



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

*Completed: April 26, 2024*

## MONTANA DEPARTMENT OF REVENUE

### Yield Capitalization Rate Conclusion Industry: Scheduled Airlines - Freight 2024 Assessment Year

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

Equity	60.00%
Debt	40.00%

#### Equity Cost of Capital

		Weighting
Capital Asset Pricing Model - Ex Post <sup>[2]</sup>	10.65%	64%
Capital Asset Pricing Model - Ex Ante <sup>[2]</sup>	8.59%	16%
3 Stage Dividend Discount Model - Dividends <sup>[3]</sup>	7.45%	10%
3 Stage Dividend Discount Model - Earnings <sup>[3]</sup>	10.21%	10%
Weighted Average	9.96%	100%
Selected Cost of Equity	9.96%	

#### Debt Cost of Capital

		Weighting
A - Mergent's - Avg. YTM of A Rated Corporate Bonds <sup>[4]</sup>	5.25%	33%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds <sup>[4]</sup>	5.64%	33%
Ba - Avg. of MTDOR Debt Study <sup>[5]</sup> , Bloomberg and Capital IQ	6.70%	33%
B - Avg. of MTDOR Debt Study <sup>[5]</sup> , Bloomberg and Capital IQ	7.67%	0%
Weighted Average	5.86%	100%
Selected Cost of Debt	5.86%	

### Weighted Average Cost of Capital (WACC)

Source of Capital	Capital Structure	Capital Cost of Capital	Marginal Tax Rate	Pre-tax Cost of Capital	After-tax Cost of Capital
Equity	60.00%	9.96%		5.98%	5.98%
Debt	40.00%	5.86%	24.00%	2.35%	1.78%
<b>WACC</b>	<b>100.00%</b>			<b>8.32%</b>	<b>7.76%</b>
<b>WACC (Rounded)</b>					<b>7.76%</b>

#### 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 - Freight  
2024 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>6.56%</b>
GCF	<b>13.42%</b>

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

Calculated Current Yield	<b>4.59%</b>
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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	60.00%	6.56%		3.94%	3.94%
Debt	40.00%	4.59%	24.00%	1.84%	1.40%
<b>Total</b>	<b>100.00%</b>			<b>5.77%</b>	<b>5.33%</b>
<b>Total (Rounded)</b>					<b>5.35%</b>

**GCF Direct Capitalization Rate**

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	Pre-tax Capitalization Rate	After-tax Capitalization Rate
Equity	60.00%	13.42%		8.05%	8.05%
Debt	40.00%	4.59%	24.00%	1.84%	1.40%
<b>Total</b>	<b>100.00%</b>			<b>9.89%</b>	<b>9.45%</b>
<b>Total (Rounded)</b>					<b>9.45%</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**

**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 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.

Company Ticker	Air Cargo	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	No						
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						
ULCC	No						
UP	No						
UPS	Yes	Yes	Yes	Yes	Yes	Yes	
VTOL	No						

**MONTANA DEPARTMENT OF REVENUE**

Support for Capital Structure  
Industry: Scheduled Airlines - Freight  
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>					
AIRT	Air T Inc	AIRTRANS	C	2.818	16.90	48	0	125	12	185	26%	0%	74%
ATSG	Air Transport Serv.	AIRTRANS	B+	65.241	17.61	1,149	0	1,762	55	2,966	39%	0%	61%
FDX	FedEx Corp.	AIRTRANS	A+	251.187	252.97	63,543	0	20,579	17,753	101,875	62%	0%	38%
UPS	United Parcel Serv.	AIRTRANS	A+	726.817	157.23	114,277	0	22,264	4,465	141,006	81%	0%	19%
<b>All Companies</b>						179,017	0	44,730	22,286	246,033	<b>73%</b>	<b>0%</b>	<b>27%</b>
<b>Average</b>											<b>52%</b>	<b>0%</b>	<b>48%</b>
<b>Median</b>											<b>51%</b>	<b>0%</b>	<b>49%</b>
<b>Trimmed Average</b>											<b>51%</b>	<b>0%</b>	<b>49%</b>
High											81%	0%	74%
Low											26%	0%	19%
<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:**

2024 - No changes

	<u>Median</u>		
Current Year	51%	0%	49%
Prior Year	55%	0%	45%
2 Years Prior	62%	0%	38%
3 Year Average	56%	0%	44%

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)  
Industry: Scheduled Airlines - Freight  
2024 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	<b>10.65%</b>	<b>8.59%</b>
$R_f =$	Risk Free Rate	4.20%	4.20%
$\beta =$	Beta	0.90	0.90
$ERP =$	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<sup>[1]</sup>

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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<sup>[2]</sup>

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><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>	10.36%	4.14%	6.22%
<b>Ex Post Equity Risk Premium Selected</b>		<b><u>11.37%</u></b>	<b><u>4.20%</u></b>	<b><u>7.17%</u></b>

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

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<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	7.22%	4.20%	3.02%

Kroll, 2024 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>	9.00%	3.50%	5.50%

Damodaran Implied ERP (Jan 5, 2024)

	<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	8.45%	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<sub>m</sub></u>	<u>R<sub>f</sub></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**

<b>9.08%</b>	<b>4.20%</b>	<b>4.88%</b>
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**MONTANA DEPARTMENT OF REVENUE**

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Support for Beta Selection in CAPM  
Industry: Scheduled Airlines - Freight  
2024 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	0.90
ATSG	Air Transport Serv.	AIRTRANS	B+	0.85
FDX	FedEx Corp.	AIRTRANS	A+	1.05
UPS	United Parcel Serv.	AIRTRANS	A+	0.80
<b>Average</b>				<b>0.90</b>
<b>Median</b>				<b>0.88</b>
<b>Trimmed Average</b>				<b>0.88</b>
High				1.05
Low				0.80
<b>Selected</b>				<b>0.90</b>



**MONTANA DEPARTMENT OF REVENUE**

**Inflation & Real Growth**

**Industry: Scheduled Airlines - Freight**

**2024 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>	2.30%	2.00%	4.30%		
Survey of Professional Forecasters <sup>[2]</sup>	2.24%	2.00%	4.24%		
Congressional Budget Office <sup>[3]</sup>	2.20%	1.90%	4.10%		
<b>Average</b>	<b>2.25%</b>	<b>1.97%</b>	<b>4.21%</b>		
<b>Median</b>	<b>2.24%</b>	<b>2.00%</b>	<b>4.24%</b>		
High	2.30%	2.00%	4.30%		
Low	2.20%	1.90%	4.10%		
<b>Selected</b>	<b>2.25%</b>	<b>2.00%</b>	<b>4.25%</b>	<b>4.10%</b>	<b>4.30%</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>
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 - Freight**

**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 <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	16.90	0.00	0.00%	0.00%	0.00%		
ATSG	Air Transport Serv.	17.61	0.00	0.00%	0.00%	0.00%		
FDX	FedEx Corp.	252.97	5.04	1.99%	4.79%	6.19%	6.78%	8.18%
UPS	United Parcel Serv.	157.23	6.80	4.32%	3.79%	7.92%	8.11%	12.24%
<b>Average</b>							<b>7.45%</b>	<b>10.21%</b>
<b>Median</b>							<b>7.45%</b>	<b>10.21%</b>
<b>Trimmed Average</b>								
High							8.11%	12.24%
Low							6.78%	8.18%
<b>Selected</b>							<b>7.45%</b>	<b>10.21%</b>

Notes

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

*Implied Sustainable LTG:*

4.29%

7.05%

**MONTANA DEPARTMENT OF REVENUE**

Support for DDM - Short Term Growth Rate Calculations

Industry: Scheduled Airlines - Freight

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>
AIRT	Air T Inc	16.90	0.00	0.00%	0.00	0.00%
ATSG	Air Transport Serv.	17.61	0.00	0.00%	0.00	0.00%
FDX	FedEx Corp.	252.97	5.04	1.99%	6.00	5.98%
UPS	United Parcel Serv.	157.23	6.80	4.32%	7.50	3.32%

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>
AIRT	Air T Inc	0.00	0.00	0.00%
ATSG	Air Transport Serv.	2.00	2.25	4.00%
FDX	FedEx Corp.	18.25	24.00	9.56%
UPS	United Parcel Serv.	9.65	13.00	10.44%

Notes

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

**MONTANA DEPARTMENT OF REVENUE**

**DDM Sustainable Long Term Growth  
Industry: Scheduled Airlines - Freight  
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 <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	16.90	0.00%	4.25%	0.00%	0.00%	0.00%	(16.90)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Serv.	17.61	0.00%	4.25%	0.00%	0.00%	0.00%	(17.61)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	252.97	5.98%	4.25%	1.99%	6.78%	4.79%	(252.97)	5.04	5.34	5.66	6.00	6.36
UPS	United Parcel Serv.	157.23	3.32%	4.25%	4.32%	8.11%	3.79%	(157.23)	6.80	7.03	7.26	7.50	7.75

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>	$D_1/P_0$	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. \text{ Yield}$						
AIRT	Air T Inc	16.90	0.00%	4.25%	0.00%	0.00%	0.00%	(16.90)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Serv.	17.61	4.00%	4.25%	0.00%	0.00%	0.00%	(17.61)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	252.97	9.56%	4.25%	1.99%	8.18%	6.19%	(252.97)	5.04	5.52	6.05	6.63	7.26
UPS	United Parcel Serv.	157.23	10.44%	4.25%	4.32%	12.24%	7.92%	(157.23)	6.80	7.51	8.29	9.16	10.12

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  
2024 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>
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	6.73	7.13	7.55	7.99	8.46	8.95	9.48	10.04	10.62	11.25	11.91	12.61	13.35	14.13	14.96	15.59	16.26	7,102,256,009
UPS	8.01	8.28	8.56	8.85	9.15	9.46	9.78	10.11	10.45	10.81	11.17	11.55	11.94	12.34	12.76	13.30	13.87	6,059,348,745

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>
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	7.93	8.66	9.46	10.33	11.28	12.32	13.45	14.69	16.04	17.52	19.13	20.89	22.81	24.91	27.21	28.36	29.57	12,918,151,636
UPS	11.13	12.25	13.48	14.83	16.32	17.95	19.75	21.74	23.92	26.31	28.95	31.86	35.05	38.57	42.44	44.24	46.12	20,149,096,658

**MONTANA DEPARTMENT OF REVENUE**

Support for Cost of Debt Component - Yield to Maturity

Industry: Scheduled Airlines - Freight

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>	
AIRT	Air T Inc	AIRTRANS	C		
ATSG	Air Transport Serv.	AIRTRANS	B+	Ba1	6.70%
FDX	FedEx Corp.	AIRTRANS	A+	Baa2	5.64%
UPS	United Parcel Serv.	AIRTRANS	A+	A2	5.25%
<b>Average</b>					<b>5.86%</b>
<b>Median</b>					<b>5.64%</b>
<b>Trimmed Average</b>					<b>5.64%</b>
High					6.70%
Low					5.25%
<b>Selected</b>					<b>5.86%</b>

**MONTANA DEPARTMENT OF REVENUE**  
**Support for Direct Capitalization - Equity Capitalization Rate**  
**Industry: Scheduled Airlines - Freight**  
**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
AIRT	Air T Inc	16.90	(5.00)	0.00	(3.38)				(2.89)	0.00	(5.85)				48	11.90	4.00
ATSG	Air Transport Serv.	17.61	0.94	2.00	18.73	8.81	5.34%	11.36%	7.64	7.70	2.30	2.29	43.38%	43.73%	1,149	1,412.50	0.81
FDX	FedEx Corp.	252.97	16.89	18.25	14.98	13.86	6.68%	7.21%	31.91	35.30	7.93	7.17	12.61%	13.95%	63,543	26,088.00	2.44
UPS	United Parcel Serv.	157.23	8.78	9.65	17.91	16.29	5.58%	6.14%	16.90	12.80	9.30	12.28	10.75%	8.14%	114,277	19,786.00	5.78
<b>Average</b>					<b>12.06</b>	<b>12.99</b>	<b>5.87%</b>	<b>8.24%</b>			<b>3.42</b>	<b>7.25</b>	<b>22.25%</b>	<b>21.94%</b>			<b>3.26</b>
<b>Median</b>					<b>16.44</b>	<b>13.86</b>	<b>5.58%</b>	<b>7.21%</b>			<b>5.12</b>	<b>7.17</b>	<b>12.61%</b>	<b>13.95%</b>			<b>3.22</b>
<b>Trimmed Average</b>					<b>16.44</b>	<b>13.86</b>	<b>5.58%</b>	<b>7.21%</b>			<b>5.12</b>	<b>7.17</b>	<b>12.61%</b>	<b>13.95%</b>			<b>3.22</b>
High					18.73	16.29	6.68%	11.36%			9.30	12.28	43.38%	43.73%			5.78
Low					(3.38)	8.81	5.34%	6.14%			(5.85)	2.29	10.75%	8.14%			0.81
<b>Selected</b>						15.24		<b>6.56%</b>				7.45		<b>13.42%</b>			<b>3.22</b>

**MONTANA DEPARTMENT OF REVENUE**

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Freight

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>
AIRT	Air T Inc	8	136	136	125	125	130	6.08%	1.00
ATSG	Air Transport Serv.	73	1,513	1,465	1,665	1,762	1,589	4.58%	0.94
FDX	FedEx Corp.	694	18,800	20,264	17,500	20,579	18,150	3.82%	0.85
UPS	United Parcel Serv.	785	18,200	19,662	22,100	22,264	20,150	3.90%	0.99
<b>All Companies</b>		1,560			41,390	44,730	40,019	<b>3.90%</b>	<b>0.93</b>
<b>Average</b>								<b>4.59%</b>	<b>0.95</b>
<b>Median</b>								<b>4.24%</b>	<b>0.97</b>
<b>Trimmed Average</b>								<b>4.24%</b>	<b>0.97</b>
High								6.08%	1.00
Low								3.82%	0.85
<b>Selected</b>								<b>4.59%</b>	<b>0.95</b>



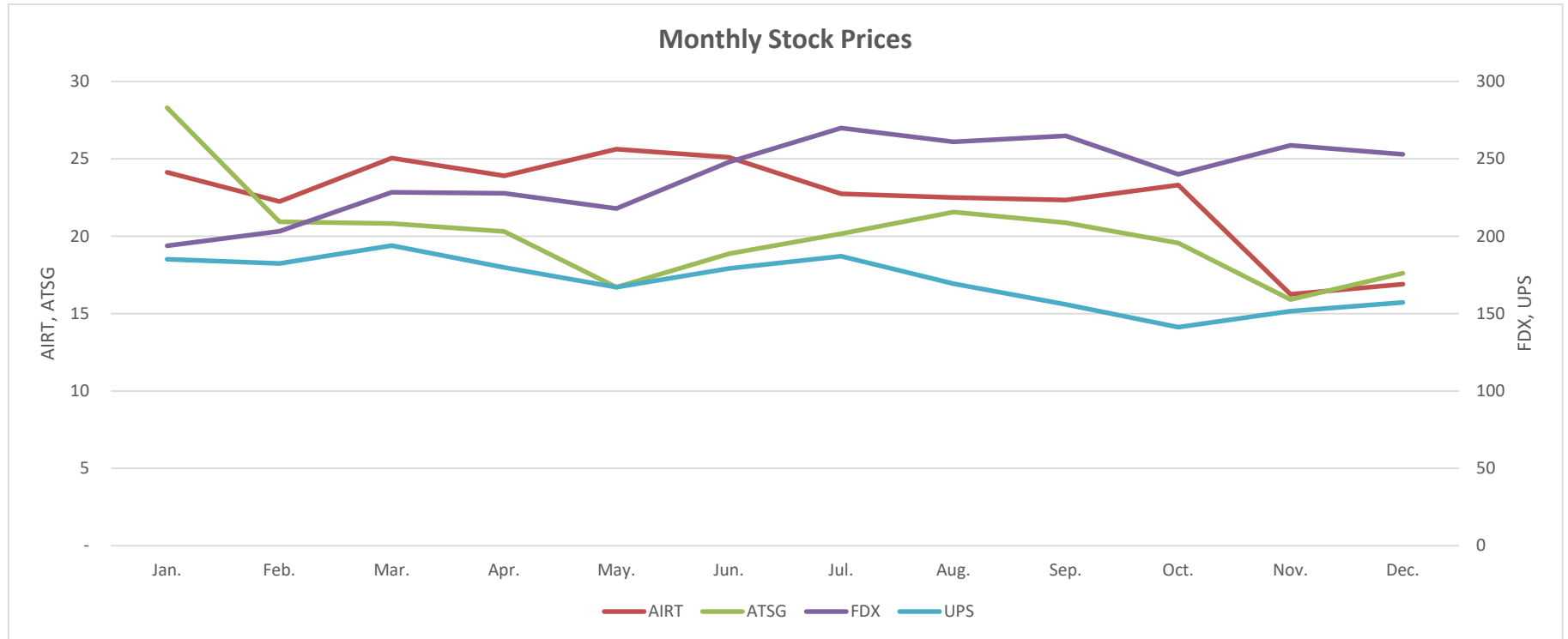
**MONTANA DEPARTMENT OF REVENUE**

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Freight

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.
AIRT	Air T Inc	24.14	22.25	25.05	23.90	25.63	25.10	22.75	22.50	22.35	23.31	16.25	16.90
ATSG	Air Transport Serv.	28.31	20.93	20.83	20.31	16.70	18.87	20.16	21.56	20.87	19.57	15.91	17.61
FDX	FedEx Corp.	193.86	203.22	228.49	227.78	217.98	247.90	269.95	261.02	264.92	240.10	258.83	252.97
UPS	United Parcel Serv.	185.23	182.49	193.99	179.81	167.00	179.25	187.13	169.40	155.87	141.25	151.61	157.23



**MONTANA DEPARTMENT OF REVENUE**

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

**Industry: Scheduled Airlines - Freight**

**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
AIRT	Air T Inc	2.25%	28	27	27	4	7	0.15	0.86	5	108.69%
ATSG	Air Transport Serv.	2.25%	4,618	4,062	4,340	343	13	0.28	0.75	398	116.02%
FDX	FedEx Corp.	2.25%	80,624	75,275	77,950	4,176	19	0.42	0.66	5,160	123.57%
UPS	United Parcel Serv.	2.25%	71,515	67,430	69,473	3,366	21	0.46	0.63	4,245	126.11%
<b>Average</b>											<b>118.60%</b>
<b>Median</b>											<b>119.80%</b>
<b>Trimmed Average</b>											<b>119.80%</b>
High											126.11%
Low											108.69%
<b>Selected</b>											<b>118.60%</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.