

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.

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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

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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

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A Unique Company
with Limited Number
of Direct Peers
Global Scale;
Business
Complexity;
Competition for
Business and
Talent

Completely Revamped Peer Group for 2014
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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

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Base Salary
Bonus

Equity (*50% RSU / 50% PSU*)

Targeted at
median
of
benchmarking
peer group 2014
and beyond

Effective Compensation Policies
and Procedures

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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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*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

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%

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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

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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

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AMC Charter provides full planeload
cargo and passenger charter flights to
the U.S. military

Cost-plus business

Commercial

Charter

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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

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In other

words

Drive Value

for Stockholders