



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

FINAL

Completed: April 16, 2021

MONTANA DEPARTMENT OF REVENUE

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

Capital Structure ^[1]

Equity	55.00%
Debt	45.00%

Equity Cost of Capital

		Weighting
Capital Asset Pricing Model - Ex Post ^[2]	12.69%	50%
Capital Asset Pricing Model - Ex Ante ^[2]	10.21%	50%
3 Stage Dividend Discount Model - Dividends ^[3]	nmf	0%
3 Stage Dividend Discount Model - Earnings ^[3]	nmf	0%
Weighted Average	<u>11.45%</u>	100%
Selected Cost of Equity	<u>11.45%</u>	

Debt Cost of Capital

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

Weighted Average Cost of Capital (WACC)

Source of Capital	Capital Structure	Cost of Capital	Marginal Tax Rate	After-tax Cost of Capital	Weighted Cost
Equity	55.00%	11.45%		11.45%	6.30%
Debt	45.00%	6.54%	24.00%	4.97%	2.24%
WACC	100.00%				8.53%
WACC (Rounded)					8.55%

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 - Passenger
2021 Assessment Year**

Capital Structure ^[1]

Equity	55.00%
Debt	45.00%

Equity Capitalization Rate ^[2]

NOI After-tax	nmf
GCF	29.00%

Debt Capitalization Rate ^[3]

Calculated Current Yield	4.60%
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NOI After-tax Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Capitalization Rate	Weighted Capitalization Rate
Equity	55.00%	nmf		nmf	0.00%
Debt	45.00%	4.60%	24.00%	3.50%	1.57%
Total	100.00%				1.57%
Total (Rounded)					nmf

GCF Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Capitalization Rate	Weighted Capitalization Rate
Equity	55.00%	29.00%		29.00%	15.95%
Debt	45.00%	4.60%	24.00%	3.50%	1.57%
WACC	100.00%				17.52%
Total (Rounded)					17.55%

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

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 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	
AAWW	No						
AIRT	No						
ALGT	Yes	Yes	Yes	Yes	Yes	Yes	
ALK	Yes	Yes	Yes	Yes	Yes	Yes	
ATSG	No						
CPA			No				
DAL	Yes	Yes	Yes	Yes	Yes	yes	
FDX	No						
HA	Yes	Yes	Yes	Yes	Yes	No	[1]
JBLU	Yes	Yes	Yes	Yes	Yes	Yes	
LUV	Yes	Yes	Yes	Yes	Yes	Yes	
MESA	Yes	Yes	Yes	Yes	Yes	Yes	
RLGT	No						
RYAAY			No				
SAVE	Yes	Yes	Yes	Yes	Yes	No	[2]
SKYW	Yes	Yes	Yes	Yes	Yes	Yes	
UAL	Yes	Yes	Yes	Yes	Yes	Yes	
UPS	No						
VTOL	No						

[1] Operates primarily in Hawaii.

[2] Bulk of flights originate from Ft. Lauderdale, FL.

MONTANA DEPARTMENT OF REVENUE

Support for Capital Structure

Industry: Scheduled Airlines - Passenger

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
					Yahoo								
		Value Line	Value Line	10-K	Yahoo	ExF	10-K	10-K	10-K	G+H+I+J	G/K	H/K	(I+J)/K
							Note [1]	Note [2]					
AAL	Amer. Airlines	AIRTRANS	C+	621	15.77	9,801	0	30,454	8,428	48,683	20%	0%	80%
ALGT	Allegiant Travel	AIRTRANS	B+	16	189.24	3,105	0	1,294	117	4,516	69%	0%	31%
ALK	Alaska Air Group	AIRTRANS	B	124	52.00	6,459	0	3,611	1,558	11,628	56%	0%	44%
DAL	Delta Air Lines	AIRTRANS	B+	647	40.21	26,030	0	30,983	6,391	63,404	41%	0%	59%
JBLU	JetBlue Airways	AIRTRANS	B	316	14.54	4,595	0	4,993	865	10,453	44%	0%	56%
LUV	Southwest Airlines	AIRTRANS	B+	590	46.61	27,522	0	12,569	1,868	41,959	66%	0%	34%
MESA	Mesa Air Group Inc	AIRTRANS	C	36	6.69	238	0	757	106	1,101	22%	0%	78%
SKYW	SkyWest	AIRTRANS	B+	50	40.31	2,023	0	3,212	288	5,523	37%	0%	63%
UAL	United Airlines Hldgs.	AIRTRANS	C++	312	43.25	13,487	0	27,847	5,598	46,932	29%	0%	71%
All Companies						93,260	0	115,720	25,220	234,199	40%	0%	60%
Average											42%	0%	58%
Median											41%	0%	59%
Trimmed Average											42%	0%	58%
High											69%	0%	80%
Low											20%	0%	31%
Selected											55%	0%	45%

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 change in guideline companies

		Median	
Current Year	41%	0%	59%
Prior Year	62%	0%	38%
2 Years Prior	55%	0%	45%
3 Year Average	53%	0%	47%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2021 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	12.69%	10.21%
$R_f =$	Risk Free Rate	1.45%	1.45%
$\beta =$	Beta	1.55	1.55
$ERP =$	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 ^[1]

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 ^[2] and U.S. Department of the Treasury, Daily Treasury Yield Curve Rates ^[3]

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

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

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

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

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

		R_m ^[4]	R_m	R_f	ERP
ERP - <i>Ex Ante</i>		7.44%	7.44%	1.45%	5.99%

Duff & Phelps, 2021 Cost of Capital Navigator

		R_m ^[4]	R_m	R_f	ERP
ERP "Conditional" - <i>Ex Ante</i>			8.00%	2.50%	5.50%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2021 Assessment Year

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

Damodaran Implied ERP (Jan 5, 2021)

	<u>R_m^[4]</u>	<u>R_m</u>	<u>R_f</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_m^[4]</u>	<u>R_m</u>	<u>R_f</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

7.10%	1.45%	5.65%
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Notes

[4] R_m estimated using selected Risk Free Rate (R_f)

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Support for Beta Selection in CAPM
 Industry: Scheduled Airlines - Passenger
 2021 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+	1.30
ALK	Alaska Air Group	AIRTRANS	B	1.50
DAL	Delta Air Lines	AIRTRANS	B+	1.55
JBLU	JetBlue Airways	AIRTRANS	B	1.65
LUV	Southwest Airlines	AIRTRANS	B+	1.10
MESA	Mesa Air Group Inc	AIRTRANS	C	1.55
SKYW	SkyWest	AIRTRANS	B+	1.65
UAL	United Airlines Hldgs.	AIRTRANS	C++	1.65
Average				1.51
Median				1.55
Trimmed Average				1.55
High				1.65
Low				1.10
Selected				1.55

MONTANA DEPARTMENT OF REVENUE

Inflation & Real Growth
Industry: Scheduled Airlines - Passenger
2021 Assessment Year

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

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 - Passenger

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 ^[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	15.77	0.00	0.00%				
ALGT	Allegiant Travel	189.24	0.00	0.00%				
ALK	Alaska Air Group	52.00	0.00	0.00%				
DAL	Delta Air Lines	40.21	0.00	0.00%				
JBLU	JetBlue Airways	14.54	0.00	0.00%				
LUV	Southwest Airlines	46.61	0.00	0.00%				
MESA	Mesa Air Group Inc	6.69	0.00	0.00%				
SKYW	SkyWest	40.31	0.00	0.00%				
UAL	United Airlines Hldgs.	43.25	0.00	0.00%				

Average

Median

Trimmed Average

High

Low

0.00%

0.00%

0.00%

0.00%

Selected

nmf

nmf

Notes

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

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Short Term Growth Rate Calculations

Industry: Scheduled Airlines - Passenger

2021 Assessment Year

A	B	C	D	E	F	G
Ticker	Company	End of Year Closing Stock Price	Div'ds Decl'd per sh 2021 Est	Expected Dividend Yield	Div'ds Decl'd per sh 2024-2026 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	15.77	0.00	0.00%	0.00	
ALGT	Allegiant Travel	189.24	0.00	0.00%	0.00	
ALK	Alaska Air Group	52.00	0.00	0.00%	0.00	
DAL	Delta Air Lines	40.21	0.00	0.00%	1.50	
JBLU	JetBlue Airways	14.54	0.00	0.00%	0.00	
LUV	Southwest Airlines	46.61	0.00	0.00%	0.00	
MESA	Mesa Air Group Inc	6.69	0.00	0.00%		
SKYW	SkyWest	40.31	0.00	0.00%	0.00	
UAL	United Airlines Hldgs.	43.25	0.00	0.00%	0.00	

A	B	C	D	E
Ticker	Company	Earnings per share 2021 Est	Earnings per share 2024-2026 Est	Short-Term Growth Rate
		<i>Value Line</i>	<i>Value Line</i>	<i>Note [1]</i>
AAL	Amer. Airlines	(7.50)	3.50	
ALGT	Allegiant Travel	4.75	18.00	39.52%
ALK	Alaska Air Group	(4.25)	6.45	
DAL	Delta Air Lines	(2.85)	8.00	
JBLU	JetBlue Airways	(2.30)	2.00	
LUV	Southwest Airlines	(1.00)	4.50	
MESA	Mesa Air Group Inc			
SKYW	SkyWest	0.95	6.50	61.73%
UAL	United Airlines Hldgs.	(10.25)	10.50	

Notes

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

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Sustainable Long Term Growth

Industry: Scheduled Airlines - Passenger

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 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	15.77	0.00%	4.50%	0.00%			(15.77)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	189.24	0.00%	4.50%	0.00%			(189.24)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	52.00	0.00%	4.50%	0.00%			(52.00)	0.00	0.00	0.00	0.00	0.00
DAL	Delta Air Lines	40.21	0.00%	4.50%	0.00%			(40.21)	0.00	0.00	0.00	0.00	0.00
JBLU	JetBlue Airways	14.54	0.00%	4.50%	0.00%			(14.54)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	46.61	0.00%	4.50%	0.00%			(46.61)	0.00	0.00	0.00	0.00	0.00
MESA	Mesa Air Group Inc	6.69	0.00%	4.50%	0.00%			(6.69)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	40.31	0.00%	4.50%	0.00%			(40.31)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	43.25	0.00%	4.50%	0.00%			(43.25)	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	15.77	0.00%	4.50%	0.00%			(15.77)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	189.24	39.52%	4.50%	0.00%			(189.24)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	52.00	0.00%	4.50%	0.00%			(52.00)	0.00	0.00	0.00	0.00	0.00
DAL	Delta Air Lines	40.21	0.00%	4.50%	0.00%			(40.21)	0.00	0.00	0.00	0.00	0.00
JBLU	JetBlue Airways	14.54	0.00%	4.50%	0.00%			(14.54)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	46.61	0.00%	4.50%	0.00%			(46.61)	0.00	0.00	0.00	0.00	0.00
MESA	Mesa Air Group Inc	6.69	0.00%	4.50%	0.00%			(6.69)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	40.31	61.73%	4.50%	0.00%			(40.31)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	43.25	0.00%	4.50%	0.00%			(43.25)	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

2021 Assessment Year

Dividend	Stage 2															Stage 3		
	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	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
ALK	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
DAL	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
JBLU	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
LUV	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
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
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

Earnings	Stage 2															Stage 3		
	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	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
ALK	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
DAL	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
JBLU	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
LUV	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
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
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

MONTANA DEPARTMENT OF REVENUE

Support for Cost of Debt Component - Yield to Maturity

Industry: Scheduled Airlines - Passenger

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>Moodys.com</i>	
AAL	Amer. Airlines	AIRTRANS	C+	B2	15
ALGT	Allegiant Travel	AIRTRANS	B+	Ba3	13
ALK	Alaska Air Group	AIRTRANS	B		
DAL	Delta Air Lines	AIRTRANS	B+	Baa3	10
JBLU	JetBlue Airways	AIRTRANS	B	Ba2	12
LUV	Southwest Airlines	AIRTRANS	B+	Baa1	8
MESA	Mesa Air Group Inc	AIRTRANS	C		
SKYW	SkyWest	AIRTRANS	B+		
UAL	United Airlines Hldgs.	AIRTRANS	C++	Ba1	11
All Companies					
Average					12
Median					12
Trimmed Average					12
High					15
Low					8
Selected				Ba2	12

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Equity Capitalization Rate

Industry: Scheduled Airlines - Passenger

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
AAL	Amer. Airlines	15.77	(19.87)	(7.50)	(0.79)	(2.10)			(12.02)	(4.15)	(1.31)	(3.80)			9,801	(6,867.00)	(1.43)
ALGT	Allegiant Travel	189.24	(9.20)	4.75	(20.57)	39.84		2.51%	23.80	1.65	7.95	114.69	12.58%	0.87%	3,105	883.60	3.51
ALK	Alaska Air Group	52.00	(10.14)	(4.25)	(5.13)	(12.24)			9.93	(6.70)	5.24	(7.76)	19.10%		6,459	4,331.00	1.49
DAL	Delta Air Lines	40.21	(10.77)	(2.85)	(3.73)	(14.11)			11.44	(6.95)	3.51	(5.79)	28.45%		26,030	15,358.00	1.69
JBLU	JetBlue Airways	14.54	(5.72)	(2.30)	(2.54)	(6.32)			3.88	(3.35)	3.75	(4.34)	26.69%		4,595	4,799.00	0.96
LUV	Southwest Airlines	46.61	(6.10)	(1.00)	(7.64)	(46.61)			(3.82)	(7.64)	1.15	(12.20)	40.53	2.47%	27,522	8,876.00	3.10
MESA	Mesa Air Group Inc	6.69	0.86	0.00	7.78		12.86%		3.10	0.00	2.16		46.34%		238	457.90	0.52
SKYW	SkyWest	40.31	(0.19)	0.95	(212.16)	42.43		2.36%	13.70	9.35	2.94	4.31	33.99%	23.20%	2,023	2,175.00	0.93
UAL	United Airlines Hldgs.	43.25	(27.04)	(10.25)	(1.60)	(4.22)			21.57	(18.63)	2.01	(2.32)	49.87%		13,487	11,531.00	1.17
Average					(27.38)	(0.42)	12.86%	2.43%			1.56	16.94	31.00%	8.84%			1.33
Median					(3.73)	(5.27)	12.86%	2.43%			2.94	(3.06)	28.45%	2.47%			1.17
Trimmed Average					(6.00)	0.14					2.61	4.77	30.91%	2.47%			1.41
High					7.78	42.43	12.86%	2.51%			7.95	114.69	49.87%	23.20%			3.51
Low					(212.16)	(46.61)	12.86%	2.36%			(12.20)	(7.76)	12.58%	0.87%			(1.43)
Selected							nmf				3.45		29.00%				1.40

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Passenger

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>
AAL	Amer. Airlines	1,227	24,508	24,315	30,454	32,593	27,481	4.46%	0.93
ALGT	Allegiant Travel	60	1,232	1,422	1,294	1,659	1,263	4.79%	0.78
ALK	Alaska Air Group	98	1,507	1,499	3,611	3,495	2,559	3.83%	1.03
DAL	Delta Air Lines	929	11,454	11,160	30,983	29,157	21,219	4.38%	1.06
JBLU	JetBlue Airways	179	2,456	2,334	4,993	4,863	3,725	4.81%	1.03
LUV	Southwest Airlines	349	2,665	2,665	12,569	10,331	7,617	4.58%	1.22
MESA	Mesa Air Group Inc	44	868	843	757	732	813	5.43%	1.03
SKYW	SkyWest	123	3,025	2,993	3,212	3,204	3,118	3.95%	1.00
UAL	United Airlines Hldgs.	1,063	15,469	14,818	27,847	27,153	21,658	4.91%	1.03
All Companies		4,073			115,720	113,186	89,452	4.55%	1.02
Average								4.57%	1.01
Median								4.58%	1.03
Trimmed Average								4.55%	1.02
High								5.43%	1.22
Low								3.83%	0.78
Selected								4.60%	1.03

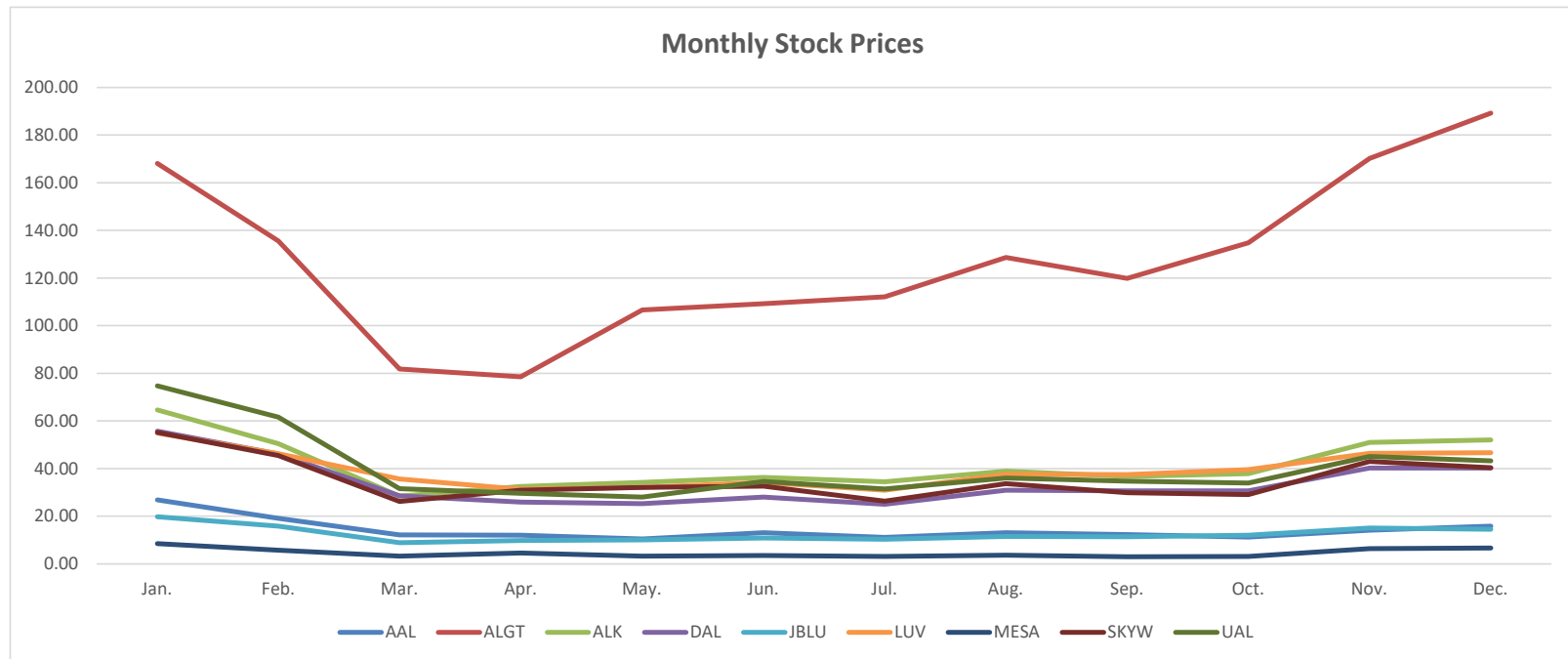
MONTANA DEPARTMENT OF REVENUE

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Passenger

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.
AAL	Amer. Airlines	26.84	19.05	12.19	12.01	10.50	13.07	11.12	13.05	12.29	11.28	14.13	15.77
ALGT	Allegiant Travel	168.04	135.54	81.80	78.48	106.55	109.21	112.03	128.60	119.80	134.76	170.19	189.24
ALK	Alaska Air Group	64.59	50.46	28.47	32.52	34.19	36.26	34.44	38.95	36.63	37.89	50.97	52.00
DAL	Delta Air Lines	55.74	46.13	28.53	25.91	25.21	28.05	24.97	30.85	30.58	30.64	40.25	40.21
JBLU	JetBlue Airways	19.83	15.78	8.95	9.74	10.07	10.90	10.34	11.52	11.33	11.97	15.09	14.54
LUV	Southwest Airlines	54.98	46.19	35.61	31.25	32.10	34.18	30.89	37.58	37.50	39.53	46.34	46.61
MESA	Mesa Air Group Inc	8.54	5.77	3.29	4.55	3.25	3.44	3.10	3.66	2.95	3.16	6.38	6.69
SKYW	SkyWest	55.17	45.40	26.19	30.95	32.07	32.62	26.31	33.65	29.86	29.03	42.93	40.31
UAL	United Airlines Hldgs.	74.80	61.59	31.55	29.58	28.04	34.61	31.38	36.00	34.75	33.86	45.05	43.25



MONTANA DEPARTMENT OF REVENUE

Maintenance Capital Expenditures Estimate Based on Guideline Companies

Industry: Scheduled Airlines - Passenger

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
AAL	Amer. Airlines	2.00%	48,456	53,654	51,055	2,370	21.54	0.43	0.65	2,940	124.07%
ALGT	Allegiant Travel	2.00%	2,649	2,721	2,685	176	15	0.30	0.74	206	116.99%
ALK	Alaska Air Group	2.00%	9,742	10,388	10,065	420	24	0.48	0.62	533	126.85%
DAL	Delta Air Lines	2.00%	44,040	48,337	46,189	2,312	20	0.40	0.67	2,827	122.29%
JBLU	JetBlue Airways	2.00%	10,676	10,765	10,721	535	20	0.40	0.67	655	122.36%
LUV	Southwest Airlines	2.00%	27,574	27,713	27,644	1,255	22	0.44	0.65	1,564	124.62%
MESA	Mesa Air Group Inc	2.00%	1,606	1,592	1,599	82	19	0.39	0.68	100	121.67%
SKYW	SkyWest	2.00%	7,818	7,393	7,606	475	16	0.32	0.73	560	117.85%
UAL	United Airlines Hldgs.	2.00%	47,895	44,707	46,301	2,488	19	0.37	0.69	3,004	120.75%
Average											121.94%
Median											122.29%
Trimmed Average											121.94%
High											126.85%
Low											116.99%
Selected											122.00%

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.