



**MONTANA**  
DEPARTMENT OF  
**REVENUE**

**2026 Capitalization Rate Study  
Scheduled Airlines - Passenger**

*Completed: March 13, 2026*

**MONTANA DEPARTMENT OF REVENUE**

**Yield Capitalization Rate Conclusion  
Industry: Scheduled Airlines - Passenger  
2026 Assessment Year**

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

Equity	<b>46.00%</b>
Debt	<b>54.00%</b>

**Equity Cost of Capital**

		<b>Weighting</b>
Capital Asset Pricing Model - Ex Post <sup>[2]</sup>	15.85%	64%
Capital Asset Pricing Model - Ex Ante <sup>[2]</sup>	11.08%	16%
3 Stage Dividend Discount Model - Dividends <sup>[3]</sup>	8.41%	10%
3 Stage Dividend Discount Model - Earnings <sup>[3]</sup>	5.38%	10%
Weighted Average	13.29%	100%
Selected Cost of Equity	<b>13.29%</b>	

**Debt Cost of Capital**

		<b>Weighting</b>
A - Mergent's - Avg. YTM of A Rated Corporate Bonds <sup>[4]</sup>	5.63%	0.00%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds <sup>[4]</sup>	5.90%	42.86%
Ba - MTDOR Debt Study <sup>[5]</sup>	8.13%	28.57%
B - MTDOR Debt Study <sup>[5]</sup>	8.99%	14.29%
Caa - MTDOR Debt Study <sup>[5]</sup>	9.85%	14.29%
Weighted Average	7.54%	100.00%
Selected Cost of Debt	<b>7.54%</b>	

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

Source of Capital	Capital Structure	Cost of Capital	Marginal Tax Rate	After-tax Unweighted	Pre-tax Weighted	After-tax Weighted
Equity	46.00%	13.29%		13.29%	6.11%	6.11%
Debt	54.00%	7.54%	24.00%	5.73%	4.07%	3.10%
<b>WACC</b>	<b>100.00%</b>				<b>10.19%</b>	<b>9.21%</b>
<b>WACC (Rounded)</b>						<b>9.21%</b>

Notes

[1] From worksheet: Capital Structure

[2] From worksheet: Capital Asset Pricing Model Summary

[3] From worksheet: Yield Equity Summary

[4] January 2026, Mergent Bond Record

[5] Montana Department of Revenue High Yield Debt Study

**Direct Capitalization Rate Conclusion**  
**Industry: Scheduled Airlines - Passenger**  
**2026 Assessment Year**

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

Equity	<b>46.00%</b>
Debt	<b>54.00%</b>

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

NOI After-tax	<b>8.68%</b>
GCF	<b>18.82%</b>

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

Calculated Current Yield	<b>5.77%</b>
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**NOI After-tax Direct Capitalization Rate**

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Unweighted	Pre-tax Weighted	After-tax Weighted
Equity	46.00%	8.68%		8.68%	3.99%	3.99%
Debt	54.00%	5.77%	24.00%	4.39%	3.12%	2.37%
<b>Total</b>	<b>100.00%</b>				<b>7.11%</b>	<b>6.36%</b>
<b>Total (Rounded)</b>						<b>6.36%</b>

**GCF Direct Capitalization Rate**

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Unweighted	Pre-tax Weighted	After-tax Weighted
Equity	46.00%	18.82%		18.82%	8.66%	8.66%
Debt	54.00%	5.77%	24.00%	4.39%	3.12%	2.37%
<b>Total</b>	<b>100.00%</b>				<b>11.77%</b>	<b>11.02%</b>
<b>Total (Rounded)</b>						<b>11.02%</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 - Passenger**

**2026 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.

<b>Ticker Symbol</b>	<b>Passenger Airline</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	Yes	Yes	Yes	Yes	Yes	Yes	
AC.TO		No					
AIRT	No						
ALGT	Yes	Yes	Yes	Yes	Yes	Yes	[2]
ALK	Yes	Yes	Yes	Yes	Yes	Yes	
CPA			No				
DAL	Yes	Yes	Yes	Yes	Yes	Yes	
FDX	No						
JBLU	Yes	Yes	Yes	Yes	Yes	Yes	
JOBY	No						
LUV	Yes	Yes	Yes	Yes	Yes	Yes	
RJET	Yes	Yes	Yes	Yes	No	No	[1]
RLGT	No						
RYAAY			No				
SKYW	Yes	Yes	Yes	Yes	Yes	Yes	
SNCY	Yes	Yes	Yes	Yes	Yes	Yes	[2]
SRFM	No						
UAL	Yes	Yes	Yes	Yes	Yes	Yes	
ULCC	Yes	Yes	Yes	Yes	Yes	Yes	
UP	No						
UPS	No						
VTOL	No						

[1] Recent merger between Republic Airways and Mesa Air Group

[2] Merger between ALGT and SNCY announced 1/12/26

**MONTANA DEPARTMENT OF REVENUE**

Support for Capital Structure  
Industry: Scheduled Airlines - Passenger  
2026 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>					
AAL	Amer. Airlines	AIRTRANS	B	660	15.33	10,122	0	29,309	6,963	46,394	22%	0%	78%
ALGT	Allegiant Travel	AIRTRANS	B+	18	85.27	1,567	0	1,811	65	3,443	46%	0%	54%
ALK	Alaska Air Group	AIRTRANS	B+	116	50.30	5,811	0	5,550	1,338	12,699	46%	0%	54%
DAL	Delta Air Lines	AIRTRANS	B++	653	69.40	45,330	0	14,204	6,162	65,696	69%	0%	31%
JBLU	JetBlue Airways	AIRTRANS	C++	370	4.55	1,684	0	7,829	918	10,431	16%	0%	84%
LUV	Southwest Airlines	AIRTRANS	B++	516	41.33	21,309	0	4,879	1,080	27,268	78%	0%	22%
SKYW	SkyWest	AIRTRANS	B++	40	100.41	4,003	0	2,361	82	6,446	62%	0%	38%
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	C++	45	14.39	653	0	564	17	1,235	53%	0%	47%
UAL	United Airlines Hldgs.	AIRTRANS	B+	323	111.82	36,170	0	25,211	6,048	67,429	54%	0%	46%
ULCC	Frontier Group Holdings Inc	AIRTRANS	C+	229	4.71	1,079	0	620	4,849	6,548	16%	0%	84%
<b>All Companies</b>						127,730	0	92,337	27,522	247,589	<b>52%</b>	<b>0%</b>	<b>48%</b>
<b>Average</b>											<b>46%</b>	<b>0%</b>	<b>54%</b>
<b>Median</b>											<b>49%</b>	<b>0%</b>	<b>51%</b>
<b>Trimmed Average</b>											<b>46%</b>	<b>0%</b>	<b>54%</b>
High											78%	0%	84%
Low											16%	0%	22%
<b>Selected</b>											<b>46%</b>	<b>0%</b>	<b>54%</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:**

2026 - Added ALK

		<b>Median</b>	
Current Year	49%	0%	51%
Prior Year	49%	0%	51%
2 Years Prior	39%	0%	61%
3 Year Average	46%	0%	54%

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)  
Industry: Scheduled Airlines - Passenger  
2026 Assessment Year

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

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	<b>15.85%</b>	<b>11.08%</b>
$R_f =$	Risk Free Rate	4.79%	4.79%
$\beta =$	Beta	1.50	1.50
$ERP =$	Equity Risk Premium ( $R_m - R_f$ )	7.37%	4.20%
$R_m =$	Market Rate of Return	12.16%	8.99%

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

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

January 2, 2026 Page 1934

Selected Yields on Taxable U.S. Treasury Securities as of 12/22/25

10-year	4.17%
30-year	4.84%

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

U.S. government securities, Treasury constant maturities, Nominal, December 31, 2025

10-year	4.18%
20-year	4.79%
30-year	4.84%
<b>Risk Free Rate Selected</b>	<b><u>4.79%</u></b>

Notes

[1] "Value Line Selection & Opinion", Value Line (January 2, 2026)

[2] <https://www.federalreserve.gov/releases/h15/>

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

Kroll, 2026 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>	12.16%	4.79%	7.37%
ERP "Supply-side" - <i>Ex Post</i>	<i>Arithmetic Avg.</i>	11.10%	4.79%	6.31%
<b>Ex Post Equity Risk Premium Selected</b>		<b><u>12.16%</u></b>	<b><u>4.79%</u></b>	<b><u>7.37%</u></b>

**MONTANA DEPARTMENT OF REVENUE**

Capital Asset Pricing Model (CAPM)  
Industry: Scheduled Airlines - Passenger  
2026 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>	7.73%	4.79%	2.94%

Kroll, 2026 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>	8.50%	3.50%	5.00%

Damodaran Implied ERP (Jan 1, 2026)

	<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 sustainable payout	8.36%	4.18%	4.18%
Implied Premium - <i>Ex Ante</i> - Trailing 12 month cash yields	8.41%	4.18%	4.23%
Implied Premium - <i>Ex Ante</i> - Average CF yield last 10 years	10.36%	4.18%	6.18%
Implied Premium - <i>Ex Ante</i> - Net cash yield	8.14%	4.18%	3.96%
Implied Premium - <i>Ex Ante</i> - Normalized earnings and payout	7.80%	4.18%	3.62%
Damodaran Average	8.61%	4.18%	4.43%

	<u>R<sub>m</sub></u>	<u>R<sub>f</sub></u>	<u>ERP</u>
<u>Average</u>	8.47%		4.30%
<u>Median</u>	8.36%		4.18%
<u>High</u>	10.36%		6.18%
<u>Low</u>	7.73%		2.94%

**Ex Ante Equity Risk Premium Selected**

<b>8.99%</b>	<b>4.79%</b>	<b>4.20%</b>
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**MONTANA DEPARTMENT OF REVENUE**

Support for Beta Selection in CAPM  
 Industry: Scheduled Airlines - Passenger  
 2026 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	B	1.45
ALGT	Allegiant Travel	AIRTRANS	B+	1.55
ALK	Alaska Air Group	AIRTRANS	B+	1.35
DAL	Delta Air Lines	AIRTRANS	B++	1.45
JBLU	JetBlue Airways	AIRTRANS	C++	1.60
LUV	Southwest Airlines	AIRTRANS	B++	1.35
SKYW	SkyWest	AIRTRANS	B++	1.45
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	C++	1.35
UAL	United Airlines Hldgs.	AIRTRANS	B+	1.60
ULCC	Frontier Group Holdings Inc	AIRTRANS	C+	1.85
	<b>Average</b>			<b>1.50</b>
	<b>Median</b>			<b>1.45</b>
	<b>Trimmed Average</b>			<b>1.48</b>
	High			1.85
	Low			1.35
	<b>Selected</b>			<b>1.50</b>

**MONTANA DEPARTMENT OF REVENUE**

**Inflation & Real Growth**

**Industry: Scheduled Airlines - Passenger  
2026 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>	2.29%	2.01%	4.30%		
Survey of Professional Forecasters <sup>[2]</sup>	2.25%	2.40%	4.65%		
Congressional Budget Office <sup>[3]</sup>	2.30%	1.80%	4.10%		
<b>Average</b>	<b>2.28%</b>	<b>2.07%</b>	<b>4.35%</b>		
<b>Median</b>	<b>2.29%</b>	<b>2.01%</b>	<b>4.30%</b>		
High	2.30%	2.40%	4.70%		
Low	2.25%	1.80%	4.05%		
<b>Selected</b>	<b>2.30%</b>	<b>2.00%</b>	<b>4.30%</b>	<b>4.05%</b>	<b>4.70%</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>
2014	234.812	0.8%	1.3801	236.736	1.6%	1.3599
2015	236.525	0.7%	1.3701	237.017	0.1%	1.3583
2016	241.432	2.0%	1.3422	240.007	1.2%	1.3414
2017	246.524	2.1%	1.3145	245.120	2.1%	1.3134
2018	251.233	1.9%	1.2899	251.107	2.4%	1.2821
2019	256.974	2.2%	1.2610	255.657	1.8%	1.2593
2020	260.474	1.3%	1.2441	258.811	1.2%	1.2439
2021	278.802	6.6%	1.1623	270.970	4.5%	1.1881
2022	296.797	6.1%	1.0918	292.655	7.4%	1.1001
2023	306.746	3.2%	1.0564	304.702	4.0%	1.0566
2024	315.605	2.8%	1.0268	313.689	2.9%	1.0263
2025	324.054	2.6%	1.0000	321.943	2.6%	1.0000

**Notes**

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 19, 2025 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 November 17, 2025 Table 8 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: 2026 To 2036

<https://www.cbo.gov/data/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 - Passenger**

**2026 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	2025 Year End Stock Price	2026 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>
		$P_0$	$D_1$	$D_1/P_0$	$g$	$g$	$k_e$	$k_e$
AAL	Amer. Airlines	15.33	0.00	0.00%	0.00%	0.00%		
ALGT	Allegiant Travel	85.27	0.00	0.00%	0.00%	0.00%		
ALK	Alaska Air Group	50.30	0.00	0.00%	0.00%	0.00%		
DAL	Delta Air Lines	69.40	0.76	1.10%	4.87%	4.80%	5.96%	5.89%
JBLU	JetBlue Airways	4.55	0.00	0.00%	0.00%	0.00%		
LUV	Southwest Airlines	41.33	0.72	1.74%	9.12%	3.12%	10.86%	4.86%
SKYW	SkyWest	100.41	0.00	0.00%	0.00%	0.00%		
SNCY	Sun Country Airlines Hldgs Inc	14.39	0.00	0.00%	0.00%	0.00%		
UAL	United Airlines Hldgs.	111.82	0.00	0.00%	0.00%	0.00%		
ULCC	Frontier Group Holdings Inc	4.71	0.00	0.00%	0.00%	0.00%		
<b>Average</b>							<b>8.41%</b>	<b>5.38%</b>
<b>Median</b>							<b>8.41%</b>	<b>5.38%</b>
<b>Trimmed Average</b>								
High							10.86%	5.89%
Low							5.96%	4.86%
<b>Selected</b>							<b>8.41%</b>	<b>5.38%</b>

Notes

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

*Implied Sustainable LTG:*

5.38%

3.96%

**MONTANA DEPARTMENT OF REVENUE**

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

**Industry: Scheduled Airlines - Passenger**

**2026 Assessment Year**

A	B	C	D	E	F	G
Ticker	Company	End of Year Closing Stock Price	Div'ds Decl'd per sh 2026 Est	Expected Dividend Yield	Div'ds Decl'd per sh 2029-2031 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	15.33	0.00	0.00%	0.00	
ALGT	Allegiant Travel	85.27	0.00	0.00%	0.60	
ALK	Alaska Air Group	50.30	0.00	0.00%	0.60	
DAL	Delta Air Lines	69.40	0.76	1.10%	1.00	7.10%
JBLU	JetBlue Airways	4.55	0.00	0.00%	0.00	
LUV	Southwest Airlines	41.33	0.72	1.74%	1.30	15.92%
SKYW	SkyWest	100.41	0.00	0.00%	0.32	
SNCY	Sun Country Airlines Hldgs Inc	14.39	0.00	0.00%	0.00	
UAL	United Airlines Hldgs.	111.82	0.00	0.00%	0.00	
ULCC	Frontier Group Holdings Inc	4.71	0.00	0.00%	0.00	

A	B	C	D	E
Ticker	Company	Earnings per share 2026 Est	Earnings per share 2029-2031 Est	Short-Term Growth Rate
		<i>Value Line</i>	<i>Value Line</i>	<i>Note [1]</i>
AAL	Amer. Airlines	2.40	3.80	12.17%
ALGT	Allegiant Travel	7.00	20.75	31.21%
ALK	Alaska Air Group	5.50	14.00	26.31%
DAL	Delta Air Lines	7.30	9.50	6.81%
JBLU	JetBlue Airways	0.30	1.50	49.53%
LUV	Southwest Airlines	4.10	3.75	-2.21%
SKYW	SkyWest	11.00	15.00	8.06%
SNCY	Sun Country Airlines Hldgs Inc	0.00	0.00	
UAL	United Airlines Hldgs.	13.35	16.00	4.63%
ULCC	Frontier Group Holdings Inc	0.00	0.00	

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

2026 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>
		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	15.33	0.00%	4.30%	0.00%			(15.33)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	85.27	0.00%	4.30%	0.00%			(85.27)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	50.30	0.00%	4.30%	0.00%			(50.30)	0.00	0.00	0.00	0.00	0.00
DAL	Delta Air Lines	69.40	7.10%	4.30%	1.10%	5.96%	4.87%	(69.40)	0.76	0.81	0.87	0.93	1.00
JBLU	JetBlue Airways	4.55	0.00%	4.30%	0.00%			(4.55)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	41.33	15.92%	4.30%	1.74%	10.86%	9.12%	(41.33)	0.72	0.83	0.97	1.12	1.30
SKYW	SkyWest	100.41	0.00%	4.30%	0.00%			(100.41)	0.00	0.00	0.00	0.00	0.00
SNCY	Sun Country Airlines Hld	14.39	0.00%	4.30%	0.00%			(14.39)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	111.82	0.00%	4.30%	0.00%			(111.82)	0.00	0.00	0.00	0.00	0.00
ULCC	Frontier Group Holdings	4.71	0.00%	4.30%	0.00%			(4.71)	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 <sub>1</sub>	D <sub>2</sub>	D <sub>3</sub>	D <sub>4</sub>	D <sub>5</sub>
		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	15.33	12.17%	4.30%	0.00%			(15.33)	0.00	0.00	0.00	0.00	0.00
ALGT	Allegiant Travel	85.27	31.21%	4.30%	0.00%			(85.27)	0.00	0.00	0.00	0.00	0.00
ALK	Alaska Air Group	50.30	26.31%	4.30%	0.00%			(50.30)	0.00	0.00	0.00	0.00	0.00
DAL	Delta Air Lines	69.40	6.81%	4.30%	1.10%	5.89%	4.80%	(69.40)	0.76	0.81	0.87	0.93	0.99
JBLU	JetBlue Airways	4.55	49.53%	4.30%	0.00%			(4.55)	0.00	0.00	0.00	0.00	0.00
LUV	Southwest Airlines	41.33	-2.21%	4.30%	1.74%	4.86%	3.12%	(41.33)	0.72	0.70	0.69	0.67	0.66
SKYW	SkyWest	100.41	8.06%	4.30%	0.00%			(100.41)	0.00	0.00	0.00	0.00	0.00
SNCY	Sun Country Airlines Hld	14.39	0.00%	4.30%	0.00%			(14.39)	0.00	0.00	0.00	0.00	0.00
UAL	United Airlines Hldgs.	111.82	4.63%	4.30%	0.00%			(111.82)	0.00	0.00	0.00	0.00	0.00
ULCC	Frontier Group Holdings	4.71	0.00%	4.30%	0.00%			(4.71)	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

2026 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>
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	0.00	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	0.00	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	0.00	0
DAL	1.07	1.14	1.22	1.31	1.40	1.49	1.60	1.71	1.83	1.95	2.09	2.23	2.39	2.55	2.73	2.84	2.97	1,629,469,015	
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	1.50	1.72	1.98	2.29	2.63	3.03	3.49	4.02	4.63	5.33	6.13	7.06	8.13	9.36	10.78	11.24	11.73	6,442,089,668	
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	
SNCY	0.00	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	
ULCC	0.00	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		
	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>
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	1.05	1.12	1.20	1.28	1.36	1.45	1.55	1.65	1.76	1.88	2.01	2.14	2.28	2.43	2.59	2.71	2.82	1,550,539,617
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	0.65	0.64	0.62	0.61	0.60	0.59	0.58	0.57	0.56	0.55	0.54	0.53	0.52	0.51	0.50	0.53	0.55	300,991,900
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
SNCY	0.00	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
ULCC	0.00	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

2026 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	B	B1	8.99%
ALGT	Allegiant Travel	AIRTRANS	B+	Ba3	8.13%
ALK	Alaska Air Group	AIRTRANS	B+	Ba1	8.13%
DAL	Delta Air Lines	AIRTRANS	B++	Baa2	5.90%
JBLU	JetBlue Airways	AIRTRANS	C++	Caa1	9.85%
LUV	Southwest Airlines	AIRTRANS	B++	Baa2	5.90%
SKYW	SkyWest	AIRTRANS	B++		
SNCY	Sun Country Airlines Hldgs Inc	AIRTRANS	C++		
UAL	United Airlines Hldgs.	AIRTRANS	B+	Baa3	5.90%
ULCC	Frontier Group Holdings Inc	AIRTRANS	C+		
<b>All Companies</b>					
	<b>Average</b>				<b>7.54%</b>
	<b>Median</b>				<b>8.13%</b>
	<b>Trimmed Average</b>				<b>7.41%</b>
	High				9.85%
	Low				5.90%
<b>Selected</b>					<b>7.54%</b>

**MONTANA DEPARTMENT OF REVENUE**

Support for Direct Capitalization - Equity Capitalization Rate

Industry: Scheduled Airlines - Passenger

2026 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	15.33	0.35	2.40	43.80	6.39	2.28%	15.66%	5.00	4.92	3.07	3.12	32.62%	32.09%	10,122	(3,977.00)	(2.55)
ALGT	Allegiant Travel	85.27	3.75	7.00	22.74	12.18	4.40%	8.21%	16.46	17.05	5.18	5.00	19.30%	20.00%	1,567	1,089.40	1.44
ALK	Alaska Air Group	50.30	2.49	5.50	20.20	9.15	4.95%	10.93%	9.81	9.40	5.13	5.35	19.50%	18.69%	5,811	4,372.00	1.33
DAL	Delta Air Lines	69.40	5.82	7.30	11.92	9.51	8.39%	10.52%	10.06	11.10	6.90	6.25	14.50%	15.99%	45,330	15,293.00	2.96
JBLU	JetBlue Airways	4.55	(1.64)	0.30		15.17		6.59%	1.16	0.45	3.92	10.11	25.49%	9.89%	1,684	2,641.00	0.64
LUV	Southwest Airlines	41.33	1.03	4.10	40.13	10.08	2.49%	9.92%	3.80	0.00	10.88		9.19%		21,309	10,350.00	2.06
SKYW	SkyWest	100.41	10.35	11.00	9.70	9.13	10.31%	10.96%	17.53	20.25	5.73	4.96	17.46%	20.17%	4,003	2,408.80	1.66
SNCY	Sun Country Airlines Hldgs Inc	14.39	0.96	0.00	14.99		6.67%		2.86	0.00	5.03		19.87%		653	625.20	1.05
UAL	United Airlines Hldgs.	111.82	10.66	13.35	10.49	8.38	9.53%	11.94%	19.71	22.40	5.67	4.99	17.63%	20.03%	36,170	12,675.00	2.85
ULCC	Frontier Group Holdings Inc	4.71	(0.61)	0.00					0.70	0.00	6.73		14.86%		1,079	604.00	1.79
<b>Average</b>					<b>21.75</b>	<b>10.00</b>	<b>6.13%</b>	<b>10.59%</b>			<b>5.82</b>	<b>5.68</b>	<b>19.04%</b>	<b>19.55%</b>			<b>1.32</b>
<b>Median</b>					<b>17.60</b>	<b>9.33</b>	<b>5.81%</b>	<b>10.73%</b>			<b>5.43</b>	<b>5.00</b>	<b>18.46%</b>	<b>20.00%</b>			<b>1.55</b>
<b>Trimmed Average</b>					<b>20.08</b>	<b>9.74</b>	<b>6.07%</b>	<b>10.41%</b>			<b>5.54</b>	<b>5.31</b>	<b>18.58%</b>	<b>18.98%</b>			<b>1.60</b>
High					43.80	15.17	10.31%	15.66%			10.88	10.11	32.62%	32.09%			2.96
Low					9.70	6.39	2.28%	6.59%			3.07	3.12	9.19%	9.89%			(2.55)
<b>Selected</b>					11.53		<b>8.68%</b>				5.31		<b>18.82%</b>				<b>1.60</b>

**MONTANA DEPARTMENT OF REVENUE**

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Passenger

2026 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
		10-K	10-K	10-K	10-K	10-K	(D+F)/2	(C/H)	(F/G)
AAL	Amer. Airlines	1,716	30,673	30,476	29,309	29,007	29,991	5.72%	1.01
ALGT	Allegiant Travel	150	2,080	2,067	1,811	1,800	1,945	7.72%	1.01
ALK	Alaska Air Group	272	4,886	4,988	5,550	5,555	5,218	5.21%	1.00
DAL	Delta Air Lines	679	16,147	16,194	14,204	14,112	15,176	4.47%	1.01
JBLU	JetBlue Airways	588	8,337	8,539	7,829	8,498	8,083	7.27%	0.92
LUV	Southwest Airlines	167	6,673	6,699	4,879	4,901	5,776	2.89%	1.00
SKYW	SkyWest	104	2,593	2,672	2,361	2,392	2,477	4.22%	0.99
SNCY	Sun Country Airlines Hldgs Inc	37	579	598	564	574	572	6.45%	0.98
UAL	United Airlines Hldgs.	1,373	28,426	28,656	25,211	24,988	26,819	5.12%	1.01
ULCC	Frontier Group Holdings Inc	46	500	502	620	614	560	8.21%	1.01
<b>All Companies</b>		5,133			92,337	92,441	96,616	<b>5.31%</b>	<b>1.00</b>
<b>Average</b>								<b>5.73%</b>	<b>0.99</b>
<b>Median</b>								<b>5.47%</b>	<b>1.00</b>
<b>Trimmed Average</b>								<b>5.77%</b>	<b>1.00</b>
High								8.21%	1.01
Low								2.89%	0.92
<b>Selected</b>								<b>5.77%</b>	<b>1.00</b>

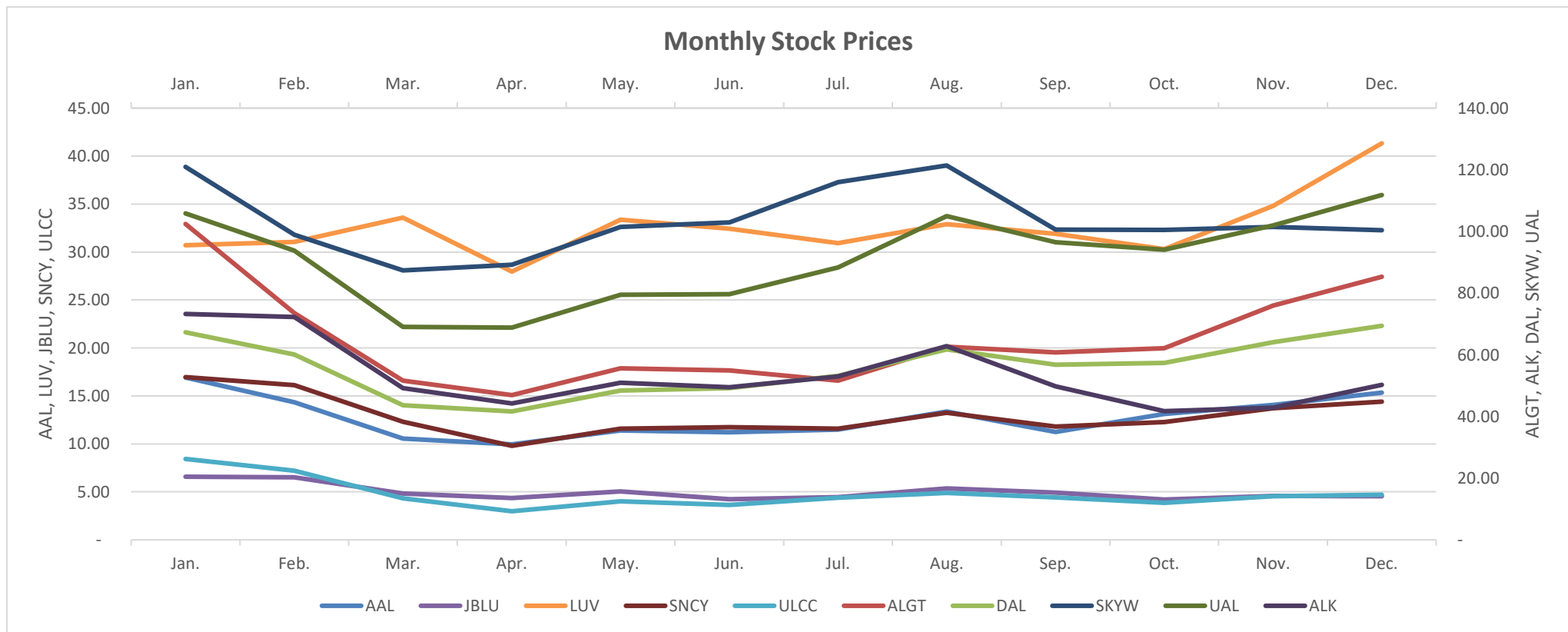
**MONTANA DEPARTMENT OF REVENUE**

Support of Stock Price - From YAHOO Finance

Industry: Scheduled Airlines - Passenger

2026 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	16.92	14.35	10.55	9.95	11.41	11.22	11.49	13.37	11.24	13.13	14.05	15.33
ALGT	Allegiant Travel	102.43	73.50	51.65	46.93	55.58	54.95	51.64	62.66	60.77	62.18	76.00	85.27
ALK	Alaska Air Group	73.25	72.28	49.22	44.27	50.93	49.48	52.96	62.78	49.78	41.73	42.86	50.30
DAL	Delta Air Lines	67.27	60.12	43.60	41.63	48.39	49.18	53.21	61.78	56.75	57.38	64.10	69.40
JBLU	JetBlue Airways	6.58	6.52	4.82	4.36	5.05	4.23	4.44	5.35	4.92	4.20	4.57	4.55
LUV	Southwest Airlines	30.71	31.06	33.58	27.96	33.38	32.44	30.93	32.90	31.91	30.30	34.81	41.33
SKYW	SkyWest	120.92	98.91	87.37	89.17	101.45	102.97	115.96	121.40	100.62	100.48	101.52	100.41
SNCY	Sun Country Airlines Hldgs Inc	16.96	16.11	12.32	9.80	11.58	11.75	11.59	13.25	11.81	12.28	13.70	14.39
UAL	United Airlines Hldgs.	105.84	93.81	69.05	68.82	79.44	79.63	88.31	105.00	96.50	94.04	101.96	111.82
ULCC	Frontier Group Holdings Inc	8.43	7.20	4.34	2.98	4.02	3.63	4.38	4.90	4.41	3.86	4.56	4.71



**MONTANA DEPARTMENT OF REVENUE**

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

**Industry: Scheduled Airlines - Passenger**

**2026 Assessment Year**

(\$ In Millions)

<sup>1</sup>	<sup>2</sup>		<sup>3</sup>	<sup>4</sup>	<sup>5</sup>	<sup>6</sup>	<sup>7</sup>	<sup>8</sup>	<sup>9</sup>	<sup>10</sup>	<sup>11</sup>
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*/(1-J)	K/G
AAL	Amer. Airlines	2.30%	57,732	54,735	56,234	1,890	30	0.68	0.51	2,631	139.19%
ALGT	Allegiant Travel	2.30%	4,126	4,137	4,131	249	17	0.38	0.69	303	121.41%
ALK	Alaska Air Group	2.30%	16,802	15,329	16,066	795	20	0.46	0.63	1,003	126.16%
DAL	Delta Air Lines	2.30%	64,462	60,823	62,643	2,443	26	0.59	0.56	3,261	133.48%
JBLU	JetBlue Airways	2.30%	16,511	15,760	16,136	688	23	0.54	0.59	898	130.50%
LUV	Southwest Airlines	2.30%	35,945	33,947	34,946	1,560	22	0.52	0.60	2,014	129.08%
SKYW	SkyWest	2.30%	9,731	9,133	9,432	364	26	0.60	0.56	488	133.81%
SNCY	Sun Country Airlines Hldgs Inc	2.30%	1,341	1,305	1,323	99	13	0.31	0.74	116	117.31%
UAL	United Airlines Hldgs.	2.30%	73,586	68,031	70,809	2,939	24	0.55	0.58	3,861	131.37%
ULCC	Frontier Group Holdings Inc	2.30%	843	628	736	91	8	0.19	0.83	101	110.72%
<b>Average</b>											<b>127.30%</b>
<b>Median</b>											<b>129.79%</b>
<b>Trimmed Average</b>											<b>127.89%</b>
High											139.19%
Low											110.72%
<b>Selected</b>											<b>127.89%</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.