



MONTANA
DEPARTMENT OF
REVENUE

**2024 Capitalization Rate Study
Scheduled Airlines - Passenger**

Completed: April 26, 2024

MONTANA DEPARTMENT OF REVENUE

**Yield Capitalization Rate Conclusion
Industry: Scheduled Airlines - Passenger
2024 Assessment Year**

Capital Structure ^[1]

Equity	40.00%
Debt	60.00%

Equity Cost of Capital

		Weighting
Capital Asset Pricing Model - Ex Post ^[2]	15.67%	64%
Capital Asset Pricing Model - Ex Ante ^[2]	12.01%	16%
3 Stage Dividend Discount Model - Dividends ^[3]	12.19%	10%
3 Stage Dividend Discount Model - Earnings ^[3]	11.99%	10%
Weighted Average	<u>14.37%</u>	100%
Selected Cost of Equity	<u>14.37%</u>	

Debt Cost of Capital

		Weighting
A - Mergent's - Avg. YTM of A Rated Corporate Bonds ^[4]	5.25%	0%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds ^[4]	5.64%	44%
Ba - Avg. of MTDOR Debt Study ^[5] , Bloomberg and Capital IQ	6.70%	23%
B - Avg. of MTDOR Debt Study ^[5] , Bloomberg and Capital IQ	7.67%	33%
Weighted Average	<u>6.55%</u>	100%
Selected Cost of Debt	<u>6.55%</u>	

Weighted Average Cost of Capital (WACC)

Source of Capital	Capital Structure	Cost of Capital	Marginal Tax Rate	Pre-tax Cost of Capital	After-tax Cost of Capital
Equity	40.00%	14.37%		5.75%	5.75%
Debt	60.00%	6.55%	24.00%	3.93%	2.99%
WACC	100.00%			9.68%	8.74%
WACC (Rounded)					8.75%

Notes

- [1] From worksheet: Capital Structure
- [2] From worksheet: Capital Asset Pricing Model Summary
- [3] From worksheet: Yield Equity Summary
- [4] January 2024, Mergent Bond Record
- [5] Montana Department of Revenue High Yield Debt Study

MONTANA DEPARTMENT OF REVENUE

**Direct Capitalization Rate Conclusion
Industry: Scheduled Airlines - Passenger
2024 Assessment Year**

Capital Structure ^[1]

Equity	40.00%
Debt	60.00%

Equity Capitalization Rate ^[2]

NOI After-tax	12.27%
GCF	24.77%

Debt Capitalization Rate ^[3]

Calculated Current Yield	6.13%
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NOI After-tax Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	Pre-tax Capitalization Rate	After-tax Capitalization Rate
Equity	40.00%	12.27%		4.91%	4.91%
Debt	60.00%	6.13%	24.00%	3.68%	2.80%
Total	100.00%			8.59%	7.70%
Total (Rounded)					7.70%

GCF Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	Pre-tax Capitalization Rate	After-tax Capitalization Rate
Equity	40.00%	24.77%		9.91%	9.91%
Debt	60.00%	6.13%	24.00%	3.68%	2.80%
Total	100.00%			13.59%	12.70%
Total (Rounded)					12.70%

Notes:

[1] From worksheet: Capital Structure

[2] From worksheet: Direct Equity Summary

[3] From worksheet: Calculated Current Yield

MONTANA DEPARTMENT OF REVENUE

**Selection of Guideline Companies
Industry: Scheduled Airlines - Passenger
2024 Assessment Year**

Screening Requirements:

The universe of companies is all companies listed in Value Line under the air transport industry.

Companies were then selected using the following screening criteria:

1. Operates primarily as a passenger airline.
2. Actively traded on an American exchange.
3. Headquartered / incorporated in the United States
4. No significant merger & acquisition activity during the year.

Ticker Symbol	Passenger Airline	Actively traded on an American exchange	Headquartered in the United States	Consider as Potential Guideline Company	Not Engaged in Material M&A Activity	Use as Guideline Company	Note
AAL	Yes	Yes	Yes	Yes	Yes	Yes	
AIRT	No						
ALGT	Yes	Yes	Yes	Yes	Yes	Yes	
ALK	Yes				No	No	[1]
ATSG	No						
CPA			No				
DAL	Yes	Yes	Yes	Yes	Yes	Yes	
FDX	No						
HA	Yes				No	No	[1]
JBLU	Yes				No	No	[2]
LUV	Yes	Yes	Yes	Yes	Yes	Yes	
MESA	Yes	Yes	Yes	Yes	Yes	Yes	
RLGT	No						
SAVE	Yes				No	No	[2]
SKYW	Yes	Yes	Yes	Yes	Yes	Yes	
SNCY	Yes	Yes	Yes	Yes	Yes	Yes	
UAL	Yes	Yes	Yes	Yes	Yes	Yes	
ULCC	Yes	Yes	Yes	Yes	Yes	Yes	
UP	No						
UPS	No						
VTOL	No						

[1] Alaska Air Group intends to acquire Hawaii Holdings

[2] JetBlue currently engaged in merger activity with Spirit

MONTANA DEPARTMENT OF REVENUE

Support for Capital Structure
Industry: Scheduled Airlines - Passenger
2024 Assessment Year

(\$ and Shares Outstanding In Millions, Except Per Share Amounts)

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Ticker	Company	Industry Group	Financial Strength	Shares Outstanding	End of Year Closing Stock Price	MV Common Stock	MV Preferred Stock	MV Long Term Debt	PV of Operating Leases	Total Common, Preferred, LT Debt, & Op Leases	% Common	% Preferred	% Debt & Op Leases
		<i>Value Line</i>	<i>Value Line</i>	<i>10-K</i>	<i>Yahoo</i>	<i>ExF</i>	<i>10-K</i>	<i>10-K</i>	<i>10-K</i>	<i>G+H+I+J</i>	<i>G/K</i>	<i>H/K</i>	<i>(I+J)/K</i>
							<i>Note [1]</i>	<i>Note [2]</i>					
AAL	Amer. Airlines	AIRTRANS	C++	654	13.74	8,990	0	32,816	7,761	49,567	18%	0%	82%
ALGT	Allegiant Travel	AIRTRANS	B+	18	82.61	1,509	0	2,248	103	3,861	39%	0%	61%
DAL	Delta Air Lines	AIRTRANS	B+	643	40.23	25,886	0	19,844	7,227	52,957	49%	0%	51%
LUV	Southwest Airlines	AIRTRANS	B+	597	28.88	17,227	0	7,827	1,193	26,247	66%	0%	34%
MESA	Mesa Air Group Inc	AIRTRANS	C	41	1.01	41	0	484	12	537	8%	0%	92%
SKYW	SkyWest	AIRTRANS	B+	40	52.20	2,100	0	2,894	87	5,080	41%	0%	59%
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	B	53	15.73	838	0	656	19	1,513	55%	0%	45%
UAL	United Airlines Hldgs.	AIRTRANS	C++	328	41.26	13,534	0	28,622	5,079	47,235	29%	0%	71%
ULCC	Frontier Group Holdings Inc	AIRTRANS	B	223	5.46	1,218	0	461	2,989	4,668	26%	0%	74%
All Companies						71,343	0	95,852	24,469	191,664	37%	0%	63%
Average											37%	0%	63%
Median											39%	0%	61%
Trimmed Average											37%	0%	63%
High											66%	0%	92%
Low											8%	0%	34%
Selected											40%	0%	60%

Notes:

[1] Market value of preferred stock assumed to equal book value

[2] Market value of debt is fair value of long term debt from 10-K notes

MCA 15-1-210, rationale for changes to guideline companies:

2024 - Removed ALK for M&A activities, Added SNCY & ULCC

		Median	
Current Year	39%	0%	61%
Prior Year	31%	0%	69%
2 Years Prior	37%	0%	63%
3 Year Average	36%	0%	64%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

$$k_e = R_f + \beta \times ERP$$

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	15.67%	12.01%
$R_f =$	Risk Free Rate	4.20%	4.20%
$\beta =$	Beta	1.60	1.60
$ERP =$	Equity Risk Premium ($R_m - R_f$)	7.17%	4.88%
$R_m =$	Market Rate of Return	11.37%	9.08%

Risk Free Rate Measures (R_f):

The Value Line Investment Survey: Selection & Opinion^[1]

January 5, 2024 Page 841

Selected Yields on Taxable U.S. Treasury Securities as of 12/22/23

10-year	3.90%
30-year	4.05%

Federal Reserve Statistical Release^[2]

U.S. government securities, Treasury constant maturities, Nominal, December 29, 2023

10-year	3.88%
20-year	4.20%
30-year	4.03%

Risk Free Rate Selected 4.20%

Notes

[1] "Value Line Selection & Opinion", Value Line (January 5, 2024)

[2] <https://www.federalreserve.gov/releases/h15/>

Ex Post - Equity Risk Premium Measures ($ERP = R_m - R_f$)

Kroll, 2024 Cost of Capital Navigator

		<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP "Historical" - <i>Ex Post</i>	<i>Arithmetic Avg.</i>	11.31%	4.14%	7.17%
ERP "Supply-side" - <i>Ex Post</i>	<i>Arithmetic Avg.</i>	10.36%	4.14%	6.22%
Ex Post Equity Risk Premium Selected		<u><u>11.37%</u></u>	<u><u>4.20%</u></u>	<u><u>7.17%</u></u>

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

$$k_e = R_f + \beta \times ERP$$

Ex Ante - Equity Risk Premium Measures (ERP = Rm - Rf)

DOR 3 Stage Dividend Growth Model, S & P 500, See Exhibit

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	7.22%	4.20%	3.02%

Kroll, 2024 Cost of Capital Navigator

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP "Conditional" - <i>Ex Ante</i>	9.00%	3.50%	5.50%

Damodaran Implied ERP (Jan 5, 2024)

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
Implied Premium - <i>Ex Ante</i> - Trailing 12 month, with adjusted payout	8.45%	3.88%	4.57%
Implied Premium - <i>Ex Ante</i> - Trailing 12 month cash yields	8.48%	3.88%	4.60%
Implied Premium - <i>Ex Ante</i> - Average CF yield last 10 years	9.95%	3.88%	6.07%
Implied Premium - <i>Ex Ante</i> - Net cash yield	8.31%	3.88%	4.43%
Implied Premium - <i>Ex Ante</i> - Normalized earnings and payout	<u>8.17%</u>	<u>3.88%</u>	<u>4.29%</u>
Damodaran Average	8.67%	3.88%	4.79%

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
<u>Average</u>	8.51%		4.64%
<u>Median</u>	8.45%		4.57%
<u>High</u>	9.95%		6.07%
<u>Low</u>	7.22%		3.02%

Ex Ante Equity Risk Premium Selected

9.08%	4.20%	4.88%
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MONTANA DEPARTMENT OF REVENUE

Support for Beta Selection in CAPM
 Industry: Scheduled Airlines - Passenger
 2024 Assessment Year

A	B	C	D	E
Ticker	Company	Industry Group	Financial Strength	Beta
		<i>Value Line</i>	<i>Value Line</i>	<i>Value Line</i>
AAL	Amer. Airlines	AIRTRANS	C++	1.65
ALGT	Allegiant Travel	AIRTRANS	B+	1.45
DAL	Delta Air Lines	AIRTRANS	B+	1.60
LUV	Southwest Airlines	AIRTRANS	B+	1.10
MESA	Mesa Air Group Inc	AIRTRANS	C	1.75
SKYW	SkyWest	AIRTRANS	B+	1.65
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	B	1.30
UAL	United Airlines Hldgs.	AIRTRANS	C++	1.70
ULCC	Frontier Group Holdings Inc	AIRTRANS	B	1.75
Average				1.55
Median				1.65
Trimmed Average				1.59
High				1.75
Low				1.10
Selected				1.60

MONTANA DEPARTMENT OF REVENUE

Inflation & Real Growth

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

A	B	C	D	Nominal Growth	
				E	F
Source Description	Inflation (CPI)	Real Growth (GDP)	Nominal Growth	Low	High
Livingston Survey ^[1]	2.30%	2.00%	4.30%		
Survey of Professional Forecasters ^[2]	2.24%	2.00%	4.24%		
Congressional Budget Office ^[3]	2.20%	1.90%	4.10%		
Average	2.25%	1.97%	4.21%		
Median	2.24%	2.00%	4.24%		
High	2.30%	2.00%	4.30%		
Low	2.20%	1.90%	4.10%		
Selected	2.25%	2.00%	4.25%	4.10%	4.30%

Inflationary Trend Factors						
Year	Dec. CPI-U Index	Percent Change From Previous	Dec. to Dec. Conversion Factor	Annual Avg. CPI-U Index	Percent Change From Previous	Annual Conversion Factor
	<i>Note [5]</i>	<i>Note [6]</i>	<i>Note [7]</i>	<i>Note [5]</i>	<i>Note [6]</i>	<i>Note [7]</i>
2012	229.601	1.7%	1.3360	229.594	2.0%	1.3271
2013	233.049	1.5%	1.3162	232.957	1.4%	1.3080
2014	234.812	0.8%	1.3063	236.736	1.6%	1.2871
2015	236.525	0.7%	1.2969	237.017	0.1%	1.2856
2016	241.432	2.0%	1.2705	240.007	1.2%	1.2696
2017	246.524	2.1%	1.2443	245.120	2.1%	1.2431
2018	251.233	1.9%	1.2210	251.107	2.4%	1.2134
2019	256.974	2.2%	1.1937	255.657	1.8%	1.1918
2020	260.474	1.3%	1.1776	258.811	1.2%	1.1773
2021	278.802	6.6%	1.1002	270.970	4.5%	1.1245
2022	296.797	6.1%	1.0335	292.655	7.4%	1.0412
2023	306.746	3.2%	1.0000	304.702	4.0%	1.0000

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 15, 2023 Table 3 Inflation Rate and Real GDP mean

<https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey>

[2] Federal Reserve Bank of Philadelphia Survey of Professional Forecasters February 9, 2024 Table 8 and Table 9 Average over next 10-Year mean

<https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/survey-of-professional-forecasters>

[3] The Budget and Economic Outlook: 2024 To 2034, Table 2-1

<https://www.cbo.gov/about/products/budget-economic-data#4>

[5] Historical Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, all items, index averages (1982-84=100, unless otherwise noted)

<https://www.bls.gov/cpi/tables/supplemental-files/>

[6] (Row year - Previous Year) / Row Year

[7] Most current year / Row year

MONTANA DEPARTMENT OF REVENUE

**3 Stage Dividend Discount Model (DDM)
Industry: Scheduled Airlines - Passenger
2024 Assessment Year**

$$k_e = (D_1 / P_0) + g$$

k_e = Cost of Equity

D_1 = Expected Dividend

P_0 = Current Price Per Share

g = Sustainable Long-Term Growth

A	B	C	D	E	F	G	H	I
Ticker	Company	2023 Year End Stock Price	2024 Est Div'ds Decl'd per sh	Expected Equity Payout Yield	Sustainable Long-Term Growth Rate ^[1]	Sustainable Long-Term Growth Rate ^[1]	Cost of Equity Dividend Growth	Cost of Equity Earnings Growth
		<i>Yahoo</i>	<i>Value Line</i>	<i>D/C</i>	<i>Dividends</i>	<i>Earnings</i>	<i>E+F</i>	<i>E+G</i>
		P_0	D_1	D_1/P_0	g	g	k_e	k_e
AAL	Amer. Airlines	13.74	0.00	0.00%	0.00%	0.00%		
ALGT	Allegiant Travel	82.61	2.40	2.91%	4.66%	29.57%	7.57%	32.48%
DAL	Delta Air Lines	40.23	0.40	0.99%	32.97%	5.05%	33.97%	6.05%
LUV	Southwest Airlines	28.88	0.76	2.63%	9.56%	9.36%	12.19%	11.99%
MESA	Mesa Air Group Inc	1.01	0.00	0.00%	0.00%	0.00%		
SKYW	SkyWest	52.20	0.00	0.00%	0.00%	0.00%		
SNCY	Sun Country Airlines Hldgs Inc	15.73	0.00	0.00%	0.00%	0.00%		
UAL	United Airlines Hldgs.	41.26	0.00	0.00%	0.00%	0.00%		
ULCC	Frontier Group Holdings Inc	5.46	0.00	0.00%	0.00%	0.00%		
Average							17.91%	16.84%
Median							12.19%	11.99%
Trimmed Average							12.19%	11.99%
High							33.97%	32.48%
Low							7.57%	6.05%
Selected							12.19%	11.99%

Notes

[1] From worksheet: DDM Sustainable Long-Term Growth

Implied Sustainable LTG:

12.84%

14.66%

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Short Term Growth Rate Calculations

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

A	B	C	D	E	F	G
Ticker	Company	End of Year Closing Stock Price	Div'ds Decl'd per sh 2024 Est	Expected Dividend Yield	Div'ds Decl'd per sh 2026-2028 Est	Short-Term Growth Rate
		<i>Yahoo</i>	<i>Value Line</i>	<i>D / C</i>	<i>Value Line</i>	<i>Note [1]</i>
AAL	Amer. Airlines	13.74	0.00	0.00%	0.00	0.00%
ALGT	Allegiant Travel	82.61	2.40	2.91%	2.80	5.27%
DAL	Delta Air Lines	40.23	0.40	0.99%	1.50	55.36%
LUV	Southwest Airlines	28.88	0.76	2.63%	1.15	14.81%
MESA	Mesa Air Group Inc	1.01	0.00	0.00%	0.00	0.00%
SKYW	SkyWest	52.20	0.00	0.00%	0.32	0.00%
SNCY	Sun Country Airlines Hldgs Inc	15.73	0.00	0.00%	0.00	0.00%
UAL	United Airlines Hldgs.	41.26	0.00	0.00%	0.00	0.00%
ULCC	Frontier Group Holdings Inc	5.46	0.00	0.00%	0.00	0.00%

A	B	C	D	E
Ticker	Company	Earnings per share 2024 Est	Earnings per share 2026-2028 Est	Short-Term Growth Rate
		<i>Value Line</i>	<i>Value Line</i>	<i>Note [1]</i>
AAL	Amer. Airlines	2.20	2.30	1.49%
ALGT	Allegiant Travel	10.50	29.85	41.66%
DAL	Delta Air Lines	6.70	8.50	8.26%
LUV	Southwest Airlines	2.40	3.60	14.47%
MESA	Mesa Air Group Inc	0.00	0.00	0.00%
SKYW	SkyWest	4.50	6.30	11.87%
SNCY	Sun Country Airlines Hldgs Inc	1.60	2.09	9.31%
UAL	United Airlines Hldgs.	9.60	12.00	7.72%
ULCC	Frontier Group Holdings Inc	0.00	0.00	0.00%

Notes

[1] 4 year compound annual growth rate (CAGR) - 3 periods

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Support for DDM - Sustainable Long Term Growth

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

Dividend Growth Rate									Stage 1				
Ticker	Company	Year End Stock Price	Expected Short-Term Dividend Growth Rate	Expected Long-Term Growth Rate	Expected Dividend Yield	Internal Rate of Return	Implied Sustainable Long-Term Growth Rate (g)	Initial Investment	D ₁	D ₂	D ₃	D ₄	D ₅
		Yahoo	Note [1]	Note [2]	D_1/P_0	$K_e = IRR \text{ of } D_1 : D_{500}$	$g = IRR - Div. \text{ Yield}$						
AAL	Amer. Airlines	13.74	0.00%	4.25%	0.00%	0.00%	0.00%	(13.74)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	82.61	5.27%	4.25%	2.91%	7.57%	4.66%	(82.61)	2.40	2.53	2.66	2.80	2.95
DAL	Delta Air Lines	40.23	55.36%	4.25%	0.99%	33.97%	32.97%	(40.23)	0.40	0.62	0.97	1.50	2.33
LUV	Southwest Airlines	28.88	14.81%	4.25%	2.63%	12.19%	9.56%	(28.88)	0.76	0.87	1.00	1.15	1.32
MESA	Mesa Air Group Inc	1.01	0.00%	4.25%	0.00%	0.00%	0.00%	(1.01)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	52.20	0.00%	4.25%	0.00%	0.00%	0.00%	(52.20)	0.00	0.00	0.00	0.00	0.00
SNCY	Sun Country Airlines Hld	15.73	0.00%	4.25%	0.00%	0.00%	0.00%	(15.73)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	41.26	0.00%	4.25%	0.00%	0.00%	0.00%	(41.26)	0.00	0.00	0.00	0.00	0.00
ULCC	Frontier Group Holdings	5.46	0.00%	4.25%	0.00%	0.00%	0.00%	(5.46)	0.00	0.00	0.00	0.00	0.00

Earnings Growth Rate									Stage 1				
Ticker	Company	Year End Stock Price	Expected Short-Term Earnings Growth Rate	Expected Long-Term Growth Rate	Expected Dividend Yield	Internal Rate of Return	Implied Sustainable Long-Term Growth Rate (g)	Initial Investment	D ₁	D ₂	D ₃	D ₄	D ₅
		Yahoo	Note [1]	Note [2]	D_1/P_0	$K_e = IRR \text{ of } D_1 : D_{500}$	$g = IRR - Div. \text{ Yield}$						
AAL	Amer. Airlines	13.74	1.49%	4.25%	0.00%	0.00%	0.00%	(13.74)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	82.61	41.66%	4.25%	2.91%	32.48%	29.57%	(82.61)	2.40	3.40	4.82	6.82	9.67
DAL	Delta Air Lines	40.23	8.26%	4.25%	0.99%	6.05%	5.05%	(40.23)	0.40	0.43	0.47	0.51	0.55
LUV	Southwest Airlines	28.88	14.47%	4.25%	2.63%	11.99%	9.36%	(28.88)	0.76	0.87	1.00	1.14	1.30
MESA	Mesa Air Group Inc	1.01	0.00%	4.25%	0.00%	0.00%	0.00%	(1.01)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	52.20	11.87%	4.25%	0.00%	0.00%	0.00%	(52.20)	0.00	0.00	0.00	0.00	0.00
SNCY	Sun Country Airlines Hld	15.73	9.31%	4.25%	0.00%	0.00%	0.00%	(15.73)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	41.26	7.72%	4.25%	0.00%	0.00%	0.00%	(41.26)	0.00	0.00	0.00	0.00	0.00
ULCC	Frontier Group Holdings	5.46	0.00%	4.25%	0.00%	0.00%	0.00%	(5.46)	0.00	0.00	0.00	0.00	0.00

Notes

[1] From worksheet: DDM Short Term Growth Rate Calculations

[2] From worksheet: Inflation & Real Growth

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Sustainable Long Term Growth

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

Dividend	Stage 2															Stage 3		
Ticker	D ₆	D ₇	D ₈	D ₉	D ₁₀	D ₁₁	D ₁₂	D ₁₃	D ₁₄	D ₁₅	D ₁₆	D ₁₇	D ₁₈	D ₁₉	D ₂₀	D ₂₁	D ₂₂	D ₅₀₀
AAL	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	0.00	0.00	0.00	0.00	0
ALGT	3.10	3.26	3.43	3.61	3.80	4.00	4.20	4.42	4.65	4.90	5.15	5.42	5.70	6.00	6.31	6.58	6.86	2,995,696,777
DAL	3.54	5.38	8.18	12.42	18.88	28.69	43.59	66.24	100.66	152.95	232.42	353.17	536.66	815.48	1,239.15	1,291.82	1,346.72	588,349,635,808
LUV	1.51	1.72	1.96	2.24	2.55	2.91	3.32	3.79	4.33	4.94	5.63	6.43	7.34	8.37	9.55	9.96	10.38	4,534,602,612
MESA	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	0.00	0.00	0.00	0.00	0
SKYW	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	0.00	0.00	0.00	0.00	0
SNCY	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	0.00	0.00	0.00	0.00	0
UAL	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	0.00	0.00	0.00	0.00	0
ULCC	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	0.00	0.00	0.00	0.00	0

Earnings	Stage 2															Stage 3		
Ticker	D ₆	D ₇	D ₈	D ₉	D ₁₀	D ₁₁	D ₁₂	D ₁₃	D ₁₄	D ₁₅	D ₁₆	D ₁₇	D ₁₈	D ₁₉	D ₂₀	D ₂₁	D ₂₂	D ₅₀₀
AAL	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	0.00	0.00	0.00	0.00	0
ALGT	13.45	18.72	26.05	36.25	50.46	70.22	97.72	135.99	189.26	263.39	366.55	510.11	709.91	987.96	1,374.92	1,433.36	1,494.28	652,813,263,434
DAL	0.59	0.64	0.69	0.75	0.81	0.87	0.94	1.02	1.10	1.18	1.28	1.38	1.49	1.61	1.74	1.81	1.89	826,030,815
LUV	1.48	1.69	1.92	2.19	2.49	2.83	3.22	3.67	4.17	4.75	5.40	6.15	7.00	7.96	9.06	9.45	9.85	4,302,032,811
MESA	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	0.00	0.00	0.00	0.00	0
SKYW	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	0.00	0.00	0.00	0.00	0
SNCY	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	0.00	0.00	0.00	0.00	0
UAL	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	0.00	0.00	0.00	0.00	0
ULCC	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	0.00	0.00	0.00	0.00	0

MONTANA DEPARTMENT OF REVENUE

Support for Cost of Debt Component - Yield to Maturity

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

A	B	C	D	E	F
Ticker	Company	Industry Group	Financial Strength	Moody's Long Term Rating	Yield to Maturity
		<i>Value Line</i>	<i>Value Line</i>	<i>Moodys.com</i>	
AAL	Amer. Airlines	AIRTRANS	C++	B1	7.67%
ALGT	Allegiant Travel	AIRTRANS	B+	Ba3	6.70%
DAL	Delta Air Lines	AIRTRANS	B+	Baa3	5.64%
LUV	Southwest Airlines	AIRTRANS	B+	Baa1	5.64%
MESA	Mesa Air Group Inc	AIRTRANS	C	B	7.67%
SKYW	SkyWest	AIRTRANS	B+	Baa	5.64%
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	B	Baa	5.64%
UAL	United Airlines Hldgs.	AIRTRANS	C++	Ba1	6.70%
ULCC	Frontier Group Holdings Inc	AIRTRANS	B	B	7.67%
All Companies					
	Average				6.55%
	Median				6.70%
	Trimmed Average				6.52%
	High				7.67%
	Low				5.64%
Selected					6.55%

**Highlighted ratings are estimated based on financial strength and historical interest coverage ratios*

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Equity Capitalization Rate

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Ticker	Company	End of Year Closing Stock Price	VL Historic EPS	VL Est EPS	VL Historic P/E Ratio	VL Est P/E Ratio	Ke Estimate - Earnings (Hist. P/E)	Ke Estimate - Earnings (Est. P/E)	VL Historic Cash Flow Per Share	VL Est Cash Flow Per Share	VL Historic P/CF Ratio	VL Est P/CF Ratio	Ke Estimate - Cash Flow (Hist. P/CF)	Ke Estimate - Cash Flow (Est. P/CF)	Market Value of Equity	Book Value of Equity	MTBR
		Yahoo	Value Line	Value Line	C/D	C/E	1/F	1/G	Value Line	Value Line	C/J	C/K	1/L	1/M	Price x Shrs	Value Line	P/Q
AAL	Amer. Airlines	13.74	2.64	2.20	5.20	6.25	19.21%	16.01%	3.54	5.90	3.88	2.33	25.76%	42.94%	8,990	(5,799.00)	(1.55)
ALGT	Allegiant Travel	82.61	7.59	10.50	10.88	7.87	9.19%	12.71%	14.01	19.80	5.90	4.17	16.96%	23.97%	1,509	1,220.70	1.24
DAL	Delta Air Lines	40.23	6.24	6.70	6.45	6.00	15.51%	16.65%	6.49	9.90	6.20	4.06	16.13%	24.61%	25,886	6,582.00	3.93
LUV	Southwest Airlines	28.88	1.57	2.40	18.39	12.03	5.44%	8.31%	3.49	4.60	8.28	6.28	12.08%	15.93%	17,227	10,687.00	1.61
MESA	Mesa Air Group Inc	1.01	(2.99)	0.00	(0.34)				(1.46)	0.00	(0.69)				41	200.00	0.21
SKYW	SkyWest	52.20	0.87	4.50	60.00	11.60	1.67%	8.62%	9.24	13.75	5.65	3.80	17.70%	26.34%	2,100	2,347.60	0.89
SNCY	Sun Country Airlines Hldgs Inc	15.73	1.23	1.60	12.79	9.83	7.82%	10.17%	3.01	0.00	5.23		19.14%		838	514.40	1.63
UAL	United Airlines Hldgs.	41.26	10.05	9.60	4.11	4.30	24.36%	23.27%	10.05	18.30	4.11	2.25	24.36%	44.35%	13,534	6,896.00	1.96
ULCC	Frontier Group Holdings Inc	5.46	(0.06)	0.00	(91.00)				0.04	0.00	136.50		0.73%		1,218	509.00	2.39
Average					2.94	8.27	11.88%	13.68%			19.45	3.82	16.61%	29.69%			1.37
Median					6.45	7.87	9.19%	12.71%			5.65	3.93	17.33%	25.47%			1.61
Trimmed Average					8.21	8.31	11.43%	12.83%			5.60	3.59	17.73%	29.46%			1.42
High					60.00	12.03	24.36%	23.27%			136.50	6.28	25.76%	44.35%			3.93
Low					(91.00)	4.30	1.67%	8.31%			(0.69)	2.25	0.73%	15.93%			(1.55)
Selected						8.15		12.27%				4.04		24.77%			1.37

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

(\$ in Millions)

A	B	C	D	E	F	G	H	I	J
Ticker	Company	Current Year Interest Exp.	Previous Year MV LT Debt	Previous Year BV LT Debt	Current Year MV LT Debt	Current Year BV LT Debt	Average MV LT Debt	Current Yield	MTBR
		<i>10-K</i>	<i>10-K</i>	<i>10-K</i>	<i>10-K</i>	<i>10-K</i>	<i>(D+F)/2</i>	<i>(C/H)</i>	<i>(F/G)</i>
AAL	Amer. Airlines	2,145	33,329	35,663	32,816	32,902	33,073	6.49%	1.00
ALGT	Allegiant Travel	153	2,033	2,097	2,248	2,260	2,140	7.16%	0.99
DAL	Delta Air Lines	834	22,349	23,030	19,844	20,054	21,097	3.95%	0.99
LUV	Southwest Airlines	259	7,952	8,088	7,827	8,007	7,890	3.28%	0.98
MESA	Mesa Air Group Inc	50	526	600	484	528	505	9.89%	0.92
SKYW	SkyWest	131	3,236	3,380	2,894	3,006	3,065	4.27%	0.96
SNCY	Sun Country Airlines Hldgs Inc	43	572	604	656	679	614	6.94%	0.97
UAL	United Airlines Hldgs.	1,956	31,436	31,436	28,622	29,395	30,029	6.51%	0.97
ULCC	Frontier Group Holdings Inc	29	410	429	461	470	436	6.66%	0.98
All Companies		5,600			95,852	97,301	98,847	5.66%	0.99
Average								6.13%	0.97
Median								6.51%	0.98
Trimmed Average								6.00%	0.98
High								9.89%	1.00
Low								3.28%	0.92
Selected								6.13%	0.97

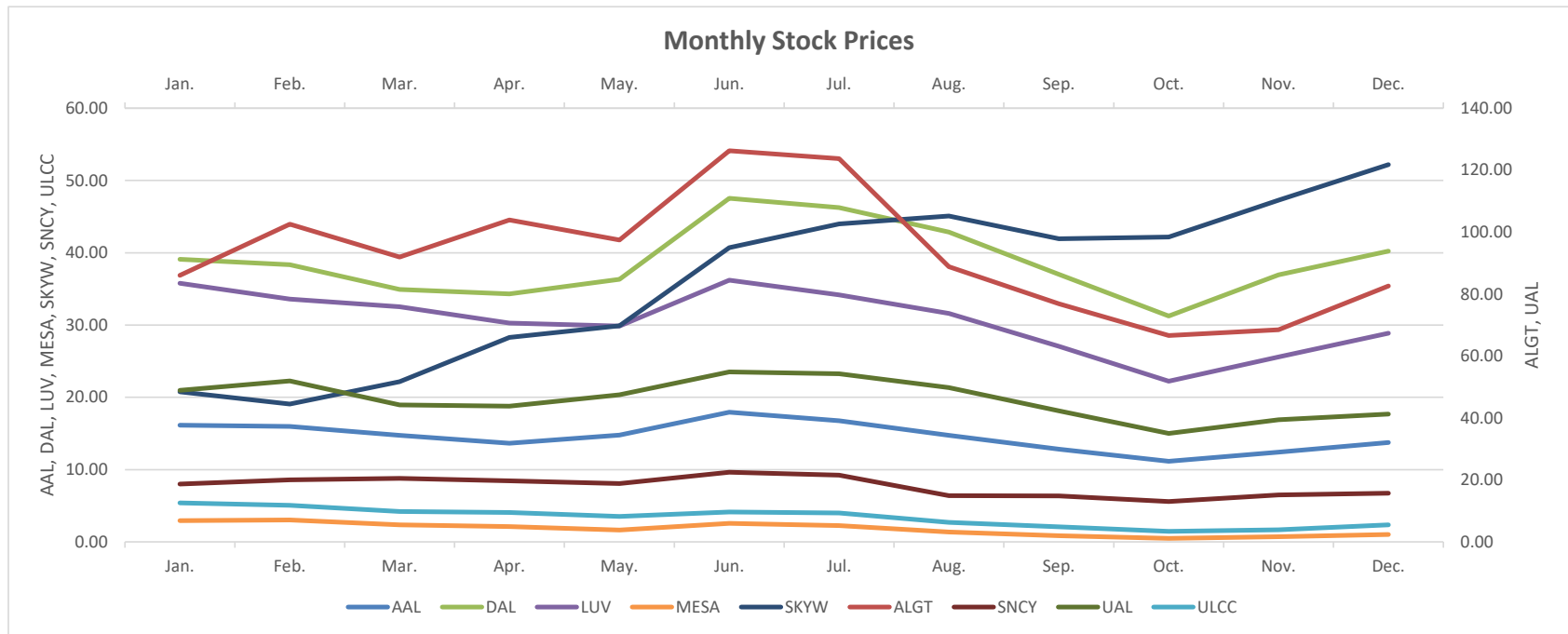
MONTANA DEPARTMENT OF REVENUE

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

		End of Period Closing Stock Price											
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	B	C	D	E	F	G	H	I	J	K	L	M	N
Ticker	Company	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
AAL	Amer. Airlines	16.14	15.98	14.75	13.64	14.78	17.94	16.75	14.73	12.81	11.15	12.43	13.74
ALGT	Allegiant Travel	86.03	102.55	91.98	103.91	97.49	126.28	123.70	88.84	76.86	66.62	68.49	82.61
DAL	Delta Air Lines	39.10	38.34	34.92	34.31	36.33	47.54	46.26	42.88	37.00	31.25	36.93	40.23
LUV	Southwest Airlines	35.77	33.58	32.54	30.29	29.87	36.21	34.16	31.60	27.07	22.23	25.57	28.88
MESA	Mesa Air Group Inc	2.95	3.03	2.37	2.11	1.64	2.55	2.24	1.37	0.86	0.48	0.72	1.01
SKYW	SkyWest	20.76	19.07	22.17	28.30	29.91	40.72	43.99	45.10	41.94	42.17	47.28	52.20
SNCY	Sun Country Airlines Hldgs Inc	18.67	20.05	20.50	19.73	18.80	22.48	21.56	14.89	14.84	13.02	15.18	15.73
UAL	United Airlines Hldgs.	48.96	51.96	44.25	43.80	47.47	54.87	54.31	49.81	42.30	35.01	39.40	41.26
ULCC	Frontier Group Holdings Inc	12.58	11.76	9.84	9.49	8.23	9.67	9.30	6.28	4.84	3.39	3.91	5.46



MONTANA DEPARTMENT OF REVENUE

Maintenance Capital Expenditures Estimate Based on Guideline Companies

Industry: Scheduled Airlines - Passenger

2024 Assessment Year

(\$ In Millions)

1	2		3	4	5	6	7	8	9	10	11
A	B	C	D	E	F	G	H	I	J	K	L
Ticker	Company	Inflation	PP&E, Gross	PP&E, Gross	Average PP&E	Depreciation Expense	Average Life of Assets			Replacement Cost (RC)	RC as % of Depreciation
			Current Year	Previous Year		Current Year		Note [1]	Note [1]	Note [1]	
		MTDOR (CPI)	10-K, Notes	10-K, Notes	(D+E)/2	10-K	F/G	C*H	1/(1+C)^H	G*I/(1-J)	K/G
AAL	Amer. Airlines	2.25%	52,861	50,229	51,545	1,936	27	0.60	0.55	2,595	134.01%
ALGT	Allegiant Travel	2.25%	4,412	3,626	4,019	223	18	0.41	0.67	274	122.73%
DAL	Delta Air Lines	2.25%	57,193	53,479	55,336	2,341	24	0.53	0.59	3,044	130.03%
LUV	Southwest Airlines	2.25%	33,818	30,984	32,401	1,522	21	0.48	0.62	1,932	126.95%
MESA	Mesa Air Group Inc	2.25%	1,049	1,271	1,160	60	19	0.43	0.65	75	124.28%
SKYW	SkyWest	2.25%	8,683	8,433	8,558	383	22	0.50	0.61	492	128.32%
SNCY	Sun Country Airlines Hldgs Inc	2.25%	1,222	962	1,092	88	12	0.28	0.76	102	115.70%
UAL	United Airlines Hldgs.	2.25%	62,525	54,929	58,727	2,671	22	0.49	0.61	3,415	127.86%
ULCC	Frontier Group Holdings Inc	2.25%	492	377	435	50	9	0.20	0.82	56	111.21%
Average											124.57%
Median											126.95%
Trimmed Average											125.13%
High											134.01%
Low											111.21%
Selected											124.57%

Notes

[1] Cornell, B. & Gerger, R. (2017). Estimating Terminal Values with Inflation: The Inputs Matter-It Is Not a Formulaic Exercise. *Business Valuation Review*, Volume 36, Number 4, 117-123.