

ATLAS AIR WORLDWIDE HOLDINGS INC
Form DEFA14A
May 23, 2012

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)

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☒ No fee required.

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(3) Filing Party:

(4) Date Filed:

May 23, 2012
Adam R. Kokas
SVP, GC, CHRO and
Secretary
Spencer Schwartz
Senior Vice President and CFO

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Dear Stockholders,

The proxy advisory firm ISS has recently recommended to its clients that they vote against our proposal to approve, on an advisory basis, the compensation of our named executive officers. As we explain, we strongly disagree with ISS's recommendation and urge you to vote in favor of the advisory proposal to approve the compensation of our executives.

Sincerely,

Frederick McCorkle, Chairman

Eugene I. Davis

Carol B. Hallett

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OUR MANAGEMENT IS FOCUSED ON CONTINUING TO BUILD A STRONGER
COMPANY THAT DELIVERS INTRINSIC VALUE FOR OUR STOCKHOLDERS
October 2009
announced
plans to commence passenger
charter service for SonAir
September 2011

reached agreement to
provide CMI service for
DHL
December 2011
delivery completed for
first three 747-8F
aircraft placed with
British Airways
January 2012
arranged Ex-Im
guaranteed financing
for remaining 6 B747-
8F aircraft
July 2010
commenced
Dreamlifter service for Boeing
May 2011
U.S. Military passenger
service commenced
September 2011
industry-leading labor
agreement with pilots
is finalized
January 2012
received military
approval for 767-
300 airlift service
October 2008
express network ACMI
service began
September 2006
announced major order for
Boeing's new 747-8
Freighter
February 2011
secured
financing for first three 747-8F
aircraft
September 2011
placed two
747-8F aircraft with Panalpina
March 2012
began
767 CMI service for
DHL

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WE HAD MANY MAJOR ACHIEVEMENTS IN 2011

In Fiscal 2011, we:

Achieved pre-tax income of \$157 million, the second highest such amount in our history

Received our first three 747-8F aircraft

Placed five 747-8F aircraft in long-term ACMI contracts

Secured attractive financing for all of our 747-8F aircraft delivered or on order

Developed and implemented a 767 passenger platform

Completed an industry leading labor contract
Developed and implemented a comprehensive military passenger service
Delivered numerous customer service quality metrics at or close to maximum levels
Received IATA Operational Safety Audit re-certificate for cargo and passenger operations without any negative findings

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These numerous accomplishments were achieved despite the following headwinds:

Sluggish Global Economic Conditions

No Peak
Season

Delivery Delays for our New 747-8Fs

787 Dreamliner Production Rates at Boeing that Affected our Ramp-Up
of CMI Service for Boeing

Pre-Operating Costs Incurred for New Initiatives Contributing to
Revenue/Earnings Growth in 2012 and Beyond
HEADWINDS IN 2011

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We believe that ISS's new policy of basing its say on pay recommendation on an analysis of CEO pay compared to 1 and 3 year TSR fails on at least two levels: (i) it fails to acknowledge the contributions of all of our executive officers to the long-term prospects of the company and (ii) it rewards short-term performance rather than the long-term achievements required by our capital-intensive business.

The chart appearing below on the left is based on our 2011 Summary Compensation Table and shows the percentage of our total compensation (as reflected in such table) that consisted of fixed compensation and variable or performance-based compensation (long-term performance units are

assumed to be earned at the target level for purposes of our Summary Compensation Table). The chart appearing below on the right is based on the same information, except the percentages valuing long-term performance units granted in 2011 are assumed to be earned at the maximum level. For purposes of these charts, we have taken the percentages applicable to our five NEOs.

A significant portion of our compensation is performance based.

WE PAY FOR PERFORMANCE

44.6%

55.4%

Fixed compensation

Variable compensation

35.7%

64.3%

Fixed compensation

Variable compensation

7
\$50
\$70
\$90
\$110
\$130
\$150
\$170

\$190

\$210

2009

2010

2011

Threshold

Target

Maximum

Targets reward superior performance; financial targets used to determine annual cash bonus have been adjusted upward each year.

ANNUAL INCENTIVE PLAN TARGET SETTING

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AAWW VERSUS INDUSTRY INDEX -
2011
AAWW
Amex Airline Index

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AAWW 2012 STOCK UPDATE
YEAR TO DATE
AAWW
Amex Airline
Index
S&P 500
Dow Jones

Transport
Average
Russell 2000

10
Our
executive
compensation
practices,
approved
by
almost

85%
of
our
stockholders in 2011, have NOT changed since last year
In 2011, ISS recommended that stockholders vote FOR our Say on Pay advisory vote.

Recommendation was on the basis of our compensation best practices and
excellent pay for performance results.

ISS
changed
its
methodology
in
December
2011

our
compensation
practices
remain unchanged.

We manage our business for the long-term and for future growth.

While share price performance declined in 2011, AAWW's financial performance
for the year was solid and filled with numerous financial and operational
achievements, despite a challenging macro-economic and freight environment.

Our guidance for 2012 reflected a 24% increase in EPS over 2011 adjusted
EPS.

ISS's NEW METHODOLOGY IS INCONSISTENT WITH PAST RECOMMENDATIONS

A reconciliation of adjusted EPS to the corresponding GAAP financial measure is contained on pages 42-43 of our Annual Report
for
the
fiscal
year
ended
December
31,
2011,
filed
with
the
SEC
on
February
15,
2012.

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ISS' s METHODOLOGY ISSUES

There are three numbers in the Summary Compensation Table that ISS uses in its CEO compensation methodology: salary, 2011 bonus, and 2011 LTI awards.

AAWW salary is unchanged between 2011 and 2010 and that portion of overall compensation is modest

AAWW 2011 bonus was earned based on our major financial and operating accomplishments

With respect to LTI award, this is a "future" looking number, dependent on how well AAWW stock performs, as well as for our PSUs how AAWW performs compared to our performance share unit peers.

ISS then takes these numbers for our CEO and compares them to the CEO pay at

ISS's

peer

group

and

also

compares

the

peer

companies

Total

Shareholder

Return to AAWW's Total Shareholder Return.

If the ISS peer group has challenges, then the ISS analysis has challenges. Not only does the peer

group

composition

have challenges but some of the CEO

pay data (from

the controlled companies within the ISS peer group) is not

comparable. See next slide for further discussion.

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New
ISS-selected
peer
group
is
inappropriate

includes
a
number
of
companies
that have significantly different business models and ownership structures

Of the fourteen ISS peer group companies, five of the peers are in totally different industries, four have much lower revenues than AAWW and four are controlled entities with different compensation structures.

The CEOs of the controlled peers have below market pay (presumably due to their significant ownership stakes), which adversely affects an objective analysis of the compensation paid to AAWW's CEO.

ISS's methodical, black box approach prevents it from making analyses and adjustments to peer group selection.

See the attached Appendix for more detailed information regarding the shortcomings of the various companies comprising the ISS peer group.
ISS's NEW PEER GROUP IS INAPPROPRIATE FOR AAWW

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AAWW MAINTAINS A TOP OF CLASS MANAGEMENT TEAM
IN A COMPETITIVE MARKETPLACE
Our
executives
skills
are
valuable

to
us
and
they
are
highly
transferrable
and
desirable
to
our
competitors,
as
well
as
to
companies
in
other
industries.
We
have
designed
our
compensation
policy
so
that
we
maintain
our
current
executive
team
and
remain
an
attractive
employer
as
we
invest
in
our
future
growth,
continue
to
execute
our

strategic
transformation
and
endure
challenging economic environments.

KEY COMPONENTS OF OUR COMPENSATION POLICY INCLUDE:

Benchmarking
our
executives
compensation
at
competitive
levels

We target base salary, performance-based annual incentive cash compensation and performance-based and time-based equity compensation between the 50 and 75 percentiles of our compensation peers for our CEO and at the 75 percentile for our other senior executives. This is nationwide data even though AAWW executives are based in one of the highest cost locations in the country.

Peer groups are scaled to provide broad view of compensation in the markets in which we compete for executive talent.

This recognizes that supply chain and leadership talents are transferrable beyond the airline or transportation industries.

Reward
strong
individual
performance
by
aligning
incentive-based
compensation
to
individuals
annual
performance
objectives

We incentivize managements
long-term investment in the company by rewarding only what they can control, and
decline to reward risky behavior targeted at artificially inflating stockholder return at the expense of our future
growth. Annual incentive program performance targets include personal metrics as well as financial targets.

We reward management for operational achievements that they can control.
th
th
th

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GLASS LEWIS HAS GIVEN AAWW A POSITIVE
RECOMMENDATION ON SAY ON PAY

In contrast to ISS, Glass Lewis, a major advisory service, has given AAWW a positive Say on Pay recommendation.

Glass Lewis noted that AAWW maintains a well-designed executive

program and has provided exemplary disclosure with respect to its compensation practices and incentive plans.

While executive compensation and corporate performance (share price) may not be perfectly aligned in 2011, Glass Lewis indicated that AAWW utilizes objective incentive plans which it believes are well structured to align pay with performance going forward.

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AAWW MAINTAINS COMPENSATION BEST PRACTICES

We offer no excise tax gross ups or modified gross ups.

We believe these gross ups are antithetical to fair compensation practices.

Payments in event of change of control do not exceed 3x for all executives.

We believe change of control payments at this level protect our executives, yet are not prohibitive to a potential strategic partner. No share recycling.

We respect our stockholders vote and in

February 2012, amended our LTIP to reflect our policy of not reusing shares forfeited for tax withholding or cancelled awards.

Minimum stock ownership requirements are in place for officers and directors, and we provide robust disclosure on such compliance.

We believe our directors and officers act in our stockholders best interests when they themselves are stockholders. There is 100% compliance with the stock ownership requirements.

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New
ISS-selected
peer
group
is
inappropriate

includes
a
number
of
companies that have
significantly different business models and ownership structures, including:

Arkansas
Best
-
CEO
has
short
tenure
in
this
role;
market
cap
is
less
than
half
of
AAWW;
significantly
lower
net
income.

Dollar Thrifty Automotive Group
-
U.S. car rental company.

Genesee & Wyoming
-
The Fuller family controls approximately 32% of the voting shares; an international rail company; a
significantly higher market cap.

Hub Group

59% ownership controlled by the Yeager family; primarily a domestic logistic services and trucking brokerage
company.

Knight Transportation, Inc.

45% controlled by the Knight family and two additional investors; U.S. trucking company with a
significantly smaller revenue base.

Old Dominion Freight Line, Inc.

-

CEO has short tenure in this role; U.S. trucking company.

Quality Distribution, Inc.

-

Apollo Funds control 32% of the common stock; significantly less revenue and lower market cap.

Saia, Inc.

-

Less revenue and significantly lower market cap.

Werner Enterprises, Inc.

38% controlled by the Werner family; U.S. trucking company.

APPENDIX -

ADDITIONAL DETAIL ON SOME OF ISS PEER GROUP

Allegiant Travel Company

-

CEO has a 21% ownership interest, 3 Funds own an additional 25%; is a U.S. regional passenger leisure airline, with a significantly lower revenue base.