interests	(10,494)	(9,264)	(2,259)	(1,598)	(2,145)	(2,450)	(8,452)	(2,750)				-2,750	0,000
Net Income (loss) attributable to common shareholders	(3,184)	(16,177)	(18,940)	5,761	(18,554)	(13,498)	(45,231)	(6,376)	(5,300)	(3,050)	(1,550)	(10,698)	17,450
% of Revenues		-215.56%	-787.85%	159.29%	-452.87%	-290.78%	-306.42%	-114.00%	-76.81%	-32.80%	-14.35%	-32.82%	29.13%
Net Income per diluted share	(0.23)	(0.98)	(0.78)	0.23	(0.74)	(0.47)	(1.76)	(0.19)	(0.16)	(0.09)	(0.05)	(0.32)	0.51
Basic shares outstanding	13,965	16,456	24,274	24,734	25,055	28,905	25,742	33,665	33,800	33,800	33,900	33,791	34,000



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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Generalist Analyst. Chartered Financial Analyst. BA in Philosophy from Thomas Aquinas. FINRA licenses 86 & 87

CONTINUING COVERAGE

Unless otherwise noted through the dropping of coverage or change in analyst, the analyst who wrote this research report will provide continuing coverage on this company through the publishing of research available through Noble Capital Market's distribution lists, website, third party distribution partners, and through Noble's affiliated website, channelcheck.com.

WARNING

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All views expressed in this report accurately reflect my personal views about the subject securities or issuers.

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No part of my compensation was, is, or will be directly or indirectly related to any specific recommendations or views expressed in the public appearance and/or research report.

Ownership and Material Conflicts of Interest

Neither I nor anybody in my household has a financial interest in the securities of the subject company or any other company mentioned in this report.

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	86%	15%
Market Perform: potential return is -15% to 15% of the current price	14%	6%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

Noble Capital Markets, Inc.
150 E Palmetto Park Rd, Suite 110
Boca Raton, FL 33432
561-994-1191

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