

ATLAS AIR WORLDWIDE HOLDINGS INC  
Form DEFA14A  
May 16, 2013

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:

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(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.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

May 16, 2013  
Adam R. Kokas  
SVP, GC, CHRO and  
Secretary  
Spencer Schwartz  
SVP and CFO

Dear Stockholders,

The proxy advisory firms ISS and Glass Lewis have recently recommended to their 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 their recommendations and urge you to vote in favor of the advisory proposal to approve the compensation of our executives.

Sincerely,

The AAWW Compensation Committee  
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 CMI  
passenger charter service  
for SonAir

September 2011  
placed two 747-8F  
aircraft with Panalpina

January 2012  
arranged Ex-Im  
guaranteed  
financing for

remaining six  
747-8F aircraft

September 2012  
placed two 747-8F  
aircraft with DHL

July 2010  
commenced CMI  
Dreamlifter service for Boeing

May  
2011

U.S.  
Military  
passenger  
service commenced  
December 2011  
delivery completed for  
first three 747-8F  
aircraft placed with

British Airways  
March 2012  
began 767 CMI  
service for DHL

July  
2007

Atlas  
creates express  
network with DHL  
September 2006  
announced major order for  
Boeing's new 747-8  
Freighter

February 2011  
secured financing for  
first three 747-8F  
aircraft

January 2012  
received military  
approval for 767-300  
airlift service

February 2013  
announced 747-

400F ACMI for new  
customer Chapman  
Freeborn;  
implemented stock  
repurchase program  
March 2013  
acquired first 777F  
for Titan Dry  
Leasing platform  
June 2012  
began  
747-400F ACMI for  
new customer  
Etihad Cargo



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**WE HAD MANY MAJOR ACHIEVEMENTS IN 2012**

In Fiscal 2012, we:

Grew our revenues 18% to \$1.65 billion.

Achieved pretax income of \$205 million, reflecting the second-best operating results in our history.

Our reported operating income and margin increased to \$226 million and 14% in 2012 from \$151 million and 11% in 2011.

Our free cash flow\* increased to \$209 million in 2012 from \$78 million in 2011.

Secured  
Ex-Im  
Bank  
financing  
at  
extremely  
attractive  
terms  
for  
up  
to  
six  
of  
our  
747-8F aircraft.

Secured attractive placement with customers for the four 747-8F aircraft deliveries that occurred in 2012.

Developed and implemented a comprehensive, long-term strategic plan to provide new earnings streams and create competitive advantages.

Obtained Civil Aviation Review Board approval from the U.S. military to perform AMC B767 passenger service.

Executed  
a  
start-up  
plan  
for  
B767-200  
express  
cargo  
operations  
for  
DHL.

Delivered numerous customer service quality metrics at or close to maximum levels.

Received IATA Operational Safety Audit re-certification for cargo and passenger operations without any negative findings.

\*Information related to this non-GAAP financial measure, including reconciliation to the corresponding GAAP financial measure, was filed on February 13, 2013.

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HEADWINDS IN 2012

These numerous accomplishments were achieved despite the following headwinds:

Continued sluggish global economic conditions.

Muted peak

season.

Commercial charter volumes and rates materially impacted by:

- Increased air cargo capacity.
- Softer demand.
- Significantly reduced military flying levels.

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#### WE PAY FOR PERFORMANCE

We believe that ISS's policy of basing its say on pay recommendation on an analysis of CEO pay compared to 1 and 3 year TSR fails to acknowledge the contributions of all of our executive officers to the long-term prospects of the company.

The chart appearing below on the left is based on our 2012 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 2012 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.

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ANNUAL INCENTIVE PLAN TARGET SETTING  
Financial targets reward superior performance; financial targets used to determine annual cash bonus were adjusted upward each year.

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AAWW 2012 STOCK PERFORMANCE

Percent Change

Dow Jones Transportation Average Index: ALK, CHRW, CNW, CSX, DAL, EXPD, FDX, GMT, JBHT, JBLU, KEX, KSU, L



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A substantial majority (over 67%) of our shareholders voting on our 2012 Say-on-Pay proposal voted in favor of that proposal notwithstanding a recommendation against it by ISS. We believe that our shareholders support our compensation practices because:

They  
recognize  
our

compensation  
best  
practices  
and  
excellent  
pay  
for  
performance results.

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

As previously indicated, 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. This strong performance was reflected in a 15% increase in our share price performance.

We grew our revenues in 2012 by 18% to \$1.65 billion.

We achieved pretax income of \$205 million, reflecting the second-best operating results in our history.

Our reported operating income and margin increased to \$226 million and 14% in 2012 from \$151 million and 11% in 2011.

Our free cash flow  
\*

increased to \$209 million in 2012 from \$78 million in 2011.

**STRONG SHAREHOLDER SUPPORT FOR OUR COMPENSATION PRACTICES**

\*Information related to this non-GAAP financial measure, including reconciliation to the corresponding GAAP financial measure, was filed with the SEC on February 13, 2013.

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**WE ARE RESPONSIVE TO OUR SHAREHOLDERS**

Prior to our 2012 annual meeting, we reached out to holders of approximately 85% of outstanding shares to discuss their views on our executive compensation program. We held conversations and/or exchanged emails with stockholders holding approximately 82% of our outstanding shares. The AAWW Compensation Committee considered

the  
feedback  
from  
stockholders  
and  
made  
the  
following  
changes to our compensation program beginning in 2013:

Reduced the weighting of the individual management business objective metric in the annual cash incentive plan from 40% to 30%.

Revised the financial performance metric in the annual cash incentive plan from one based on pretax income to one based on earnings per common share.

Changed the earnings before taxes performance metric used for long-term incentive awards to one based on earnings before interest, taxes, depreciation and amortization (EBITDA).

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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  
th  
and  
75  
th  
percentiles  
of  
our  
compensation  
peers  
for  
our  
CEO  
and  
at  
the  
75  
th

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.

While  
ISS  
criticizes  
the  
Company  
for  
using  
peers  
with  
significantly  
higher  
revenue  
than  
AAWW,  
ISS  
report  
on  
our  
executive  
compensation  
fails  
to  
consider



that  
the  
information  
on  
our  
peers  
is  
scaled  
to  
provide  
an  
apples-  
to-apples  
comparison of compensation in the markets in which we compete for executive talent.  
Reward  
strong  
individual  
performance  
by  
aligning  
incentive-based  
compensation  
to  
individuals  
annual  
performance  
objectives

We incentivize management's long-term investment in the company by rewarding what they can control, and decline to reward risky behavior targeted at artificially inflating stockholder return at the expense of our future growth.

Our Annual incentive program performance targets include personal metrics that are specifically tailored to each individual's job responsibilities to incentivize the achievement of job specific goals.

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Robust performance of our high quality, experience executive team.

Productivity and commitment of our lean management team.

High proportion of incentive compensation that is only paid if earned by superior performance.

Express Board policy to provide strong incentives to retain current management team.

-

Significant competition for high-performing talent.

WHERE DID ISS GET IT WRONG?

BENCHMARKING

We target to 50

th

to 75

th

percentile because of:

Management team has successfully executed numerous strategic initiatives notwithstanding challenging market conditions.

Over 60% of compensation is performance-based (assuming a maximum payout of long-term equity awards.

-

AAWW executives are based in one of the highest cost locations in the country.

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**WHERE DID ISS GET IT WRONG?**

**EXPRESSES CONCERN WITH SUCCESSIVE ABOVE-TARGET PAYOUTS**

ISS: Concerned that goals under the long-term incentive plan are not particularly rigorous.

Long term incentive payouts are determined based on operating performance (measured by average growth in earnings before taxes

(EBT) and return on invested capital (ROIC)) compared against a peer group of approximately 20 similar asset heavy companies.

The only way to earn above-target payouts is to outperform the peer group. We believe that objectively comparing performance to a set of 20 peer companies, by its nature, is certainly a rigorous process.

AAWW achieved top quartile ROIC and 56-75 th percentile

EBT growth from 2010-2012 as compared to the peer group. What did ISS get wrong?

While some of these peers have larger revenue bases than AAWW, this group of peers is used only for performance comparisons and is not used to benchmark AAWW compensation levels.

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ISS: The service quality metric under the company's annual incentive plan is relatively more subjective.

60% of the annual incentive payout is based on objective metrics (50% financial performance and 10% service quality (20% in the case of

our  
operating  
personnel)). This  
was  
increased  
to  
70%  
in  
2013

based on shareholder feedback. The financial metric was changed from adjusted pre-tax income to adjusted earnings per share in 2013 to continue to ensure alignment of management and shareholder interests.

The service quality metrics are measured against AAWW's ability to meet or exceed aggressive service level agreements (SLAs) specified in contracts with our key customers.

AAWW either meets or exceeds these standards or it doesn't.

As permitted under the SEC rules, AAWW does not provide the reliability targets in its proxy statement as it has determined that such disclosure would result in competitive harm.

WHERE DID ISS GET IT WRONG?

EXPRESSES CONCERN WITH SUCCESSIVE ABOVE-TARGET PAYOUTS

What did ISS get wrong?

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What did ISS get wrong?

Individual business objectives (IBOs) consist of many detailed, job specific goals that are specifically tailored to incentivize executives to drive achievement of the business plan and financial goals approved by the Board. *IBOs are described in detail on page 31 of the Proxy*



Statement.

We establish challenging targets which represent a high level of operating performance. 2012 financial targets represent a meaningful increase over the targets for 2011.

WHERE DID ISS GET IT WRONG?

EXPRESSES CONCERN WITH SUCCESSIVE ABOVE-TARGET PAYOUTS

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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.

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, and actual ownership levels far exceed the minimum requirements in most instances.

Substantial levels of variable compensation.

As indicated on page 6, a majority of our compensation is at risk whether earned on a target basis or at the maximum level.

1Q13 HIGHLIGHTS

Reflected  
business mix, productivity gains,  
efficiency initiatives

Adjusted

EPS

-

\$0.22\*

Street  
consensus

-

\$0.14

Full-year  
outlook  
affirmed

Adjusted EPS ~ \$4.80\*

Operating revenue **up 5%**

Operating income **up 10%**

ACMI Direct Contribution **up 65%**

Free cash flow of **\$42 million\***

\*Information related to these non-GAAP financial measures, including reconciliations to the corresponding GAAP financial measures, is contained on page 21 of our Form 10-Q for the quarterly period ended March 31, 2013, filed with the SEC on May 2, 2013 and in Exhibit 99 of our Form 8-K, furnished to the SEC on May 2, 2013.

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