



**2023 Capitalization Rate Study  
Scheduled Airlines - Freight**

*Completed: March 24, 2023*

**MONTANA DEPARTMENT OF REVENUE**

**Yield Capitalization Rate Conclusion  
Industry: Scheduled Airlines - Freight  
2023 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>	10.95%	64%
Capital Asset Pricing Model - Ex Ante <sup>[2]</sup>	9.54%	16%
3 Stage Dividend Discount Model - Dividends <sup>[3]</sup>	7.78%	10%
3 Stage Dividend Discount Model - Earnings <sup>[3]</sup>	13.65%	10%
Weighted Average	<u>10.68%</u>	100%
Selected Cost of Equity	<b><u>10.68%</u></b>	

**Debt Cost of Capital**

		<b>Weighting</b>
A - Mergent's - Avg. YTM of A Rated Corporate Bonds <sup>[4]</sup>	5.12%	25%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds <sup>[4]</sup>	5.59%	25%
Ba - MTDOR High Yield Debt Study <sup>[5]</sup>	6.97%	25%
B - MTDOR High Yield Debt Study <sup>[5]</sup>	7.71%	25%
Weighted Average	<u>6.35%</u>	100%
Selected Cost of Debt	<b><u>6.35%</u></b>	

**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%	10.68%		10.68%	6.41%
Debt	40.00%	6.35%	24.00%	4.83%	1.93%
<b>WACC</b>	<b>100.00%</b>				<b>8.34%</b>
<b>WACC (Rounded)</b>					<b>8.35%</b>

Notes

- [1] From worksheet: Capital Structure
- [2] From worksheet: Capital Asset Pricing Model Summary
- [3] From worksheet: Yield Equity Summary
- [4] January 2023, Mergent Bond Record
- [5] Montana Department of Revenue High Yield Debt Study

**MONTANA DEPARTMENT OF REVENUE**

**Direct Capitalization Rate Conclusion  
Industry: Scheduled Airlines - Freight  
2023 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>8.07%</b>
GCF	<b>18.30%</b>

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

Calculated Current Yield	<b>3.58%</b>
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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	60.00%	8.07%		8.07%	4.84%
Debt	40.00%	3.58%	24.00%	2.72%	1.09%
<b>Total</b>	<b>100.00%</b>				<b>5.93%</b>
<b>Total (Rounded)</b>					<b>5.95%</b>

**GCF Direct Capitalization Rate**

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Capitalization Rate	Weighted Capitalization Rate
Equity	60.00%	18.30%		18.30%	10.98%
Debt	40.00%	3.58%	24.00%	2.72%	1.09%
<b>WACC</b>	<b>100.00%</b>				<b>12.07%</b>
<b>Total (Rounded)</b>					<b>12.10%</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**

**2023 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	No	[1]
AIRT	Yes	Yes	Yes	Yes	Yes	Yes	
ALGT	No						
ALK	No						
ATSG	Yes	Yes	Yes	Yes	Yes	Yes	
CPA	No						
DAL	No						
FDX	Yes	Yes	Yes	Yes	Yes	Yes	
HA	No						
JBLU	No						
LUV	No						
MESA	No						
RLGT	No						
SAVE	No						
SKYW	No						
SNCY	No						
UAL	No						
UP	No						
UPS	Yes	Yes	Yes	Yes	Yes	Yes	
VTOL	No						

[1] Accepted a buyout agreement in early August

**MONTANA DEPARTMENT OF REVENUE**

Support for Capital Structure  
Industry: Scheduled Airlines - Freight  
2023 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>					
AIRT	Air T Inc	AIRTRANS	C	2.866	24.72	71	0	136	8	215	33%	0%	67%
ATSG	Air Transport Serv.	AIRTRANS	B+	72.328	25.98	1,879	0	1,465	75	3,419	55%	0%	45%
FDX	FedEx Corp.	AIRTRANS	A+	259.846	173.20	45,005	0	20,264	16,930	82,199	55%	0%	45%
UPS	United Parcel Serv.	AIRTRANS	A+	758.741	173.84	131,900	0	19,662	3,859	155,421	85%	0%	15%
<b>All Companies</b>						178,855	0	41,527	20,872	241,254	<b>74%</b>	<b>0%</b>	<b>26%</b>
<b>Average</b>											<b>57%</b>	<b>0%</b>	<b>43%</b>
<b>Median</b>											<b>55%</b>	<b>0%</b>	<b>45%</b>
<b>Trimmed Average</b>											<b>55%</b>	<b>0%</b>	<b>45%</b>
High											85%	0%	67%
Low											33%	0%	15%
<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:  
2023 - AAWW removed, agreed to buyout in August 2022

	<u>Median</u>		
Current Year	55%	0%	45%
Prior Year	62%	0%	38%
2 Years Prior	54%	0%	46%
3 Year Average	57%	0%	43%

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

2023 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	<b>10.95%</b>	<b>9.54%</b>
$R_f =$	Risk Free Rate	4.14%	4.14%
$\beta =$	Beta	0.95	0.95
$ERP =$	Equity Risk Premium ( $R_m - R_f$ )	7.17%	5.68%
$R_m =$	Market Rate of Return	11.31%	9.82%

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

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

January 6, 2023 Page 1465

Selected Yields on Taxable U.S. Treasury Securities as of 12/27/22

10-year	3.84%
30-year	3.93%

Federal Reserve Statistical Release<sup>[2]</sup>

U.S. government securities, Treasury constant maturities, Nominal, December 30, 2022

10-year	3.88%
20-year	4.14%
30-year	3.97%

**Risk Free Rate Selected** 4.14%

Notes

[1] "Value Line Selection & Opinion", Value Line (January 6, 2023)

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

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

Kroll, 2023 Cost of Capital Navigator

		<u><math>R_m</math></u>	<u><math>R_f</math></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>	10.49%	4.14%	6.35%
<b>Ex Post Equity Risk Premium Selected</b>		<u><u>11.31%</u></u>	<u><u>4.14%</u></u>	<u><u>7.17%</u></u>

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

2023 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></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	8.81%	4.14%	4.67%

Kroll, 2023 Cost of Capital Navigator

	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
ERP "Conditional" - <i>Ex Ante</i>	9.50%	3.50%	6.00%

Damodaran Implied ERP (Jan 1, 2023)

	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
Implied Premium - <i>Ex Ante</i> - Trailing 12 month, with adjusted payout	8.99%	3.88%	5.11%
Implied Premium - <i>Ex Ante</i> - Trailing 12 month cash yields	9.82%	3.88%	5.94%
Implied Premium - <i>Ex Ante</i> - Average CF yield last 10 years	9.73%	3.88%	5.85%
Implied Premium - <i>Ex Ante</i> - Net cash yield	9.56%	3.88%	5.68%
Implied Premium - <i>Ex Ante</i> - Normalized earnings and payout	8.71%	3.88%	4.83%

	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
<u>Average</u>	9.30%		5.44%
<u>Median</u>	9.50%		5.68%
<u>High</u>	9.82%		6.00%
<u>Low</u>	8.71%		4.67%

**Ex Ante Equity Risk Premium Selected**

<b>9.82%</b>	<b>4.14%</b>	<b>5.68%</b>
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**MONTANA DEPARTMENT OF REVENUE**

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Support for Beta Selection in CAPM  
Industry: Scheduled Airlines - Freight  
2023 Assessment Year

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A	B	C	D	E
Ticker	Company	Industry Group	Financial Strength	Beta
		<i>Value Line</i>	<i>Value Line</i>	<i>Value Line</i>
AIRT	Air T Inc	AIRTRANS	C	0.95
ATSG	Air Transport Serv.	AIRTRANS	B+	0.80
FDX	FedEx Corp.	AIRTRANS	A+	1.10
UPS	United Parcel Serv.	AIRTRANS	A+	0.85
<b>Average</b>				<b>0.93</b>
<b>Median</b>				<b>0.90</b>
<b>Trimmed Average</b>				<b>0.90</b>
High				1.10
Low				0.80
<b>Selected</b>				<b>0.95</b>



**MONTANA DEPARTMENT OF REVENUE**

Inflation & Real Growth

Industry: Scheduled Airlines - Freight

2023 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>	2.55%	1.97%	4.52%		
Survey of Professional Forecasters <sup>[2]</sup>	2.44%	1.96%	4.40%		
Congressional Budget Office <sup>[3]</sup>	2.30%	1.80%	4.10%		
<b>Average</b>	<b>2.43%</b>	<b>1.91%</b>	<b>4.34%</b>		
<b>Median</b>	<b>2.44%</b>	<b>1.96%</b>	<b>4.40%</b>		
High	2.55%	1.97%	4.52%		
Low	2.30%	1.80%	4.10%		
<b>Selected</b>	<b>2.45%</b>	<b>2.00%</b>	<b>4.45%</b>	<b>4.10%</b>	<b>4.52%</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>
2011	225.672	2.9%	1.3152	224.939	3.1%	1.3010
2012	229.601	1.7%	1.2927	229.594	2.0%	1.2747
2013	233.049	1.5%	1.2735	232.957	1.4%	1.2563
2014	234.812	0.8%	1.2640	236.736	1.6%	1.2362
2015	236.525	0.7%	1.2548	237.017	0.1%	1.2347
2016	241.432	2.0%	1.2293	240.007	1.2%	1.2194
2017	246.524	2.1%	1.2039	245.120	2.1%	1.1939
2018	251.233	1.9%	1.1814	251.107	2.4%	1.1655
2019	256.974	2.2%	1.1550	255.657	1.8%	1.1447
2020	260.474	1.3%	1.1394	258.811	1.2%	1.1308
2021	278.802	6.6%	1.0645	270.970	4.5%	1.0800
2022	296.797	6.1%	1.0000	292.655	7.4%	1.0000

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 16, 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 10, 2023 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: 2023 To 2033, Table B-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-202212.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**

**2023 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	2022 Year End Stock Price	2023 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>
		$P_0$	$D_1$	$D_1/P_0$	$g$	$g$	$k_e$	$k_e$
AIRT	Air T Inc	24.72	0.00	0.00%	0.00%	0.00%		
ATSG	Air Transport Serv.	25.98	0.00	0.00%	0.00%	0.00%		
FDX	FedEx Corp.	173.20	4.60	2.66%	5.10%	15.44%	7.76%	18.10%
UPS	United Parcel Serv.	173.84	6.24	3.59%	4.21%	5.61%	7.80%	9.20%
<b>Average</b>							<b>7.78%</b>	<b>13.65%</b>
<b>Median</b>							<b>7.78%</b>	<b>13.65%</b>
<b>Trimmed Average</b>								
High							7.80%	18.10%
Low							7.76%	9.20%
<b>Selected</b>							<b>7.78%</b>	<b>13.65%</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

2023 Assessment Year

A	B	C	D	E	F	G
Ticker	Company	End of Year Closing Stock Price	Div'ds Decl'd per sh 2023 Est	Expected Dividend Yield	Div'ds Decl'd per sh 2025-2027 Est	Short-Term Growth Rate
		<i>Yahoo</i>	<i>Value Line</i>	<i>D / C</i>	<i>Value Line</i>	<i>Note [1]</i>
AIRT	Air T Inc	24.72				
ATSG	Air Transport Serv.	25.98	0.00	0.00%	0.00	0.00%
FDX	FedEx Corp.	173.20	4.60	2.66%	5.50	6.14%
UPS	United Parcel Serv.	173.84	6.24	3.59%	7.00	3.91%

A	B	C	D	E
Ticker	Company	Earnings per share 2023 Est	Earnings per share 2025-2027 Est	Short-Term Growth Rate
		<i>Value Line</i>	<i>Value Line</i>	<i>Note [1]</i>
AIRT	Air T Inc			
ATSG	Air Transport Serv.	2.50	2.75	3.23%
FDX	FedEx Corp.	14.35	27.00	23.45%
UPS	United Parcel Serv.	12.30	15.00	6.84%

Notes

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

**MONTANA DEPARTMENT OF REVENUE**

**DDM Sustainable Long Term Growth  
Industry: Scheduled Airlines - Freight  
2023 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>	$D_1/P_0$	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. \text{ Yield}$						
AIRT	Air T Inc	24.72	0.00%	4.45%	0.00%			(24.72)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Serv.	25.98	0.00%	4.45%	0.00%			(25.98)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	173.20	6.14%	4.45%	2.66%	7.76%	5.10%	(173.20)	4.60	4.88	5.18	5.50	5.84
UPS	United Parcel Serv.	173.84	3.91%	4.45%	3.59%	7.80%	4.21%	(173.84)	6.24	6.48	6.74	7.00	7.27

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>	$D_1/P_0$	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. \text{ Yield}$						
AIRT	Air T Inc	24.72	0.00%	4.45%	0.00%			(24.72)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Serv.	25.98	3.23%	4.45%	0.00%			(25.98)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	173.20	23.45%	4.45%	2.66%	18.10%	15.44%	(173.20)	4.60	5.68	7.01	8.66	10.68
UPS	United Parcel Serv.	173.84	6.84%	4.45%	3.59%	9.20%	5.61%	(173.84)	6.24	6.67	7.12	7.61	8.13

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  
2023 Assessment Year**

Dividend	Stage 2															Stage 3		
	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>
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	6.19	6.56	6.96	7.38	7.82	8.29	8.79	9.32	9.88	10.48	11.11	11.78	12.49	13.24	14.04	14.66	15.32	16,726,323,977
UPS	7.56	7.86	8.17	8.49	8.82	9.17	9.53	9.91	10.30	10.71	11.13	11.57	12.02	12.50	12.99	13.57	14.17	15,475,067,651

Earnings	Stage 2															Stage 3		
	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>
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	13.06	15.95	19.49	23.82	29.10	35.56	43.45	53.08	64.86	79.25	96.84	118.32	144.57	176.65	215.84	225.45	235.48	257,151,087,770
UPS	8.67	9.25	9.87	10.53	11.23	11.98	12.78	13.64	14.55	15.52	16.56	17.66	18.84	20.10	21.44	22.40	23.40	25,548,543,331

**MONTANA DEPARTMENT OF REVENUE**

**Support for Cost of Debt Component - Yield to Maturity**

**Industry: Scheduled Airlines - Freight**

**2023 Assessment Year**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
<b>Ticker</b>	<b>Company</b>	<b>Industry Group</b>	<b>Financial Strength</b>	<b>Moody's Long Term Rating</b>	<b>Yield to Maturity</b>
		<i>Value Line</i>	<i>Value Line</i>	<i>Moodys.com</i>	
AIRT	Air T Inc	AIRTRANS	C	B	7.71%
ATSG	Air Transport Serv.	AIRTRANS	B+	Ba1	6.97%
FDX	FedEx Corp.	AIRTRANS	A+	Baa2	5.59%
UPS	United Parcel Serv.	AIRTRANS	A+	A2	5.12%
<b>Average</b>					<b>6.35%</b>
<b>Median</b>					<b>6.28%</b>
<b>Trimmed Average</b>					<b>6.28%</b>
High					7.71%
Low					5.12%
<b>Selected</b>					<b>6.35%</b>

*\*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 - Freight

2023 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
AIRT	Air T Inc	24.72	0.37	0.00	66.81		1.50%		4.46	0.00	5.54		18.04%		71	24.60	2.88
ATSG	Air Transport Serv.	25.98	2.25	2.50	11.55	10.39	8.66%	9.62%	7.80	7.30	3.33	3.56	30.02%	28.10%	1,879	1,322.40	1.42
FDX	FedEx Corp.	173.20	18.08	14.00	9.58	12.37	10.44%	8.08%	36.45	30.25	4.75	5.73	21.05%	17.47%	45,005	24,939.00	1.80
UPS	United Parcel Serv.	173.84	12.95	11.50	13.42	15.12	7.45%	6.62%	15.64	15.65	11.12	11.11	9.00%	9.00%	131,900	14,253.00	9.25
<b>Average</b>					<b>25.34</b>	<b>12.63</b>	<b>7.01%</b>	<b>8.11%</b>			<b>6.19</b>	<b>6.80</b>	<b>19.53%</b>	<b>18.19%</b>			<b>3.84</b>
<b>Median</b>					<b>12.49</b>	<b>12.37</b>	<b>8.05%</b>	<b>8.08%</b>			<b>5.15</b>	<b>5.73</b>	<b>19.54%</b>	<b>17.47%</b>			<b>2.34</b>
<b>Trimmed Average</b>					<b>12.49</b>	<b>12.37</b>	<b>8.05%</b>	<b>8.08%</b>			<b>5.15</b>	<b>5.73</b>	<b>19.54%</b>	<b>17.47%</b>			<b>2.34</b>
High					66.81	15.12	10.44%	9.62%			11.12	11.11	30.02%	28.10%			9.25
Low					9.58	10.39	1.50%	6.62%			3.33	3.56	9.00%	9.00%			1.42
<b>Selected</b>						<b>12.39</b>		<b>8.07%</b>			<b>5.47</b>		<b>18.30%</b>				<b>2.34</b>

**MONTANA DEPARTMENT OF REVENUE**

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Freight

2023 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>
AIRT	Air T Inc	5	87	87	136	136	112	4.43%	1.00
ATSG	Air Transport Serv.	47	1,337	1,299	1,417	1,465	1,377	3.40%	0.97
FDX	FedEx Corp.	689	23,625	20,879	19,268	20,264	21,447	3.21%	0.95
UPS	United Parcel Serv.	704	25,100	21,915	18,200	19,662	21,650	3.25%	0.93
<b>All Companies</b>		1,445			39,020	41,527	44,585	<b>3.24%</b>	<b>0.94</b>
<b>Average</b>								<b>3.58%</b>	<b>0.96</b>
<b>Median</b>								<b>3.33%</b>	<b>0.96</b>
<b>Trimmed Average</b>								<b>3.33%</b>	<b>0.96</b>
High								4.43%	1.00
Low								3.21%	0.93
<b>Selected</b>								<b>3.58%</b>	<b>0.96</b>



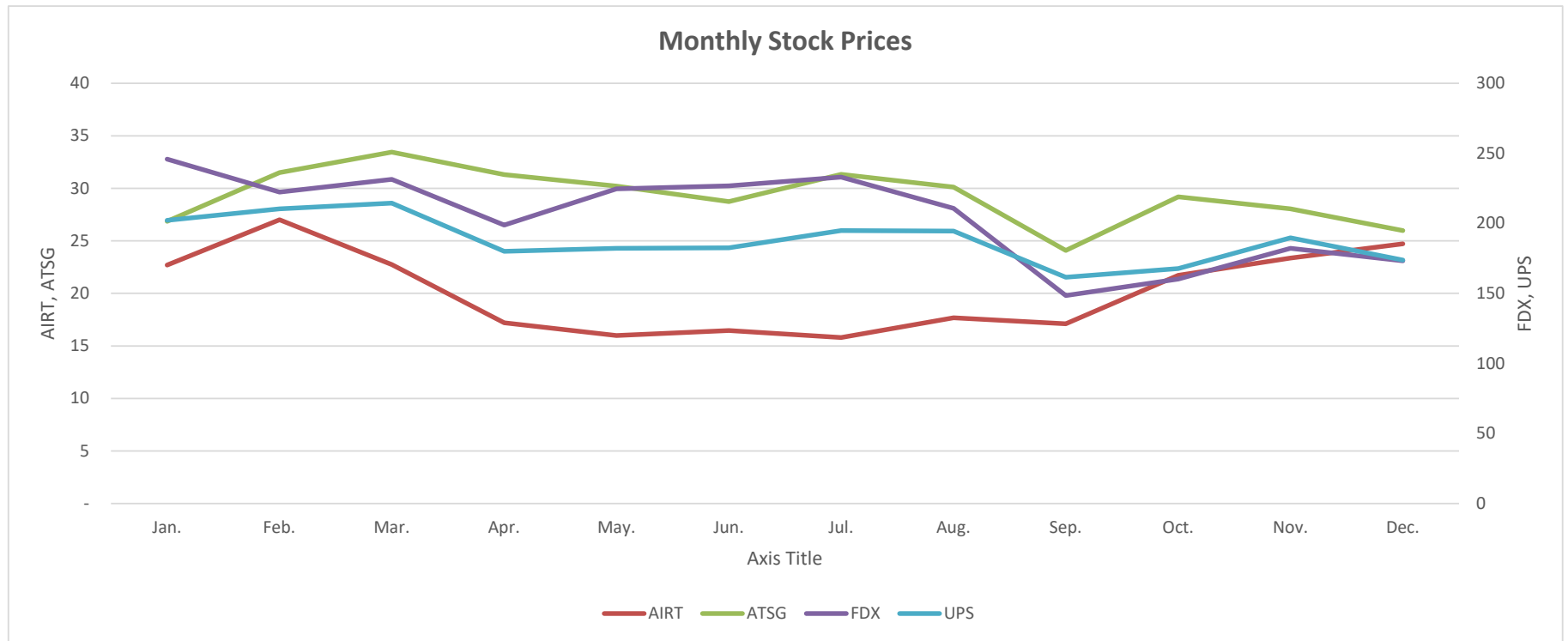
**MONTANA DEPARTMENT OF REVENUE**

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Freight

2023 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.
AIRT	Air T Inc	22.70	27.01	22.75	17.20	16.00	16.46	15.80	17.69	17.12	21.72	23.37	24.72
ATSG	Air Transport Serv.	26.85	31.51	33.45	31.30	30.22	28.73	31.34	30.13	24.09	29.20	28.04	25.98
FDX	FedEx Corp.	245.86	222.27	231.39	198.74	224.58	226.71	233.09	210.81	148.47	160.28	182.22	173.20
UPS	United Parcel Serv.	202.21	210.42	214.46	179.98	182.25	182.54	194.89	194.51	161.54	167.77	189.73	173.84



**MONTANA DEPARTMENT OF REVENUE**

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

**Industry: Scheduled Airlines - Freight**

**2023 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
AIRT	Air T Inc	2.45%	27	13	20	2	11	0.26	0.77	2	114.84%
ATSG	Air Transport Serv.	2.45%	4,062	3,611	3,837	331	12	0.28	0.76	384	116.08%
FDX	FedEx Corp.	2.45%	75,275	70,077	72,676	3,970	18	0.45	0.64	4,974	125.30%
UPS	United Parcel Serv.	2.45%	67,430	64,809	66,120	3,188	21	0.51	0.61	4,104	128.74%
<b>Average</b>											<b>121.24%</b>
<b>Median</b>											<b>120.69%</b>
<b>Trimmed Average</b>											<b>120.69%</b>
High											128.74%
Low											114.84%
<b>Selected</b>											<b>121.24%</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.