



**2021 Capitalization Rate Study  
Scheduled Airlines - Freight**

*FINAL*

*Completed: April 16, 2021*

**MONTANA DEPARTMENT OF REVENUE**

**Yield Capitalization Rate Conclusion  
Industry: Scheduled Airlines - Freight  
2021 Assessment Year**

**Capital Structure <sup>[1]</sup>**

Equity	<b>60.00%</b>
Debt	<b>40.00%</b>

**Equity Cost of Capital**

		<b>Weighting</b>
Capital Asset Pricing Model - Ex Post <sup>[2]</sup>	7.98%	45%
Capital Asset Pricing Model - Ex Ante <sup>[2]</sup>	6.54%	45%
3 Stage Dividend Discount Model - Dividends <sup>[3]</sup>	7.10%	5%
3 Stage Dividend Discount Model - Earnings <sup>[3]</sup>	6.85%	5%
Weighted Average	<u>7.23%</u>	100%
Selected Cost of Equity	<u><b>7.23%</b></u>	

**Debt Cost of Capital**

		<b>Weighting</b>
A - Mergent's - Avg. YTM of A Rated Corporate Bonds <sup>[4]</sup>	2.72%	0%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds <sup>[4]</sup>	3.16%	0%
Ba - MTDOR - Avg. YTM of Ba Rated Corporate Bonds <sup>[5]</sup>	6.54%	100%
Weighted Average	<u>6.54%</u>	100%
Selected Cost of Debt	<u><b>6.54%</b></u>	

**Weighted Average Cost of Capital (WACC)**

<b>Source of Capital</b>	<b>Capital Structure</b>	<b>Cost of Capital</b>	<b>Marginal Tax Rate</b>	<b>After-tax Cost of Capital</b>	<b>Weighted Cost</b>
Equity	60.00%	7.23%		7.23%	4.34%
Debt	40.00%	6.54%	24.00%	4.97%	1.99%
<b>WACC</b>	<b>100.00%</b>				<b>6.33%</b>
<b>WACC (Rounded)</b>					<b>6.35%</b>

Notes

- [1] From worksheet: Capital Structure
- [2] From worksheet: Capital Asset Pricing Model Summary
- [3] From worksheet: Yield Equity Summary
- [4] January 2021, Mergent Bond Record
- [5] Montana Department of Revenue High Yield Debt Study

**MONTANA DEPARTMENT OF REVENUE**

**Direct Capitalization Rate Conclusion  
Industry: Scheduled Airlines - Freight  
2021 Assessment Year**

**Capital Structure <sup>[1]</sup>**

Equity	<b>60.00%</b>
Debt	<b>40.00%</b>

**Equity Capitalization Rate <sup>[2]</sup>**

NOI After-tax	<b>5.80%</b>
GCF	<b>12.10%</b>

**Debt Capitalization Rate <sup>[3]</sup>**

Calculated Current Yield	<b>4.20%</b>
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**NOI After-tax Direct Capitalization Rate**

<b>Source of Capital</b>	<b>Capital Structure</b>	<b>Capitalization Rate</b>	<b>Marginal Tax Rate</b>	<b>After-tax Capitalization Rate</b>	<b>Weighted Capitalization Rate</b>
Equity	60.00%	5.80%		5.80%	3.48%
Debt	40.00%	4.20%	24.00%	3.19%	1.28%
<b>Total</b>	<b>100.00%</b>				<b>4.76%</b>
<b>Total (Rounded)</b>					<b>4.80%</b>

**GCF Direct Capitalization Rate**

<b>Source of Capital</b>	<b>Capital Structure</b>	<b>Capitalization Rate</b>	<b>Marginal Tax Rate</b>	<b>After-tax Capitalization Rate</b>	<b>Weighted Capitalization Rate</b>
Equity	60.00%	12.10%		12.10%	7.26%
Debt	40.00%	4.20%	24.00%	3.19%	1.28%
<b>WACC</b>	<b>100.00%</b>				<b>8.54%</b>
<b>Total (Rounded)</b>					<b>8.55%</b>

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 - Freight**

**2021 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 freight carrier / air cargo service.
2. Actively traded on an American exchange.
3. Headquartered / incorporated in the United States
4. No significant merger & acquisition activity during the year.

<b>Company Ticker</b>	<b>Air Cargo</b>	<b>Actively traded on an American exchange</b>	<b>Headquartered in the United States</b>	<b>Consider as Potential Guideline Company</b>	<b>Not Engaged in Material M&amp;A Activity</b>	<b>Use as Guideline Company</b>	<b>Note</b>
AAL	No						
AAWW	Yes	Yes	Yes	Yes	No	Yes	
AIRT	Yes	Yes	Yes	Yes	No	Yes	
ALGT	No						
ALK	No						
ATSG	Yes	Yes	Yes	Yes	No	Yes	
CPA	No						
DAL	No						
FDX	Yes	Yes	Yes	Yes	No	Yes	
HA	No						
JBLU	No						
LUV	No						
MESA	No						
RLGT	No						
RYAAY	No						
SAVE	No						
SKYW	No						
UAL	No						
UPS	Yes	Yes	Yes	Yes	No	Yes	
VTOL	No						

**MONTANA DEPARTMENT OF REVENUE**

Support for Capital Structure  
Industry: Scheduled Airlines - Freight  
2021 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>					
AAWW	Atlas Air Worldwide	AIRTRANS	B	27.517	54.54	1,501	0	2,502	477	4,480	34%	0%	66%
AIRT	Air T Inc	AIRTRANS	C	2.882	24.90	72	0	86	9	167	43%	0%	57%
ATSG	Air Transport Services Grp.	AIRTRANS	B	59.560	31.34	1,867	0	1,550	69	3,485	54%	0%	46%
FDX	FedEx Corp.	AIRTRANS	A++	261.954	259.62	68,009	0	22,800	14,118	104,927	65%	0%	35%
UPS	United Parcel Serv.	AIRTRANS	A+	719.507	168.40	121,165	0	28,300	3,100	152,565	79%	0%	21%
<b>All Companies</b>						192,613	0	55,238	17,773	265,624	<b>73%</b>	<b>0%</b>	<b>27%</b>
<b>Average</b>											<b>55%</b>	<b>0%</b>	<b>45%</b>
<b>Median</b>											<b>54%</b>	<b>0%</b>	<b>46%</b>
High											79%	0%	66%
Low											34%	0%	21%
<b>Selected</b>											<b>60%</b>		<b>40%</b>

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:**

2021 - No changes to guideline companies

		<u>Median</u>	
Current Year	54%	0%	46%
Prior Year	48%	0%	52%
2 Years Prior	48%	0%	52%
3 Year Average	50%	0%	50%

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

2021 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	<b>7.98%</b>	<b>6.54%</b>
$R_f =$	Risk Free Rate	1.45%	1.45%
$\beta =$	Beta	0.90	0.90
$ERP =$	Equity Risk Premium ( $R_m - R_f$ )	7.25%	5.65%
$R_m =$	Market Rate of Return	8.70%	7.10%

**Risk Free Rate Measures ( $R_f$ ):**

The Value Line Investment Survey: Selection & Opinion <sup>[1]</sup>

January 1, 2021 Page 701

Selected Yields on Taxable U.S. Treasury Securities as of 12/21/20

10-year	0.95%
30-year	1.68%

Federal Reserve Statistical Release <sup>[2]</sup> and U.S. Department of the Treasury, Daily Treasury Yield Curve Rates <sup>[3]</sup>

U.S. government securities, Treasury constant maturities, Nominal, December 31, 2020

10-year	0.93%
20-year	1.45%
30-year	1.65%
<b>Risk Free Rate Selected</b>	<b><u>1.45%</u></b>

Notes

[1] "Value Line Selection & Opinion", Value Line (January 3, 2020)

[2] <https://www.federalreserve.gov/datadownload/Choose.aspx?rel=H.15>

[3] <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/>

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

Duff & Phelps, 2021 Cost of Capital Navigator

		$R_m$ <sup>[4]</sup>	$R_m$	$R_f$	ERP
ERP "Historical" - <i>Ex Post</i>	Arithmetic Avg.	8.70%	8.70%	1.45%	7.25%
ERP "Supply-side" - <i>Ex Post</i>	Arithmetic Avg.	7.45%	7.45%	1.45%	6.00%
<b>Ex Post Equity Risk Premium Selected</b>		<b><u>8.70%</u></b>		<b><u>1.45%</u></b>	<b><u>7.25%</u></b>

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)  
Industry: Scheduled Airlines - Freight  
2021 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<sub>m</sub><sup>[4]</sup></u>	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	7.44%	7.44%	1.45%	5.99%

Duff & Phelps, 2021 Cost of Capital Navigator

	<u>R<sub>m</sub><sup>[4]</sup></u>	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
ERP "Conditional" - <i>Ex Ante</i>		8.00%	2.50%	5.50%

Damodaran Implied ERP (Jan 5, 2021)

	<u>R<sub>m</sub><sup>[4]</sup></u>	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
Implied Premium (FCFE) - <i>Ex Ante</i>	6.17%	5.65%	0.93%	4.72%
Implied Premium (FCFE with sustainable payout) - <i>Ex Ante</i>	6.39%	5.87%	0.93%	4.94%

	<u>R<sub>m</sub><sup>[4]</sup></u>	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
<u>Average</u>	6.67%	6.74%		5.29%
<u>Median</u>	6.39%	6.66%		5.22%
<u>High</u>	7.44%	8.00%		5.99%
<u>Low</u>	6.17%	5.65%		4.72%

**Equity Risk Premium Selected**

<b>7.10%</b>	<b>1.45%</b>	<b>5.65%</b>
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Notes

[4] R<sub>m</sub> estimated using selected Risk Free Rate (R<sub>f</sub>)

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**MONTANA DEPARTMENT OF REVENUE**

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Support for Beta Selection in CAPM  
Industry: Scheduled Airlines - Freight  
2021 Assessment Year

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<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Ticker</b>	<b>Company</b>	<b>Industry Group</b>	<b>Financial Strength</b>	<b>Beta</b>
		<i>Value Line</i>	<i>Value Line</i>	<i>Value Line</i>
AAWW	Atlas Air Worldwide	AIRTRANS	B	0.75
AIRT	Air T Inc	AIRTRANS	C	1.00
ATSG	Air Transport Services Grp.	AIRTRANS	B	0.75
FDX	FedEx Corp.	AIRTRANS	A++	1.10
UPS	United Parcel Serv.	AIRTRANS	A+	0.80
<b>Average</b>				<b>0.88</b>
<b>Median</b>				<b>0.80</b>
High				1.10
Low				0.75
<b>Selected</b>				<b>0.90</b>



**MONTANA DEPARTMENT OF REVENUE**

**Inflation & Real Growth**

**Industry: Scheduled Airlines - Freight**

**2021 Assessment Year**

A	B	C	D	Nominal Growth	
				E	F
Source Description	Inflation (CPI)	Real Growth (GDP)	Nominal Growth	Low	High
Livingston Survey <sup>[1]</sup>	2.19%	2.21%	4.40%		
Survey of Professional Forecasters <sup>[2]</sup>	2.24%	2.27%	4.51%		
Congressional Budget Office <sup>[3]</sup>	1.90%	3.70%	5.60%		
<b>Average</b>	<b>2.11%</b>	<b>2.73%</b>	<b>4.84%</b>		
<b>Median</b>	<b>2.19%</b>	<b>2.27%</b>	<b>4.46%</b>		
High	2.24%	3.70%	5.94%		
Low	1.90%	2.21%	4.11%		
<b>Selected</b>	<b>2.00%</b>	<b>2.50%</b>	<b>4.50%</b>	<b>4.11%</b>	<b>5.94%</b>

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>
2008	210.228		1.2390	215.303		1.2021
2009	215.949	2.6%	1.2062	214.537	-0.4%	1.2064
2010	219.179	1.5%	1.1884	218.056	1.6%	1.1869
2011	225.672	2.9%	1.1542	224.939	3.1%	1.1506
2012	229.601	1.7%	1.1345	229.594	2.0%	1.1273
2013	233.049	1.5%	1.1177	232.957	1.4%	1.1110
2014	234.812	0.8%	1.1093	236.736	1.6%	1.0932
2015	236.525	0.7%	1.1013	237.017	0.1%	1.0920
2016	241.432	2.0%	1.0789	240.007	1.2%	1.0783
2017	246.524	2.1%	1.0566	245.120	2.1%	1.0559
2018	251.233	1.9%	1.0368	251.107	2.4%	1.0307
2019	256.974	2.2%	1.0136	255.657	1.8%	1.0123
2020	260.474	1.3%	1.0000	258.811	1.2%	1.0000

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 18, 2020 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 12, 2021 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] Congressional Budget Office, The Budget and Economic Outlook: 2021 to 2031, 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/historical-cpi-u-202001.pdf>

[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 - Freight**

**2021 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	2020 Year End Stock Price	2021 Est Div'ds Decl'd per sh	Expected Equity Payout Yield	Sustainable Long-Term Growth Rate <sup>[1]</sup>	Sustainable Long-Term Growth Rate <sup>[1]</sup>	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>
		$P_0$	$D_1$	$D_1/P_0$	$g$	$g$	$k_e$	$k_e$
AAWW	Atlas Air Worldwide	54.54	0.00	0.00%				
AIRT	Air T Inc	24.90	0.00	0.00%				
ATSG	Air Transport Services Grp.	31.34	0.00	0.00%				
FDX	FedEx Corp.	259.62	2.60	1.00%	4.78%	4.62%	5.79%	5.62%
UPS	United Parcel Serv.	168.40	4.24	2.52%	5.86%	5.56%	8.38%	8.08%
<b>Average</b>							<b>7.08%</b>	<b>6.85%</b>
<b>Median</b>							<b>7.08%</b>	<b>6.85%</b>
High							8.38%	8.08%
Low							5.79%	5.62%
<b>Selected</b>							<b>7.10%</b>	<b>6.85%</b>

Notes

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

**MONTANA DEPARTMENT OF REVENUE**

**Support for DDM - Short Term Growth Rate Calculations**

**Industry: Scheduled Airlines - Freight**

**2021 Assessment Year**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
<b>Ticker</b>	<b>Company</b>	<b>End of Year Closing Stock Price</b>	<b>Div'ds Decl'd per sh 2021 Est</b>	<b>Expected Dividend Yield</b>	<b>Div'ds Decl'd per sh 2024-2026 Est</b>	<b>Short-Term Growth Rate</b>
		<i>Yahoo</i>	<i>Value Line</i>	<i>D / C</i>	<i>Value Line</i>	<i>Note [1]</i>
AAWW	Atlas Air Worldwide	54.54	0.00	0.00%	0.00	
AIRT	Air T Inc	24.90	0.00	0.00%	0.00	
ATSG	Air Transport Services Grp.	31.34	0.00	0.00%	0.00	
FDX	FedEx Corp.	259.62	2.60	1.00%	3.30	6.14%
UPS	United Parcel Serv.	168.40	4.24	2.52%	5.75	7.91%

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Ticker</b>	<b>Company</b>	<b>Earnings per share 2021 Est</b>	<b>Earnings per share 2024-2026 Est</b>	<b>Short-Term Growth Rate</b>
		<i>Value Line</i>	<i>Value Line</i>	<i>Note [1]</i>
AAWW	Atlas Air Worldwide	9.50	15.00	12.10%
AIRT	Air T Inc	0.00	0.00	
ATSG	Air Transport Services Grp.	1.73	0.00	
FDX	FedEx Corp.	17.80	21.85	5.26%
UPS	United Parcel Serv.	9.00	11.90	7.23%

Notes

[1] 5 year compound annual growth rate (CAGR) - 4 periods

**MONTANA DEPARTMENT OF REVENUE**

**DDM Sustainable Long Term Growth  
Industry: Scheduled Airlines - Freight  
2021 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 <sub>1</sub>	D <sub>2</sub>	D <sub>3</sub>	D <sub>4</sub>	D <sub>5</sub>
		<i>Yahoo</i>	<i>Note [1]</i>	<i>Note [2]</i>	$D_1/P_0$	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. \text{ Yield}$						
AAWW	Atlas Air Worldwide	54.54	0.00%	4.50%	0.00%			(54.54)	0.00	0.00	0.00	0.00	0.00
AIRT	Air T Inc	24.90	0.00%	4.50%	0.00%			(24.90)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Services Grp.	31.34	0.00%	4.50%	0.00%			(31.34)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	259.62	6.14%	4.50%	1.00%	5.79%	4.78%	(259.62)	2.60	2.76	2.93	3.11	3.30
UPS	United Parcel Serv.	168.40	7.91%	4.50%	2.52%	8.38%	5.86%	(168.40)	4.24	4.58	4.94	5.33	5.75

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 <sub>1</sub>	D <sub>2</sub>	D <sub>3</sub>	D <sub>4</sub>	D <sub>5</sub>
		<i>Yahoo</i>	<i>Note [1]</i>	<i>Note [2]</i>	$D_1/P_0$	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. \text{ Yield}$						
AAWW	Atlas Air Worldwide	54.54	12.10%	4.50%	0.00%			(54.54)	0.00	0.00	0.00	0.00	0.00
AIRT	Air T Inc	24.90	0.00%	4.50%	0.00%			(24.90)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Services Grp.	31.34	0.00%	4.50%	0.00%			(31.34)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	259.62	5.26%	4.50%	1.00%	5.62%	4.62%	(259.62)	2.60	2.74	2.88	3.03	3.19
UPS	United Parcel Serv.	168.40	7.23%	4.50%	2.52%	8.08%	5.56%	(168.40)	4.24	4.55	4.88	5.23	5.61

**Notes**

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

[2] From worksheet: Inflation & Real Growth

**MONTANA DEPARTMENT OF REVENUE**

**DDM Sustainable Long Term Growth  
Industry: Scheduled Airlines - Freight  
2021 Assessment Year**

Dividend	Stage 2															Stage 3		
Ticker	D <sub>6</sub>	D <sub>7</sub>	D <sub>8</sub>	D <sub>9</sub>	D <sub>10</sub>	D <sub>11</sub>	D <sub>12</sub>	D <sub>13</sub>	D <sub>14</sub>	D <sub>15</sub>	D <sub>16</sub>	D <sub>17</sub>	D <sub>18</sub>	D <sub>19</sub>	D <sub>20</sub>	D <sub>21</sub>	D <sub>22</sub>	D <sub>500</sub>
AAWW	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
AIRT	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
ATSG	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
FDX	3.50	3.71	3.93	4.17	4.42	4.69	4.97	5.27	5.59	5.93	6.29	6.66	7.07	7.49	7.94	8.30	8.68	11,909,423,202
UPS	6.19	6.67	7.18	7.73	8.33	8.97	9.66	10.40	11.20	12.06	12.98	13.98	15.06	16.21	17.46	18.25	19.07	26,173,871,102

Earnings	Stage 2															Stage 3		
Ticker	D <sub>6</sub>	D <sub>7</sub>	D <sub>8</sub>	D <sub>9</sub>	D <sub>10</sub>	D <sub>11</sub>	D <sub>12</sub>	D <sub>13</sub>	D <sub>14</sub>	D <sub>15</sub>	D <sub>16</sub>	D <sub>17</sub>	D <sub>18</sub>	D <sub>19</sub>	D <sub>20</sub>	D <sub>21</sub>	D <sub>22</sub>	D <sub>500</sub>
AAWW	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
AIRT	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
ATSG	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
FDX	3.36	3.53	3.72	3.91	4.11	4.33	4.55	4.79	5.04	5.30	5.58	5.87	6.18	6.50	6.84	7.14	7.46	10,246,159,484
UPS	6.00	6.42	6.88	7.36	7.88	8.44	9.03	9.67	10.35	11.08	11.86	12.70	13.59	14.55	15.58	16.28	17.01	23,351,007,325

**MONTANA DEPARTMENT OF REVENUE**

Support for Cost of Debt Component - Yield to Maturity

Industry: Scheduled Airlines - Freight

2021 Assessment Year

A	B	C	D	E	F
Ticker	Company	Industry Group	Financial Strength	Moody's Long Term Rating	Numeric Rating
		<i>Value Line</i>	<i>Value Line</i>	<i>Moody's.com</i>	
AAWW	Atlas Air Worldwide	AIRTRANS	B		
AIRT	Air T Inc	AIRTRANS	C		
ATSG	Air Transport Services Grp.	AIRTRANS	B	Ba2	12
FDX	FedEx Corp.	AIRTRANS	A++	Baa2	9
UPS	United Parcel Serv.	AIRTRANS	A+	A2	6
<b>Average</b>					<b>9</b>
<b>Median</b>					<b>9</b>
High					12
Low					6
<b>Selected</b>				<b>Ba1</b>	<b>11</b>

**MONTANA DEPARTMENT OF REVENUE**  
**Support for Direct Capitalization - Equity Capitalization Rate**  
**Industry: Scheduled Airlines - Freight**  
**2021 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
AAWW	Atlas Air Worldwide	54.54	13.53	9.50	4.03	5.74	24.81%	17.42%	15.10	22.20	3.61	2.46	27.69%	40.70%	1,501	1,792.20	0.84
AIRT	Air T Inc	24.90	(0.37)	0.00					1.84	0.00	13.53		7.39%		72	24.00	2.99
ATSG	Air Transport Services Grp.	31.34	(1.01)	1.73		18.12		5.52%	5.94	0.00	5.28		18.95%		1,867	460.30	4.06
FDX	FedEx Corp.	259.62	13.64	17.80	19.03	14.59	5.25%	6.86%	23.32	31.95	11.13	8.13	8.98%	12.31%	68,009	18,295.00	3.72
UPS	United Parcel Serv.	168.40	8.22	9.00	20.49	18.71	4.88%	5.34%	10.39	11.35	16.21	14.84	6.17%	6.74%	121,165	3,267.00	37.09
<b>Average</b>					<b>14.52</b>	<b>14.29</b>	<b>11.65%</b>	<b>8.78%</b>			<b>9.95</b>	<b>8.47</b>	<b>13.84%</b>	<b>19.92%</b>			<b>9.74</b>
<b>Median</b>					<b>19.03</b>	<b>16.35</b>	<b>5.25%</b>	<b>6.19%</b>			<b>11.13</b>	<b>8.13</b>	<b>8.98%</b>	<b>12.31%</b>			<b>3.72</b>
High					20.49	18.71	24.81%	17.42%			16.21	14.84	27.69%	40.70%			37.09
Low					4.03	5.74	4.88%	5.34%			3.61	2.46	6.17%	6.74%			0.84
<b>Selected</b>					17.24		5.80%				8.26		12.10%				3.60

**MONTANA DEPARTMENT OF REVENUE**

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Freight

2021 Assessment Year

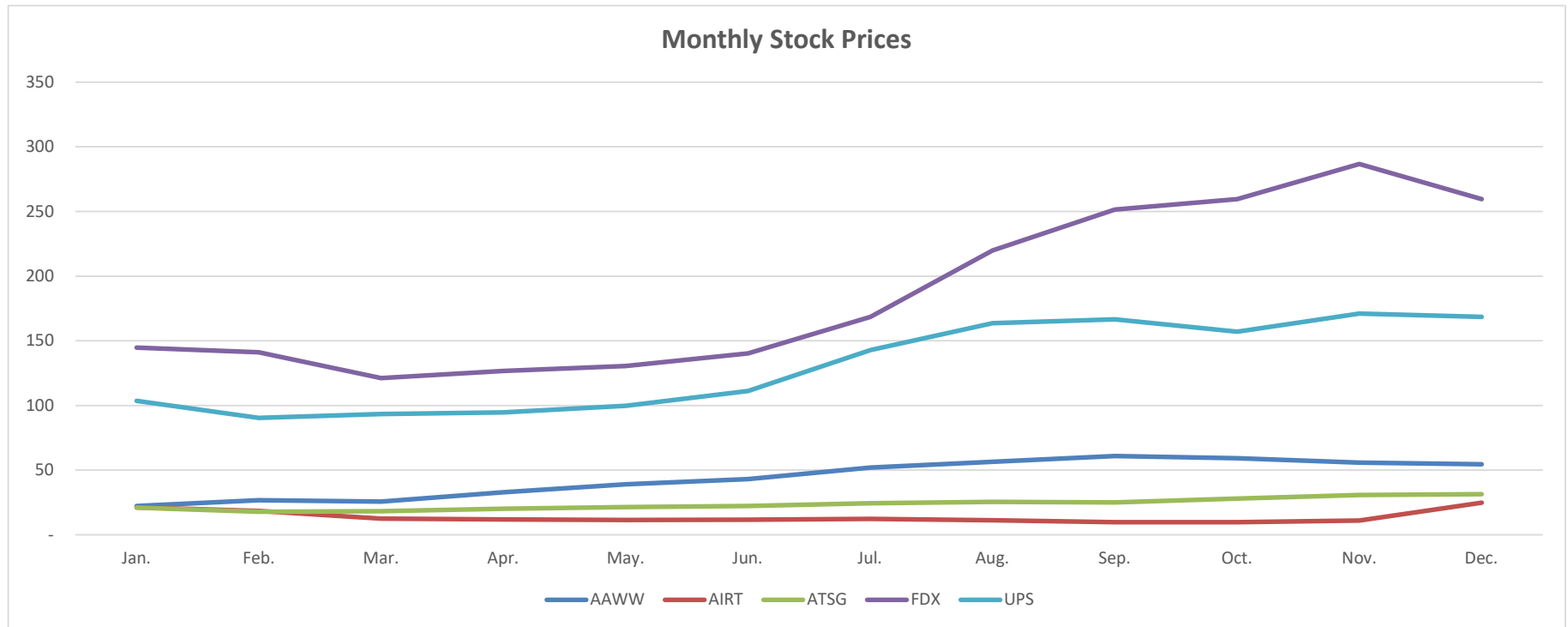
(\$ in Millions)

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>
AAWW	Atlas Air Worldwide	115	2,464	2,381	2,502	2,319	2,483	4.62%	1.08
AIRT	Air T Inc	5	58	58	86	86	72	6.54%	1.00
ATSG	Air Transport Services Grp.	63	1,482	1,484	1,550	1,479	1,516	4.15%	1.05
FDX	FedEx Corp.	672	17,800	17,581	22,800	22,003	20,300	3.31%	1.04
UPS	United Parcel Serv.	701	26,900	25,238	28,300	24,654	27,600	2.54%	1.15
<b>All Companies</b>		1,555			55,238	50,541	51,971	<b>2.99%</b>	<b>1.09</b>
<b>Average</b>								<b>4.23%</b>	<b>1.06</b>
<b>Median</b>								<b>4.15%</b>	<b>1.05</b>
High								6.54%	1.15
Low								2.54%	1.00
<b>Selected</b>								<b>4.20%</b>	<b>1.05</b>



**MONTANA DEPARTMENT OF REVENUE**  
**Support of Stock Price - From YAHOO Finance**  
**Industry: Scheduled Airlines - Freight**  
**2021 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.
AAWW	Atlas Air Worldwide	22.35	26.72	25.67	32.85	39.06	43.03	52.08	56.39	60.90	59.16	55.81	54.54
AIRT	Air T Inc	21.25	18.50	12.51	12.01	11.54	11.75	12.32	11.32	9.74	9.64	11.00	24.90
ATSG	Air Transport Services Grp.	20.97	17.90	18.28	20.24	21.54	22.27	24.37	25.42	25.06	28.04	30.74	31.34
FDX	FedEx Corp.	144.64	141.17	121.26	126.77	130.56	140.22	168.40	219.84	251.52	259.47	286.58	259.62
UPS	United Parcel Serv.	103.52	90.49	93.42	94.66	99.71	111.18	142.76	163.62	166.63	157.11	171.07	168.40



**MONTANA DEPARTMENT OF REVENUE**

**Maintenance Capital Expenditures Estimate Based on Guideline Companies**

**Industry: Scheduled Airlines - Freight**

**2021 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				Note [1]	Note [1]	Note [1]	
		MTDOR (CPI)	10-K, Notes	10-K, Notes	(D+E)/2	10-K (CF)	F/G	C*H	1/(1+C)^H	G*I/(1-J)	K/G
AAWW	Atlas Air Worldwide	2.00%	5,258	5,031	5,145	328	16	0.31	0.73	385	117.49%
AIRT	Air T Inc	2.00%	10	8	9	6	2	0.03	0.97	6	102.52%
ATSG	Air Transport Services Grp.	2.00%	3,190	2,912	3,051	310	10	0.20	0.82	345	111.15%
FDX	FedEx Corp.	2.00%	65,024	59,511	62,268	3,615	17	0.34	0.71	4,309	119.20%
UPS	United Parcel Serv.	2.00%	62,091	59,727	60,909	2,698	23	0.45	0.64	3,379	125.25%
<b>Average</b>											<b>115.12%</b>
<b>Median</b>											<b>117.49%</b>
High											125.25%
Low											102.52%
<b>Selected</b>											<b>117.00%</b>

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.