ATLAS AIR WORLDWIDE HOLDINGS INC
Form DEFA14A
May 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE l4A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant ¨

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

þ Definitive Additional Materials

¨ Soliciting Material Under Rule l4a-l2

ATLAS AIR WORLDWIDE HOLDINGS, INC.
(Name of Registrant As Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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Shareholder Engagement
Shareholder Engagement
Proxy Season 2014
Proxy Season 2014

Executive Summary
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We seek shareholder feedback and welcome your thoughts on corporate governance and executive compensation
Following our 2013 annual meeting, we reached out to holders of nearly 80% of shares, and made significant changes to our compensation program following this engagement
We have performed well in an environment of global uncertainty and are ready to capitalize on market improvements

We continue to execute a strategic plan that enables us to grow over the long term and deliver value to our investors

A significant portion of our compensation is performance-based.

We use objective metrics in our annual bonus program, our RSUs vest over 4 years, and PSUs pay out zero to twice target based on absolute company performance

Alignment of executive compensation with company performance drives a highly engaged and tenured executive team

This has resulted in a strong operating and financial performance over the 2009-2013 period

We have a strong level of independent oversight of our compensation program and adherence to corporate governance best practices

We have made recent enhancements to our practices, including the adoption of majority voting for Directors in uncontested elections and appointment of a new independent Chairman in 2014

Shareholder Outreach and Responsiveness

Business Performance

Pay Program Aimed at Aligning Pay with Performance

Effective Compensation Program

Commitment to Best Practices

We value our shareholders
input and continue to solicit feedback
In
2013,
we
reached
out
to

holders
of
almost
80%
of
our
outstanding
shares
to
discuss
executive
compensation
and
other
issues
of
importance
to
shareholders,
and
met with holders of about 55% of our outstanding shares
We made changes to our compensation program in 2013 and early 2014 in response to feedback given by shareholders during these meetings *(See slides #4 and #5 for a* detailed description of changes)
We continue to engage extensively with our investors to solicit their points of view and consider further improvement
We are committed to linking pay and performance, as we believe this is a key driver in aligning company, executive and shareholder interests
Shareholder Outreach and Responsiveness
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Compensation Program Changes in Response
to Shareholder Feedback
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Area of Focus
What We Heard from Investors
How We Responded in 2013-14
CEO Compensation

Benchmarking
CEO s pay should be targeted at median
For all future CEO pay decisions, total direct compensation targeted at median of peers
CEO
LTI
plan
target
award
reduced
by
100
percentage
points,
from
475%
to 375% of base salary
CEO Annual Bonus Payout
Consider negative discretion to reflect special circumstances in addition to operating performance
The Compensation Committee used downward discretion to reduce the bonus payout in 2013 by an additional $673,000 (an additional 65 percentage points), to 80% of target (performance against stated objectives would have resulted in CEO bonus at 145% of target)
This is 40% below prior year payout all based on special circumstances of this year
Annual Bonus
Performance Metrics
Objective performance criteria should have greater weighting in annual incentive program
Decreased weighting of individual strategic metrics for all participants to 30% in 2013
Further decreased individual performance metrics for the CEO to 20% in 2014
Peer Group
Compensation benchmark group includes peers with significantly larger revenues, requiring regression, and certain companies in automotive industry
For 2014 compensation decisions, the Committee revised the peer group to consist of 20 companies in industries similar to ours, with median revenue size
approximately
equal
to
AAWW
revenues
(including

revenues
of
Polar)

Compensation Program Changes in Response
to Shareholder Feedback (cont d)
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Area of Focus
What We Heard from Investors
How We Responded in 2013-14
Multiple Peer Groups

Use of separate peer groups for
benchmarking pay and measuring
performance is confusing
We used a single new representative and relevant peer group to benchmark
2014 compensation
We moved in 2014 to absolute metrics to measure performance for LTI plan
awards
Metrics used in AIP and LTI plan should
be more relevant to value enhancement
In 2013, AIP metric moved to Adjusted EPS to better diversify from LTI plan
metrics and to incentivize and reward tax planning efforts of management
In 2013, LTI plan EBT metric changed to EBITDA as a better indicator of cash
flow and more relevant measure of underlying profit potential while keeping
ROIC
In 2014, LTI plan metrics changed from relative to absolute measure
Clawback
Lack of compensation clawback policy
New AIP clawback policy adopted beginning in 2014
Change-in-Control/Double
Trigger
Single-trigger vesting upon change of
control not considered best practice
LTI awards granted beginning in 2014 have double triggers
Majority Voting Standard
A majority voting standard would
strengthen the director election process
Incentive Plans
Performance Metrics
Amendment to our By-Laws establishes a majority voting standard in
uncontested
director
elections
beginning
with
our
Annual
Meeting
in
2015

~70% of AAWW block hours
Provide outsourced cargo aircraft solutions, including provision of an aircraft, crew, maintenance and insurance, including DHL Express and Qantas, among others
Most competitors are private companies
~10-15% of AAWW block hours
Provide cargo and passenger aircraft charters to

customers, including brokers, cruise-ship operators,
freight forwarders, direct shippers and airlines
Large, fragmented, competitive market; is a component
of many freight companies
business
~10-15% of AAWW block hours
Provide cargo and passenger aircraft charter
services for the U.S. military
Mostly small, domestic competitors; private
companies, many of which have recently
experienced bankruptcy
Significantly growing part of our business
Revenue not tied to block hours
Provide cargo and passenger aircraft and engine
leasing solutions
We are a leading global provider of outsourced aircraft and aviation
operating services, managing and operating the world s largest fleet of
Boeing 747 freighters through several diverse business segments
A Diverse Service Provider with
Solid Business Performance
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ACMI
(Aircraft, Crew, Maintenance, and Insurance)
Commercial
Charter
AMC
Charter Services
Dry
Leasing

Underlying Core Strength and Growth
7
Resilient Business Model
Modern fleet: **New 747-8Fs**
Higher
ACMI
and
CMI

volume
Added
AMC and Commercial Charter
Pax
flying
Added **777Fs**
for **Dry Leasing**
Expanding
767
platform
Added
Passenger
flying
Operating efficiencies
Meaningful earnings
Return of capital
Executing our **plan**
Increasing contribution
from **business investments**

Atlas Air is a unique company in the public markets
It is not appropriate to compare Atlas Air directly with passenger airlines, door-to-door freight delivery providers or leasing companies (many of these companies are our customers),
Most direct competitors are private companies with different capital structures and executive compensation arrangements, much of which is undisclosed
There are 5 primary competitors in our core ACMI business

All are private companies; several closely held or private equity owned

2 recently came out of bankruptcy
We offer a complex number of services on a truly global scale

300+ cities, 100+ countries last year

Most customers outside the U.S.

Running a safe, secure, compliant airline with large complex assets

Lean management team and challenging business requires broad skillsets and deep experience
Our Unique Comparator Considerations
9
A Unique Company
with Limited Number
of Direct Peers
Global Scale;
Business
Complexity;
Competition for
Business and
Talent

Completely Revamped Peer Group for 2014
10

We now use one peer group
consisting of 20 companies in
industries similar to ours, with median
revenue size approximately equal to
AAWW revenues (including Polar

revenues) to benchmark
compensation

Regression of revenues is no longer
necessary

PSU performance is now measured
using absolute metrics, eliminating the
need for a second peer group.

We had previously used two carefully
structured groups of comparator
companies to benchmark
compensation:
Before
2014 and Beyond
Towers Watson Aerospace/Defense
Automotive and Transportation
Industries database for Base Salary,
Annual Incentive Compensation and
Long-Term Incentive Compensation
Specially constructed peer group for
PSU performance purposes

Many shareholders found the use of two
peer groups confusing and felt that use
of the Towers Watson database was
inappropriate as it contained peers with
significantly larger revenues (requiring
revenue regression) and certain
companies in the automotive industry

Our Revised CEO Benchmarking Practice

In response to shareholder feedback, all future CEO pay decisions will be targeted at the median of benchmarking peer group, rather than between

the
50
th

75
th
percentile
11
Base Salary
Bonus
Equity *(50% RSU / 50% PSU)*
Targeted at
median
of
benchmarking
peer group 2014
and beyond

Effective Compensation Policies
and Procedures
12
Substantial levels of variable
compensation
No excise tax gross-ups
Long-term performance metrics aligned
with company value creation

Payments in the event of change of control
do not exceed 3x for all executives
No share recycling
Minimum stock ownership requirements
are in place for officers and directors
Prohibition of hedging and pledging
AAWW shares
Do not provide excessive perquisites
Independent Oversight of Pay
Sound Compensation Practices
Independent Chairman of the Board
Independent Compensation Committee
Independent Compensation Consultant

Annually elected directors
Majority voting for uncontested Director elections; adopted new voting standard, effective at our 2015 annual meeting
Strong independent Chairman role; appointed a new Chairman, Frederick McCorkle as of May 2014
Separate CEO and Chairman positions
All board committees are 100% independent
All directors are independent (except our CEO)

No poison pill in place
Ongoing dialogue with shareholders
Continued Commitment to Corporate
Governance Best Practices
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1
2
3
4
5
6
7
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*Recent Changes

As of our annual meeting of shareholders, our Board will consist
of seven
directors, one of whom is our CEO. We have a talented group of directors
who bring differing perspectives and backgrounds to the boardroom
Given the diversity of our operations, it is important to bring experience from
all areas key to understanding our business
Experienced and Well-Rounded Board
Leadership

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Mergers and
Acquisitions
Strategic
Planning
Finance and
Capital Structure
Civil and
Governmental
Aviation
Legal, Regulatory
and
Government Affairs
Corporate
Governance
International
Operations
Transportation
and Security
Accounting
International
and
National Trade
Military
Affairs
Procurement
and
Distribution
Atlas Air s Board of Directors
Expertise

Appendix
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2009
2013 Performance Metrics
($ Millions Ex BHs, EPS, Stock
Price, ROIC)
2009
2013
CAGR
Block Hours

108,969
158,937
9.9%
Operating Revenues
1,061.5
1,656.9
11.8%
Adjusted Pretax Income
118.5
142.3
4.7%
Adjusted EPS
3.40
3.78
2.7%
Free Cash Flow
172.2
273.1
12.2%
Stock Price per Share
18.90
41.15
21.5%
Four-Year ROIC
59.8%
16
Free Cash Flow = Cash Flows from Operations Base Capex Capitalized Interest
ROIC = Net Operating Profit After Tax/Average Invested Capital

Business Investments
Driving Business Resilience
17
Business Investments:
ACMI 747-8Fs, AMC and Commercial Charter Passenger Operations,
CMI Operations, 767 platform, 777Fs for Dry Leasing
Established Business:
Primarily due to significant declines in AMC and Commercial Charter

Cargo Operations
Challenging Airfreight Environment
$0
$50
$100
$150
$200
$250
$300
$350
$400
2011
2012
2013
Direct Contribution
($ Millions)

Business
Segments
% of 2013
Block Hours
(1)
Description
ACMI
(2)

CMI
(3)
73
Offers aircraft that are crewed, maintained, and insured by Atlas for lease on a long-term basis
Customers assume fuel, demand and yield risk
Provides outsourced CMI operating solutions for passenger and freighter operations
Air Mobility
Command
(AMC) Charter
11
AMC Charter provides full planeload cargo and passenger charter flights to the U.S. military
Cost-plus business
Commercial
Charter
16
Commercial Charter segment provides full planeload cargo and passenger charter services to charter brokers, freight forwarders, direct shippers, and airlines
Dry Leasing
--
Provides aircraft and engine dry leasing solutions to third parties
Other Services
--
Selected by the U.S. government to train pilots who fly the President on Air Force One
Core Business Segments
Note:
(1) Excludes ferry block hours
(2) Aircraft, Crew, Maintenance, Insurance.
(3) Crew, Maintenance, Insurance
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747-8F Financings in Place
2012 record-low
fixed-rate coupons of:
19
In aggregate:
$200+ million in cash from deliveries
Under 3% coupon
IRR in excess of 30%

2013 and 2014
fixed-rate coupons of:
1.83%
2.67%
2.02%,
1.73%,
1.56%,
and
1.48%

Capital Allocation Strategy
Committed to creating, enhancing, returning value to our stockholders
Repurchased 1,723,577 shares, 6.5% of outstanding stock, in 2013

Current
authorization
to
repurchase up to **$60 million**
Cash prioritization:

Balance sheet maintenance

Business investment

Share repurchases
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Deliver superior service quality
to our customers
Expand our ACMI and CMI business
Maximize our AMC and Commercial
Charter business opportunities
Achieve Continuous Improvement
savings and efficiencies
Develop Titan (dry leasing)

platform
Execute share repurchase program
2014 Operational Goals and Objectives
21
In other
words
Drive Value
for Stockholders