



**2022 Capitalization Rate Study
Scheduled Airlines - Passenger**

FINAL

Completed: April 21, 2022

MONTANA DEPARTMENT OF REVENUE

**Yield Capitalization Rate Conclusion
Industry: Scheduled Airlines - Passenger
2022 Assessment Year**

Capital Structure ^[1]

Equity	50.00%
Debt	50.00%

Equity Cost of Capital

		Weighting
Capital Asset Pricing Model - Ex Post ^[2]	13.50%	50%
Capital Asset Pricing Model - Ex Ante ^[2]	11.10%	50%
3 Stage Dividend Discount Model - Dividends ^[3]	NMF	0%
3 Stage Dividend Discount Model - Earnings ^[3]	NMF	0%
Weighted Average	<u>12.30%</u>	100%
Selected Cost of Equity	<u>12.30%</u>	

Debt Cost of Capital

		Weighting
A - Mergent's - Avg. YTM of A Rated Corporate Bonds ^[4]	3.04%	0%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds ^[4]	3.37%	22%
Ba - Avg of MTDOR Study, Bloomberg and Capital IQ ^[5]	5.31%	56%
B - Avg of MTDOR Study, Bloomberg and Capital IQ ^[5]	<u>7.81%</u>	<u>22%</u>
Weighted Average	<u>5.44%</u>	100%
Selected Cost of Debt	<u>5.44%</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	50.00%	12.30%		12.30%	6.15%
Debt	50.00%	5.44%	24.00%	4.13%	2.07%
WACC	100.00%				8.22%
WACC (Rounded)					8.25%

Notes

[1] From worksheet: Capital Structure

[2] From worksheet: Capital Asset Pricing Model Summary

[3] From worksheet: Yield Equity Summary

[4] January 2022, Mergent Bond Record

[5] Average corporate bond yields from: Montana Department of Revenue High Yield Debt Study and Kroll Capitalization Rate Study.

MONTANA DEPARTMENT OF REVENUE

**Direct Capitalization Rate Conclusion
Industry: Scheduled Airlines - Passenger
2022 Assessment Year**

Capital Structure ^[1]

Equity	50.00%
Debt	50.00%

Equity Capitalization Rate ^[2]

NOI After-tax	5.15%
GCF	11.90%

Debt Capitalization Rate ^[3]

Calculated Current Yield	4.50%
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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	50.00%	5.15%		5.15%	2.58%
Debt	50.00%	4.50%	24.00%	3.42%	1.71%
Total	100.00%				4.29%

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	50.00%	11.90%		11.90%	5.95%
Debt	50.00%	4.50%	24.00%	3.42%	1.71%
WACC	100.00%				7.66%

Total (Rounded) nmf

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

2022 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	
SNCY	Yes	Yes	Yes	Yes	No	No	[3]
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

[3] Sun Country Airlines Holdings, Inc. completed it's initial public offering on March 19, 2021

MONTANA DEPARTMENT OF REVENUE

Support for Capital Structure
Industry: Scheduled Airlines - Passenger
2022 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
							Note [1]	Note [2]					
AAL	Amer. Airlines	AIRTRANS	C+	648	17.96	11,633	0	39,304	8,117	59,054	20%	0%	80%
ALGT	Allegiant Travel	AIRTRANS	B+	18	187.04	3,388	0	1,556	0	4,944	69%	0%	31%
ALK	Alaska Air Group	AIRTRANS	B	126	46.26	5,824	0	2,637	1,547	10,008	58%	0%	42%
DAL	Delta Air Lines	AIRTRANS	B+	640	39.08	25,010	0	28,736	7,759	61,505	41%	0%	59%
JBLU	JetBlue Airways	AIRTRANS	B	320	14.24	4,560	0	3,985	3,757	12,302	37%	0%	63%
LUV	Southwest Airlines	AIRTRANS	B+	592	42.84	25,366	0	12,226	1,554	39,146	65%	0%	35%
MESA	Mesa Air Group Inc	AIRTRANS	C+	41	5.60	229	0	658	67	953	24%	0%	76%
SKYW	SkyWest	AIRTRANS	B+	50	39.30	1,980	0	3,100	237	5,317	37%	0%	63%
UAL	United Airlines Hldgs.	AIRTRANS	C++	324	43.78	14,176	0	34,845	5,708	54,729	26%	0%	74%
All Companies						92,166	0	127,048	28,746	247,960	37%	0%	63%
Average											42%	0%	58%
Median											37%	0%	63%
Trimmed Average											41%	0%	59%
High											69%	0%	80%
Low											20%	0%	31%
Selected											50%	0%	50%

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:

2022 - No change in guideline companies

		<u>Median</u>	
Current Year	37%	0%	63%
Prior Year	41%	0%	59%
2 Years Prior	62%	0%	38%
3 Year Average	47%	0%	53%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2022 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	13.50%	11.10%
$R_f =$	Risk Free Rate	1.94%	1.94%
$\beta =$	Beta	1.55	1.55
$ERP =$	Equity Risk Premium ($R_m - R_f$)	7.46%	5.91%
$R_m =$	Market Rate of Return	9.40%	7.85%

Risk Free Rate Measures (R_f):

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

January 7, 2022 Page 2089

Selected Yields on Taxable U.S. Treasury Securities as of 12/27/21

10-year	1.48%
30-year	1.88%

Federal Reserve Statistical Release^[2]

U.S. government securities, Treasury constant maturities, Nominal, December 31, 2021

10-year	1.52%
20-year	1.94%
30-year	1.90%

Risk Free Rate Selected 1.94%

Notes

[1] "Value Line Selection & Opinion", Value Line (January 7, 2022)

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

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

Duff & Phelps, 2022 Cost of Capital Navigator

		<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP "Historical" - <i>Ex Post</i>	<i>Arithmetic Avg.</i>	9.40%	1.94%	7.46%
ERP "Supply-side" - <i>Ex Post</i>	<i>Arithmetic Avg.</i>	8.16%	1.94%	6.22%
Ex Post Equity Risk Premium Selected		<u><u>9.40%</u></u>	<u><u>1.94%</u></u>	<u><u>7.46%</u></u>

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Passenger

2022 Assessment Year

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

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

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

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	8.05%	1.94%	6.11%

Duff & Phelps, 2022 Cost of Capital Navigator

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP "Conditional" - <i>Ex Ante</i>	8.00%	2.50%	5.50%

Damodaran Implied ERP (Jan 5, 2022)

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
Implied Premium (FCFE) - <i>Ex Ante</i>	5.76%	1.52%	4.24%
Implied Premium (FCFE with sustainable payout) - <i>Ex Ante</i>	6.42%	1.52%	4.90%

	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
<u>Average</u>	7.06%		5.19%
<u>Median</u>	7.21%		5.20%
<u>High</u>	8.05%		6.11%
<u>Low</u>	5.76%		4.24%

Equity Risk Premium Selected

7.85%	1.94%	5.91%
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Notes

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

MONTANA DEPARTMENT OF REVENUE

Support for Beta Selection in CAPM
 Industry: Scheduled Airlines - Passenger
 2022 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+	1.60
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+	1.05
MESA	Mesa Air Group Inc	AIRTRANS	C+	1.55
SKYW	SkyWest	AIRTRANS	B+	1.65
UAL	United Airlines Hldgs.	AIRTRANS	C++	1.60
Average				1.49
Median				1.55
Trimmed Average				1.54
High				1.65
Low				1.05
Selected				1.55

MONTANA DEPARTMENT OF REVENUE

Inflation & Real Growth

Industry: Scheduled Airlines - Passenger

2022 Assessment Year

A	B	C	D	Nominal Growth	
				E	F
Source Description	Inflation (CPI)	Real Growth (GDP)	Nominal Growth	Low	High
Livingston Survey ^[1]	2.44%	2.21%	4.65%		
Survey of Professional Forecasters ^[2]	2.49%	2.25%	4.74%		
Congressional Budget Office ^[3]					
Average	2.47%	2.23%	4.70%		
Median	2.47%	2.23%	4.70%		
High	2.49%	2.25%	4.74%		
Low	2.44%	2.21%	4.65%		
Selected	2.45%	2.25%	4.70%	4.65%	4.74%

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%	1.2354	224.939	3.1%	1.2046
2012	229.601	1.7%	1.2143	229.594	2.0%	1.1802
2013	233.049	1.5%	1.1963	232.957	1.4%	1.1632
2014	234.812	0.8%	1.1873	236.736	1.6%	1.1446
2015	236.525	0.7%	1.1787	237.017	0.1%	1.1433
2016	241.432	2.0%	1.1548	240.007	1.2%	1.1290
2017	246.524	2.1%	1.1309	245.120	2.1%	1.1055
2018	251.233	1.9%	1.1097	251.107	2.4%	1.0791
2019	256.974	2.2%	1.0849	255.657	1.8%	1.0599
2020	260.474	1.3%	1.0704	258.811	1.2%	1.0470
2021	278.802	6.6%	1.0000	270.970	4.5%	1.0000

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 17, 2021 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 11, 2022 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] Not available at study date

<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

2022 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	2021 Year End Stock Price	2022 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	17.96	0.00	0.00%				
ALGT	Allegiant Travel	187.04	0.00	0.00%				
ALK	Alaska Air Group	46.26	0.80	1.73%	15.45%	5.41%	17.18%	7.14%
DAL	Delta Air Lines	39.08	0.00	0.00%				
JBLU	JetBlue Airways	14.24	0.00	0.00%				
LUV	Southwest Airlines	42.84	0.00	0.00%				
MESA	Mesa Air Group Inc	5.60	0.00	0.00%				
SKYW	SkyWest	39.30	0.20	0.51%	7.02%	6.30%	7.53%	6.81%
UAL	United Airlines Hldgs.	43.78	0.00	0.00%				
Average							12.36%	6.98%
Median							12.36%	6.98%
Trimmed Average								
High							17.18%	7.14%
Low							7.53%	6.81%
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

2022 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>
AAL	Amer. Airlines	17.96	0.00	0.00%	0.00	NMF
ALGT	Allegiant Travel	187.04	0.00	0.00%	0.00	NMF
ALK	Alaska Air Group	46.26	0.80	1.73%	1.60	25.99%
DAL	Delta Air Lines	39.08	0.00	0.00%	1.50	NMF
JBLU	JetBlue Airways	14.24	0.00	0.00%	0.00	NMF
LUV	Southwest Airlines	42.84	0.00	0.00%	0.00	NMF
MESA	Mesa Air Group Inc	5.60	0.00	0.00%	0.00	NMF
SKYW	SkyWest	39.30	0.20	0.51%	0.32	16.96%
UAL	United Airlines Hldgs.	43.78	0.00	0.00%	0.00	NMF

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>
AAL	Amer. Airlines	3.00	4.35	13.19%
ALGT	Allegiant Travel	16.00	22.60	12.20%
ALK	Alaska Air Group	6.50	8.00	7.17%
DAL	Delta Air Lines	5.65	8.00	12.29%
JBLU	JetBlue Airways	2.10	3.00	12.62%
LUV	Southwest Airlines	3.75	5.15	11.15%
MESA	Mesa Air Group Inc	0.00	0.00	NMF
SKYW	SkyWest	4.00	6.00	14.47%
UAL	United Airlines Hldgs.	5.75	13.50	32.91%

Notes

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

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Sustainable Long Term Growth

Industry: Scheduled Airlines - Passenger

2022 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	17.96	0.00%	4.70%	0.00%			(17.96)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	187.04	0.00%	4.70%	0.00%			(187.04)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	46.26	25.99%	4.70%	1.73%	17.18%	15.45%	(46.26)	0.80	1.01	1.27	1.60	2.02
DAL	Delta Air Lines	39.08	0.00%	4.70%	0.00%			(39.08)	0.00	0.00	0.00	0.00	0.00
JBLU	JetBlue Airways	14.24	0.00%	4.70%	0.00%			(14.24)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	42.84	0.00%	4.70%	0.00%			(42.84)	0.00	0.00	0.00	0.00	0.00
MESA	Mesa Air Group Inc	5.60	0.00%	4.70%	0.00%			(5.60)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	39.30	16.96%	4.70%	0.51%	7.53%	7.02%	(39.30)	0.20	0.23	0.27	0.32	0.37
UAL	United Airlines Hldgs.	43.78	0.00%	4.70%	0.00%			(43.78)	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	17.96	13.19%	4.70%	0.00%			(17.96)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	187.04	12.20%	4.70%	0.00%			(187.04)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	46.26	7.17%	4.70%	1.73%	7.14%	5.41%	(46.26)	0.80	0.86	0.92	0.98	1.06
DAL	Delta Air Lines	39.08	12.29%	4.70%	0.00%			(39.08)	0.00	0.00	0.00	0.00	0.00
JBLU	JetBlue Airways	14.24	12.62%	4.70%	0.00%			(14.24)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	42.84	11.15%	4.70%	0.00%			(42.84)	0.00	0.00	0.00	0.00	0.00
MESA	Mesa Air Group Inc	5.60	0.00%	4.70%	0.00%			(5.60)	0.00	0.00	0.00	0.00	0.00
SKYW	SkyWest	39.30	14.47%	4.70%	0.51%	6.81%	6.30%	(39.30)	0.20	0.23	0.26	0.30	0.34
UAL	United Airlines Hldgs.	43.78	32.91%	4.70%	0.00%			(43.78)	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

2022 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	2.51	3.13	3.90	4.85	6.05	7.53	9.38	11.69	14.56	18.14	22.60	28.15	35.07	43.69	54.43	56.98	59.66	204,272,588,085
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	0.43	0.50	0.59	0.68	0.79	0.92	1.07	1.24	1.44	1.67	1.94	2.25	2.62	3.04	3.53	3.70	3.87	13,259,013,792
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	1.13	1.21	1.29	1.38	1.48	1.58	1.69	1.81	1.94	2.08	2.22	2.38	2.54	2.72	2.91	3.05	3.19	10,929,814,703
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	0.39	0.44	0.51	0.58	0.66	0.75	0.85	0.97	1.10	1.25	1.43	1.62	1.85	2.10	2.39	2.51	2.62	8,984,709,411
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

2022 Assessment Year

A	B	C	D	E	F
Ticker	Company	Industry Group	Financial Strength	Moody's Long Term Rating	Yield to Maturity
		<i>Value Line</i>	<i>Value Line</i>	<i>Moodys.com</i>	
AAL	Amer. Airlines	AIRTRANS	C+	B2	7.81%
ALGT	Allegiant Travel	AIRTRANS	B+	Ba3	5.31%
ALK	Alaska Air Group	AIRTRANS	B	Ba2	5.31%
DAL	Delta Air Lines	AIRTRANS	B+	Baa3	3.37%
JBLU	JetBlue Airways	AIRTRANS	B	Ba2	5.31%
LUV	Southwest Airlines	AIRTRANS	B+	Baa1	3.37%
MESA	Mesa Air Group Inc	AIRTRANS	C+	B2	7.81%
SKYW	SkyWest	AIRTRANS	B+	Ba2	5.31%
UAL	United Airlines Hldgs.	AIRTRANS	C++	Ba1	5.31%
All Companies					
Average					5.44%
Median					5.31%
Trimmed Average					5.39%
High					7.81%
Low					3.37%
Selected					5.44%

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

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Equity Capitalization Rate

Industry: Scheduled Airlines - Passenger

2022 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	17.96	(8.42)	(1.50)					(12.02)	1.60		11.22		8.91%	11,633	(6,867.00)	(1.69)
ALGT	Allegiant Travel	187.04	1.72	10.00	108.74	18.70	0.92%	5.35%	1.66	11.95	112.67	15.65	0.89%	6.39%	3,388	699.36	4.84
ALK	Alaska Air Group	46.26	(2.10)	4.25		10.88		9.19%	(6.73)	7.55		6.13		16.32%	5,824	2,988.00	1.95
DAL	Delta Air Lines	39.08	(4.10)	1.90		20.57		4.86%	(7.09)	(0.95)					25,010	1,534.00	16.30
JBLU	JetBlue Airways	14.24	(2.61)	0.50		28.48		3.51%	(3.29)	(0.80)					4,560	3,951.00	1.15
LUV	Southwest Airlines	42.84	(2.16)	2.25		19.04		5.25%	0.00	4.45		9.63		10.39%	25,366	10,414.00	2.44
MESA	Mesa Air Group Inc	5.60	(0.36)	0.00					2.77	0.00	2.02		49.46%		229	488.05	0.47
SKYW	SkyWest	39.30	3.47	0.00	11.33		8.83%		9.30	12.20	4.23	3.22	23.66%	31.04%	1,980	2,139.54	0.93
UAL	United Airlines Hldgs.	43.78	(14.03)	(0.90)					(16.72)	(6.90)					14,176	5,960.00	2.38
Average					60.03	19.54	4.87%	5.63%			39.64	9.17	24.67%	14.61%			3.20
Median					60.03	19.04	4.87%	5.25%			4.23	9.63	23.66%	10.39%			1.95
Trimmed Average						19.44		5.15%			4.23	8.99	23.66%	11.87%			2.02
High					108.74	28.48	8.83%	9.19%			112.67	15.65	49.46%	31.04%			16.30
Low					11.33	10.88	0.92%	3.51%			2.02	3.22	0.89%	6.39%			(1.69)
Selected							5.15%				8.40		11.90%				2.02

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Passenger

2022 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	1,800	31,026	32,593	39,304	35,571	35,165	5.12%	1.10
ALGT	Allegiant Travel	68	1,294	1,659	1,556	1,612	1,425	4.80%	0.97
ALK	Alaska Air Group	128	3,611	3,495	2,637	2,173	3,124	4.10%	1.21
DAL	Delta Air Lines	1,279	30,983	29,157	28,736	25,138	29,860	4.28%	1.14
JBLU	JetBlue Airways	192	4,993	4,863	3,985	3,651	4,489	4.28%	1.09
LUV	Southwest Airlines	467	12,569	10,331	12,226	10,274	12,398	3.77%	1.19
MESA	Mesa Air Group Inc	35	757	732	658	540	708	4.91%	1.22
SKYW	SkyWest	123	3,212	3,204	3,100	2,717	3,156	3.90%	1.14
UAL	United Airlines Hldgs.	1,657	27,847	27,153	34,845	30,580	31,346	5.29%	1.14
All Companies		5,749			127,048	112,257	121,670	4.73%	1.13
Average								4.49%	1.13
Median								4.28%	1.14
Trimmed Average								4.48%	1.15
High								5.29%	1.22
Low								3.77%	0.97
Selected								4.50%	1.15

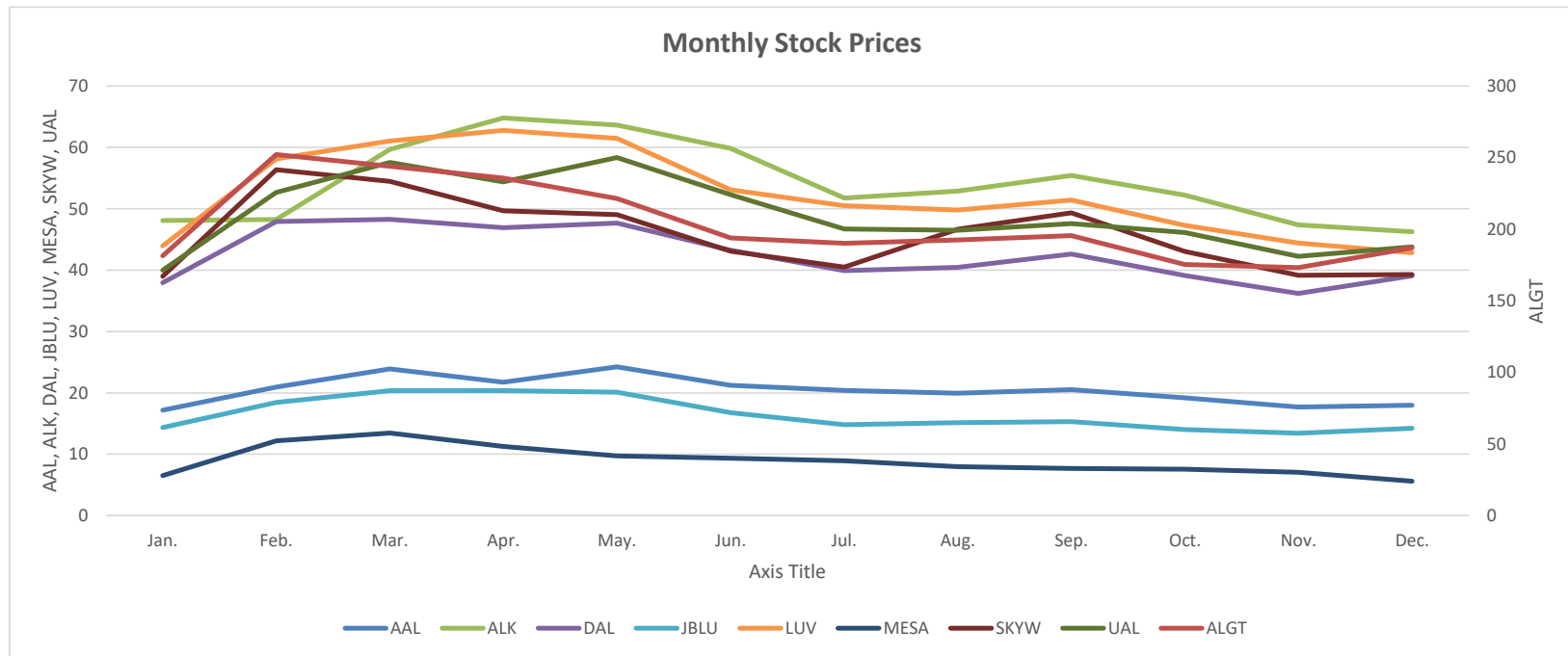
MONTANA DEPARTMENT OF REVENUE

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Passenger

2022 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	17.17	20.94	23.9	21.72	24.24	21.21	20.38	19.94	20.52	19.2	17.69	17.96
ALGT	Allegiant Travel	181.49	252.19	244.06	235.73	221.46	194	190.12	192.44	195.48	175.27	173.22	187.04
ALK	Alaska Air Group	48.09	48.25	59.69	64.81	63.64	59.83	51.75	52.88	55.43	52.2	47.38	46.26
DAL	Delta Air Lines	37.96	47.94	48.28	46.92	47.68	43.26	39.9	40.44	42.61	39.13	36.2	39.08
JBLU	JetBlue Airways	14.34	18.43	20.34	20.36	20.1	16.78	14.79	15.13	15.29	14.03	13.42	14.24
LUV	Southwest Airlines	43.94	58.13	61.06	62.78	61.46	53.09	50.52	49.78	51.43	47.28	44.4	42.84
MESA	Mesa Air Group Inc	6.53	12.2	13.45	11.26	9.72	9.33	8.92	7.98	7.66	7.54	7.06	5.6
SKYW	SkyWest	38.99	56.37	54.48	49.66	49.03	43.07	40.49	46.65	49.34	43.03	39.17	39.3
UAL	United Airlines Hldgs.	39.99	52.68	57.54	54.4	58.35	52.29	46.72	46.51	47.57	46.14	42.26	43.78



MONTANA DEPARTMENT OF REVENUE

Maintenance Capital Expenditures Estimate Based on Guideline Companies
Industry: Scheduled Airlines - Passenger
2022 Assessment Year

(\$ In Millions)

1	2	3	4	5	6	7	8	9	10	11	
A	B	C	D	E	F	G	H	I	J	K	L
Ticker	Company	Inflation	PP&E, Gross	PP&E, Gross	Average PP&E	Depreciation Expense	Average Life of Assets			Replacement Cost (RC)	RC as % of Depreciation
			Current Year	Previous Year		Current Year		Note [1]	Note [1]	Note [1]	
		MTDOR (CPI)	10-K, Notes	10-K, Notes	(D+E)/2	10-K	F/G	C*H	1/(1+C)^H	G*I/(1-J)	K/G
AAL	Amer. Airlines	2.45%	47,708	48,456	48,082	2,019	24	0.58	0.56	2,689	133.18%
ALGT	Allegiant Travel	2.45%	2,956	2,649	2,802	181	15	0.38	0.69	220	121.36%
ALK	Alaska Air Group	2.45%	10,000	9,742	9,871	394	25	0.61	0.55	532	134.99%
DAL	Delta Air Lines	2.45%	47,420	44,040	45,730	1,998	23	0.56	0.57	2,634	131.83%
JBLU	JetBlue Airways	2.45%	12,703	11,878	12,291	540	23	0.56	0.58	711	131.65%
LUV	Southwest Airlines	2.45%	27,574	27,574	27,574	1,272	22	0.53	0.59	1,655	130.09%
MESA	Mesa Air Group Inc	2.45%	1,621	1,606	1,614	83	19	0.48	0.62	105	126.95%
SKYW	SkyWest	2.45%	8,230	7,818	8,024	440	18	0.45	0.64	551	125.19%
UAL	United Airlines Hldgs.	2.45%	50,563	47,895	49,229	2,485	20	0.49	0.62	3,166	127.42%
Average											129.18%
Median											130.09%
Trimmed Average											129.47%
High											134.99%
Low											121.36%
Selected											130.00%

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.