

ATLAS AIR WORLDWIDE HOLDINGS INC  
Form DEFA14A  
May 30, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**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

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

(1) Title of each class of securities to which transaction applies:

- (2) Aggregate *number* of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth in the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:
  
- (4) Date Filed:

Shareholder Engagement  
Shareholder Engagement  
Proxy Season 2014  
Proxy Season 2014

Executive Summary

2

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

3

Compensation Program Changes in Response  
to Shareholder Feedback

4

©2012 Atlas Air Worldwide Holdings, Inc.

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)

5

©2012 Atlas Air Worldwide Holdings, Inc.

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

6

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

13

1

2

3

4

5

6

7

8

\*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

14

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  
15

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

18

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

20



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