

ATLAS AIR WORLDWIDE HOLDINGS INC  
Form DEFA14A  
May 19, 2015

**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

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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

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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, including 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, including 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

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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-based 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