ATLAS AIR WORLDWIDE HOLDINGS INC
Form DEFA14A
May 19, 2015

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 þ

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.

¨ Fee computed on table below per Exchange Act Rules l4a-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 2015
Proxy Season 2015

Executive Summary
2
Pay for
Performance
Alignment
Shareholder
Outreach and
Responsiveness
Business
Performance
Commitment to
Best Practices
Capital Allocation
Strategy
We made changes to our compensation program as a result of shareholder

engagement, including changes being implemented in 2014 after last year s vote
In
late
2014

early
2015,
we
reached
out
to
nearly
75%
of
shares
outstanding
to
discuss governance and compensation matters
We delivered strong performance in 2014 with total shareholder return of 21.3%, significantly exceeding peers; this strong performance has continued into 2015
We
executed
on
a
strategic
plan
that
positioned
us
to
capitalize
on
market
improvement and the strong operating leverage of our model
We
remain
committed
returning
value
to
shareholders;
in
2014,
we
maintained
a
strong cash position and repurchased 1.8% of outstanding shares (after repurchasing 6.5% in the prior year)
More
than

65%
of
total
compensation
opportunity
is
performance-based,
including
majority of long-term compensation
Robust
process
for
setting
performance
metrics
to
align
with
our
short-
and
long-
term operating plans, budget and anticipated market conditions
Payouts
strongly
linked
to
company
performance:
2012

2014
long-term
(3
year)
performance awards vested at 25% (50% of target) while 2014 annual incentive
payout was 2x target, reflecting performance during respective periods
We maintain strong, well-balanced governance practices, including a highly
qualified board, independent board leadership, and best practices that promote
accountability and protect shareholder rights

Following extensive shareholder outreach in 2013 and the first half of 2014, we continued to maintain an **active dialogue with our shareholders over the last year** In late 2014 early 2015, we reached out to holders of **nearly 75% of our outstanding** shares to help our Board better understand the evolving perspectives of

our
shareholders regarding the Company s governance and compensation practices
In response to these outreach efforts, we held in person or telephonic meetings with
holders of **approximately 55% of our outstanding shares**
We continue to engage extensively with our investors to **solicit their points of view**
and consider further improvement
Shareholder Outreach and Engagement
3
We value our shareholders
input and continue to solicit feedback

Strong Performance in 2014
4
The Company performed well in 2014, delivering strong stock price performance and total shareholder return
We executed on our strategic initiatives to strengthen and diversify our business mix, expand our customer base, generate cost savings through operating efficiencies, and enhance our portfolio of assets and services
Our results reflected the strength of our ACMI and Charter businesses, growth in Dry Leasing, progress in our efficiency and productivity initiatives, and an increase in the average utilization of our operating fleet during the year as we capitalized on improving market demand
Operating Revenue
$1.8 billion
9% v. 2013
2014
Total

Shareholder
Return
Financial Results
Net Income
$106.8 million
EPS
$4.25
14% v. 2013
16% v. 2013
1
All calculations as of 12/31/2014. AAWW and Russell TSR calculations reflect change in share price plus returns of capital, i
share repurchases; S&P SmallCap 600 reflects only change in index value
1

Strong TSR Performance for 2014 & 2015
AAWW and Russell 2000 Total Shareholder Return (TSR) calculations reflect change in share price plus returns of capital, inc
dividends and share repurchases.
S&P SmallCap 600 reflects only change in index value.
All calculations are as of May 15, 2015.
Last Year Through The Present
Last 12 Months
5

~70-75% of AAWW block hours
ACMI
Provide outsourced cargo and passenger aircraft operating solutions, including aircraft, crew, maintenance and insurance. Customers assume fuel, demand and yield (rate) risk and most other operational fees and costs
CMI (Crew, Maintenance and Insurance)
Provides outsourced cargo and passenger aircraft operating solutions, including the provision of crew, maintenance and insurance, while customers provide the aircraft and assume fuel, demand and yield risk and most other operational fees and costs
We

are
a
leading
global
provider
of
outsourced
aircraft
and
aviation
services,
operating
the
world s
largest
fleet
of
Boeing
747
freighters,
as
well
as
Boeing
747
and
767
passenger
aircraft
and Boeing 767 freighters
ACMI
(Aircraft, Crew, Maintenance, and Insurance)
A Diverse Service Provider of Global Airfreight
6
~25-30% of AAWW block
hours
Provides cargo and passenger
aircraft charter services to
customers including the U.S.
Military Air Mobility Command,
brokers, freight forwarders,
direct shippers, airlines, sports
teams and fans, and private
charter customers
Charter
Revenue not tied to block
hours
Provide cargo and
passenger aircraft and
engine leasing solutions

Significantly growing part of
our business
Dry
Leasing
Reportable Segments

Disciplined Capital Allocation Strategy
7
2014 Actions
Share Repurchases
Paid
down
~$200
million
of
debt
Acquired
three 777Fs for Dry Leasing
Maintained
strong cash position
Repurchased

1.8%
of
outstanding
shares (after repurchasing 6.5% the prior
year)
Remaining
authority
for
up
to
$45
million
Repurchases
do
not
affect
EPS
or
other incentive metric calculations
We
are
committed
to
creating,
enhancing
and
returning
value
to
our
shareholders
through
the
disciplined execution of our capital allocation strategy

Changes to Compensation Program for 2014 and Beyond in Response to Shareholder Feedback

8

In
response
to
shareholder
feedback
last
year,
our
Compensation
Committee
made
significant

changes
to
our
2014
compensation
program
to
further
link
pay
and
performance and enhance market alignment
CEO Compensation
Benchmarking
2014 CEO long-term incentive plan (LTI) award grants targeted at median of benchmark peer group; all future CEO total direct compensation pay decisions targeted at median of peers
Annual Bonus
Performance Metrics
Further decreased individual performance element weight for CEO to 20% in 2014 (versus 30% in 2013)
Annual CEO incentive objective weightings include: 60% EPS, 20% customer service and 20% individual
Peer Group
Revised the 2014 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)
Multiple Peer Groups
Single new representative and relevant peer group to benchmark 2014 compensation
Incentive Plans
Performance Metrics
Long-term incentive plan metrics changed from relative to absolute measures tied to our long-term business strategy and metrics important to shareholders (ROIC and EBITDA).
Clawback
Adopted incentive plan clawback policy
Change-in-Control
Provisions
Only
legacy
single
trigger
agreements
remain
outstanding.
Beginning
in
2014,
all
equity
and
other
long-term
incentive
awards

under
our
incentive
plan
include
double
trigger
change-in-control
provisions
As of 2015, less than one half of all outstanding long-term grants are subject to single-trigger change-in-control arrangements; once the outstanding awards vest or expire by their terms, there will be no remaining single-trigger arrangements

Robust Target-Setting Process
9
The Compensation Committee sets the annual performance targets for performance-based executive compensation in the beginning of each year
At the time they are set, the Committee believes each target is challenging to achieve under anticipated market conditions; tied directly into annual budget and publicly disclosed outlook
If targets are achieved, it means the Company has successfully met the significant challenges
posed
by
business
conditions,
competition,
and
a
volatile

global
market
In setting each target, the Compensation Committee reviews and considers the following factors through a bottoms-up process that starts with department budgets and plans throughout the Company:
(1)
Short-
and long-term operating plans and budget
(2)
Publicly disclosed outlook and financial targets
(3)
Company and market performance history
(4)
Economic and air freight industry conditions
(5)
Anticipated difficulty of each target
1
Target
performance
is
set
in
line
with
the
Company s
publicly
disclosed
outlook,
which
ensures
transparency
and
rewards
management
at
target
only
if
it
is
successful
in
achieving
financial
results that align with expectations communicated to the market

Approach to Setting Challenging 2014 Metrics
10
The rigor of our targets derives from their alignment with our financial plan
which
takes
into
account
all
relevant
factors
that
may
influence
our
results

for
the
coming
year,
positively
or
negatively

and
not
how
they
compare
to
the
prior year
Our target setting process takes into account prior year results, short-term volatility of our business and the market generally to ensure that our employees are incentivized appropriately to achieve challenging goals
1
Aligning Targets
with Financial
Plan and Market
Conditions
Reasons for
Decline in 2014
Target v. 2013
Results
Transparency to
Shareholders
Regarding
Target Setting
We communicated clearly on the expected decline in earnings related to a decline in military spending to shareholders and the broader market in February 2014
Throughout
the
year,
we
were
able
to
redeploy
the
three
returned
aircraft
in
new long-term contracts
Specifically,

the 2014 target was set early in the year, and was lower than the 2013 results due to several important factors, including:

(1) Anticipated continued strong contraction in military spending on outsourced airlift

(2) Anticipated challenges to redeploying three aircraft that were returned from a long-term contract with British Airways

(3) Three consecutive years of essentially no growth in the global airfreight market

Close Link Between Pay and Performance
11
Our Compensation Program:
Aligns
annual
incentives
with
key
annual
financial
objectives
that
directly
tie
to

our
strategy
Aligns
long-term
incentive
awards
with
executive
retention
and
our
shareholders
interests
Creates
a
pay
mix
portfolio
with
an
appropriate
balance
of
fixed
and
variable
pay,
as
well
as
performance-
based
pay
having
short-term
and
long-term
components
1
Represents maximum total compensation opportunity in 2014 that was performance-based, including 43.2% in performance-ba
opportunity and 24.1% in annual incentive opportunity.
2014 CEO Compensation Opportunity
2014 Payouts Reflect Performance Outcomes
Performance-Based Long-Term Incentive (for
3 year period 2012-2014)
Payout at 25% (50% of target),
reflecting a challenging operating
environment in 2012 and 2013
Annual Incentive (2014)
Payout at 2x target, reflecting our strong

2014 performance
1

Effective Compensation Policies and Procedures
12
Significant
At
Risk
Compensation:
>65%
of
maximum
total
CEO
and
total
other
NEOs

target compensation is at risk

Clawback Policy: Adoption of a clawback of annual incentive compensation to discourage imprudent risk taking

Double Trigger Vesting Acceleration: Double trigger in long-term equity and cash performance incentive awards

No Change of Control Gross Ups: Change of control payments are not grossed up for tax

purposes
Extended
Vesting
Requirements:
Time-based
equity
award
agreements
provide
for
a
four-year
vesting
schedule
Limited
Perquisites:
Strict
limits
on
perquisites
No
Adjustments
for
Shareholder
Buybacks:
Shareholder
buybacks
are
not
factored
in
EPS
calculation
for
AIP
purposes
No
Repricing:
Repricing
of
underwater
stock
options
not
allowed
Stock
Ownership
Requirements:
Minimum
stock

ownership
guidelines
and
recommended
holding
periods
for
stock
No
Hedging
or
Pledging
of
Shares:
Insiders
prohibited
from
hedging
and
pledging
activities
involving
Company
stock
Risk
Management:
Compensation
program
design
does
not
promote
excessive
risk
taking
Independent
Compensation
Consultant:
Retained
by
our
independent
Compensation
Committee
No
Grants
of
Stock
Options:
Equity

awards
with
either
performance-based
vesting
or
extended
time-vesting
requirements
162(m)
Compliant:
AIP
compensation
is
designed
to
qualify
as
performance-based
compensation
under
Section
162(m)
Performance
Assessment:
The
Compensation
Committee
annually
assesses
its
own
performance

Annually elected directors
Majority voting for uncontested Director elections; adopted new voting standard, effective at our 2015 annual meeting
Separate CEO and Chairman positions, with a strong independent Chairman role; appointed a new Chairman, Frederick McCorkle as of May 2014
All board committees are 100% independent; appointed a new Chair of the Compensation Committee, Carol Hallett
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

Our
Board
includes
an
appropriate
balance
of
experience,
tenure,
diversity,
leadership,
skills and qualifications in areas of importance to our Company
Given the diversity of our operations, it is important to bring experience from all areas
key to understanding our business
Balance of Skills, Diversity and Experience

14
Strategic
Planning
Mergers and
Acquisitions
Capital Structure
Civil and
Governmental
Aviation
Legal, Regulatory
and
Government Affairs
Corporate
Governance
Global
Operations
Transportation
and Security
Finance and
Risk
Management
International
and
National Trade
Military
Affairs
Procurement
and
Distribution
Board of Directors
Expertise