

# AAWW Investor Slides

November 2018





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# Safe Harbor Statement

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect Atlas Air Worldwide Holdings, Inc.’s (AAWW) current views with respect to certain current and future events and financial performance. Such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the operations and business environments of AAWW and its subsidiaries that may cause actual results to be materially different from any future results, express or implied, in such forward-looking statements.

For additional information, we refer you to the risk factors set forth in the documents filed by AAWW with the Securities and Exchange Commission. Other factors and assumptions not identified above are also involved in the preparation of forward-looking statements, and the failure of such other factors and assumptions to be realized may also cause actual results to differ materially from those discussed.

AAWW assumes no obligation to update the statements in this presentation to reflect actual results, changes in assumptions, or changes in other factors affecting such estimates, other than as required by law.

This presentation also includes some non-GAAP financial measures. You can find our presentations on the most directly comparable GAAP financial measures calculated in accordance with accounting principles generally accepted in the United States and our reconciliations in the appendix and our earnings releases dated February 22 and November 1, 2018, which are posted on our website at [www.atlasair.com](http://www.atlasair.com).



# AAWW – Key Takeaways

**Global leader** in outsourced aviation

Era of **significant business growth and development**

Expect **sharply higher adjusted net earnings** in 2018

Focus on **express, e-Commerce, fast-growing markets**

**Opportunities to grow** with existing customers and with new ones

Strong foundation for **earnings and cash flow**

**Capitalizing on initiatives** to drive value and benefit for customers and investors

Shaping a  
**Powerful Future**

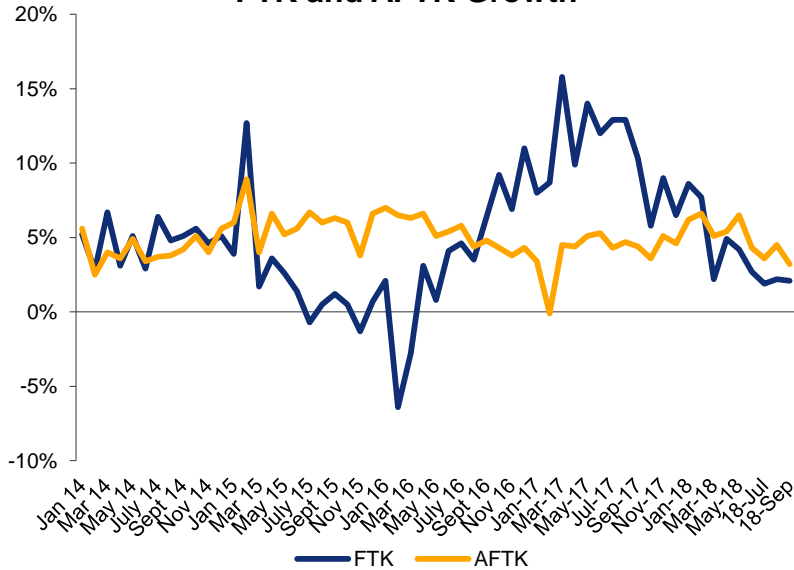
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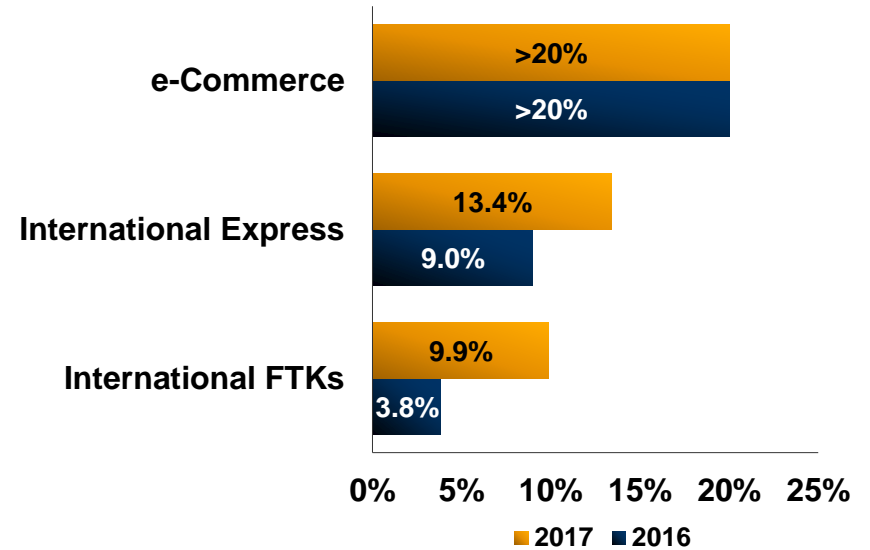


# Airfreight Demand

### FTK and AFTK Growth



### Market Growth Rates

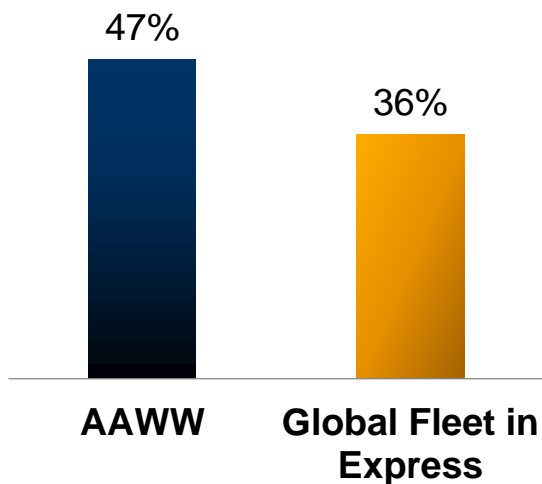




# Fleet is Aligned with Express and e-Commerce

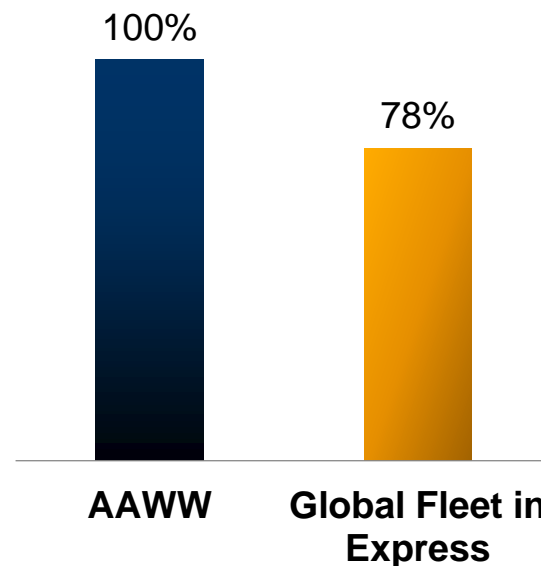
Atlas Fleet  
in Express/  
e-Commerce  
Compared with  
Global Fleet

## Large Widebody



**543** Total global large widebody freighters (747s, 777s, MD-11s, DC-10-30s/40s)

## Medium Widebody

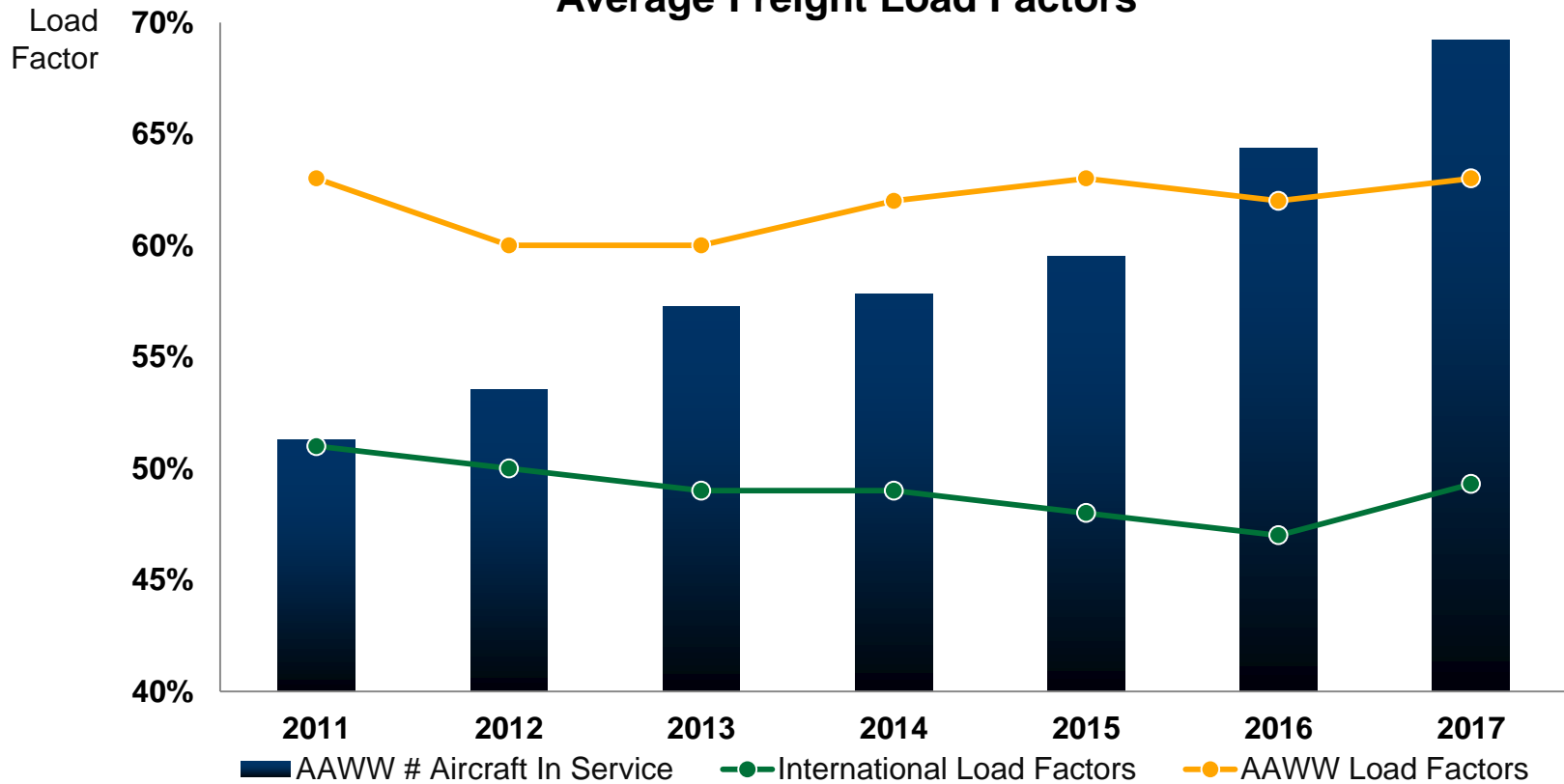


**514** Total global medium widebody freighters (767s, A300-600s/B4s, A330-200s, A310-200s/300s, DC-10-10s)



# Atlas Load Factors Outperforming

## Average Freight Load Factors





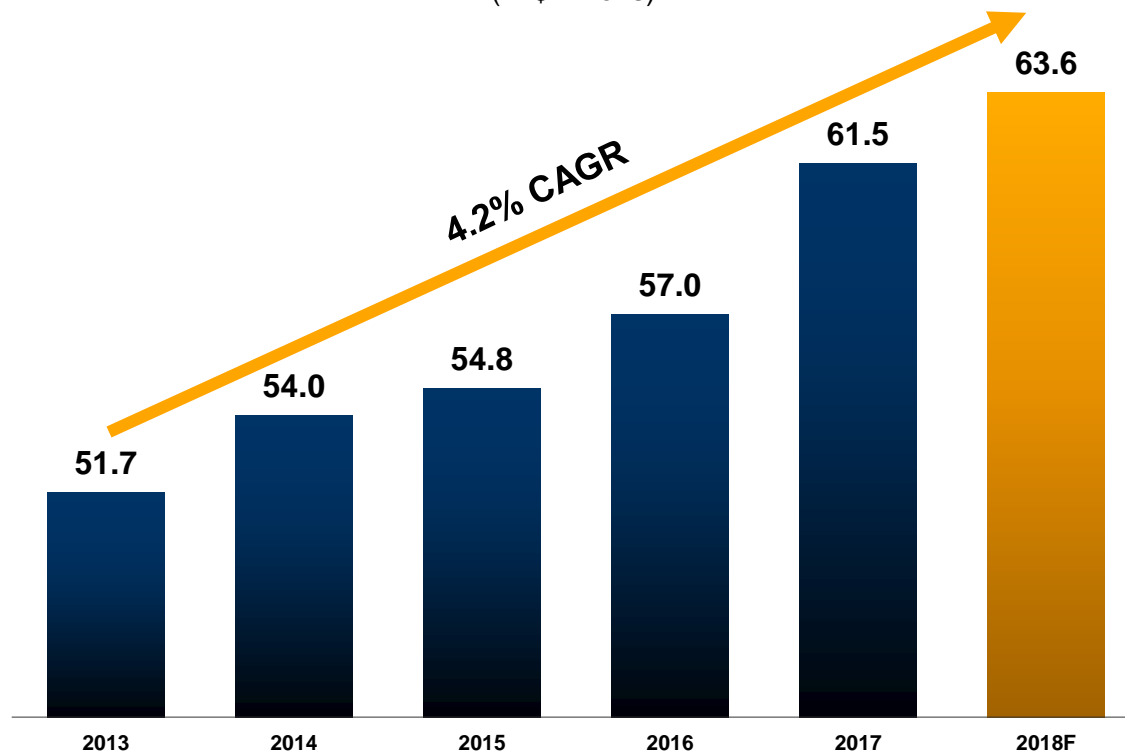
# International Global Airfreight – Annual Growth

IATA – Global airfreight tonnage **growing from record levels**

IATA – International freight tonne kilometers (FTKs) flown **up 9.9% in 2017**

IATA – Expects very healthy **4.0% FTK growth in 2018**

**IATA Reported Airfreight Tonnage Growing from Record Levels**  
(In \$Millions)





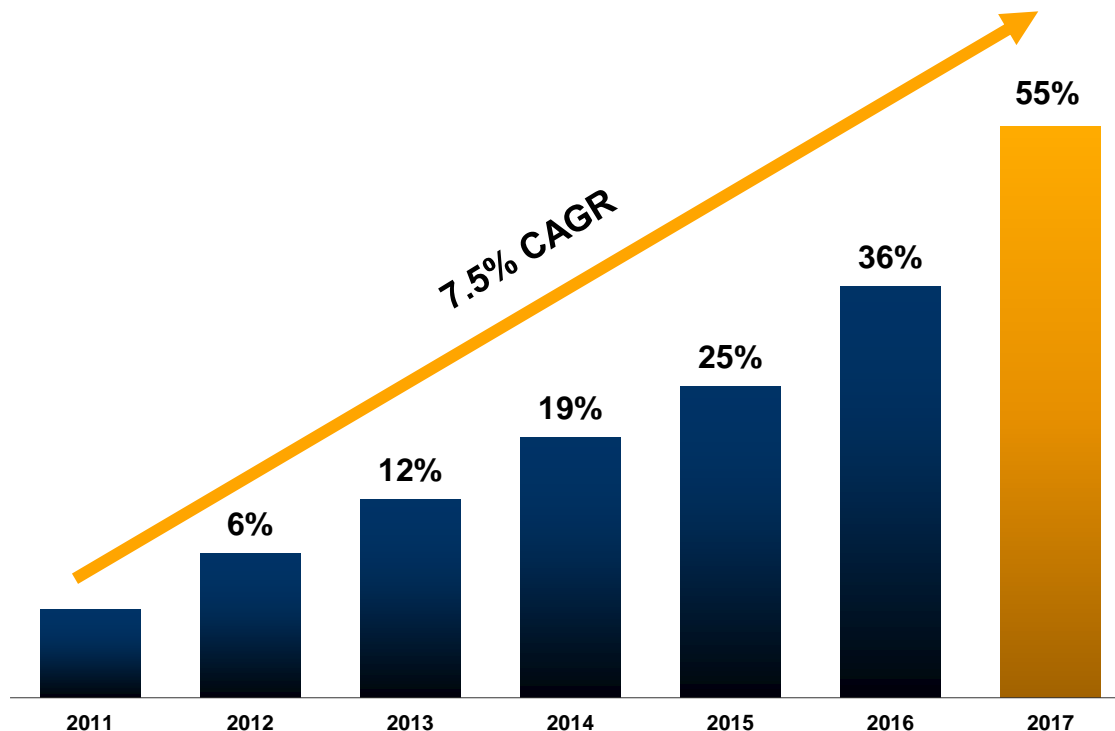


# The Key Underlying Express Market is Growing

The International Express market is **showing robust growth**

**7.5% CAGR** since 2011, over double the pace of general airfreight

**International Express Market – DHL, FedEx and UPS**  
*Change in Package Volume (Base year 2011 - 100%)*

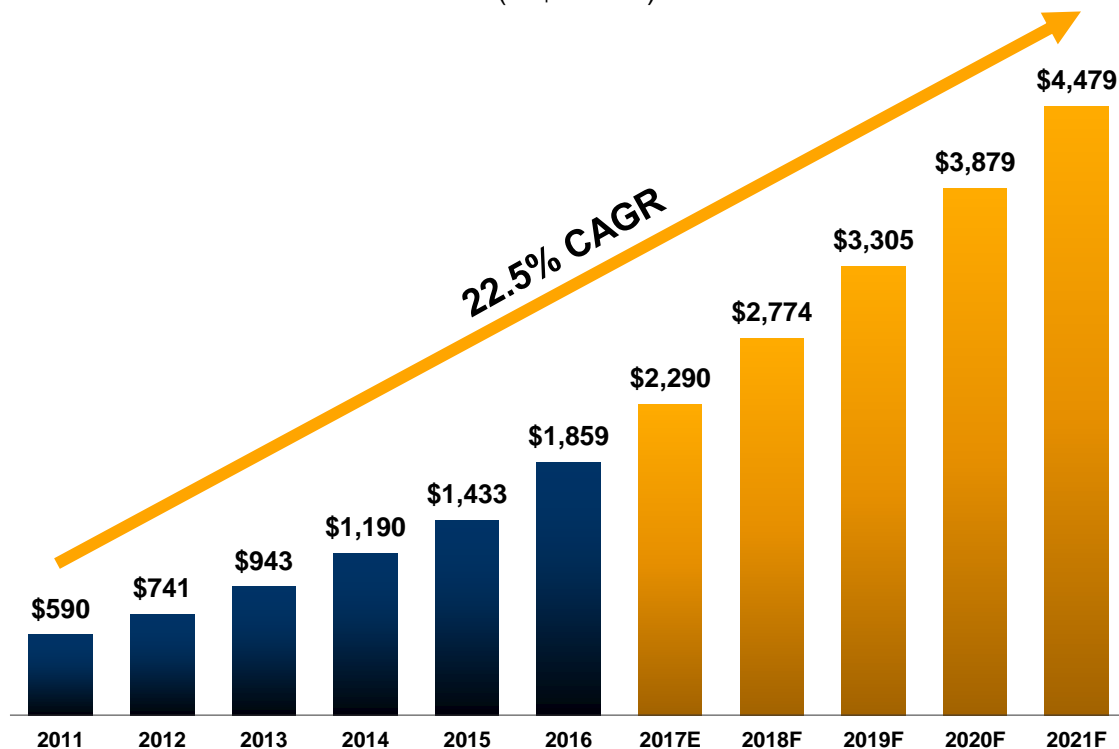




# e-Commerce Projected Growth

**Global e-Commerce**  
has grown and is  
**growing sharply**

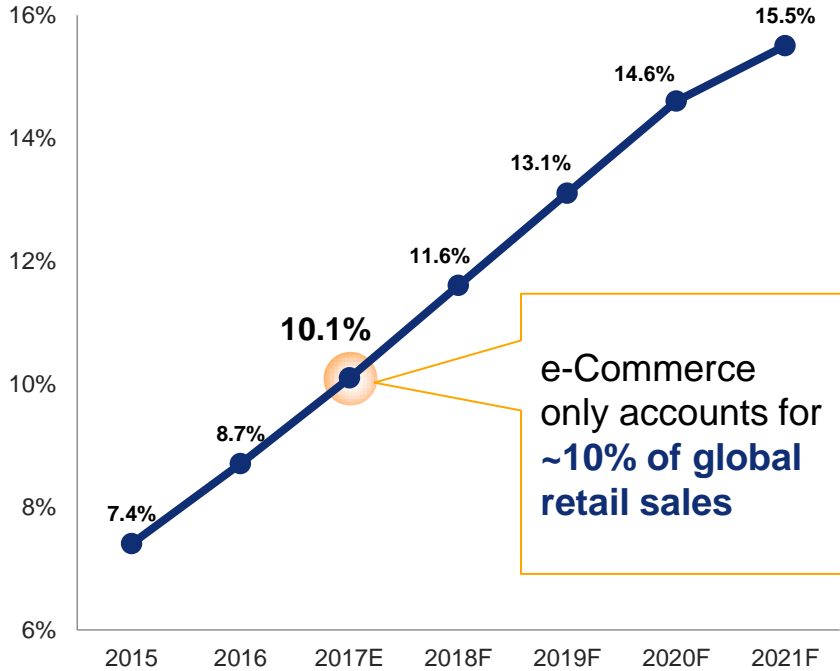
**Global e-Commerce Sales**  
(In \$Billions)





# e-Commerce – A Paradigm Shift

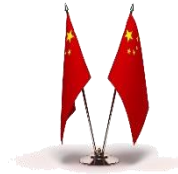
## e-Commerce Penetration (as percentage of global retail sales)



## e-Commerce Growth Drivers



**USA** 237M internet users  
73% mobile penetration  
9% e-Commerce penetration



**China** 700M internet users  
50% mobile penetration  
10% e-Commerce penetration



**India** 300M internet users  
25% mobile penetration  
2% e-Commerce penetration



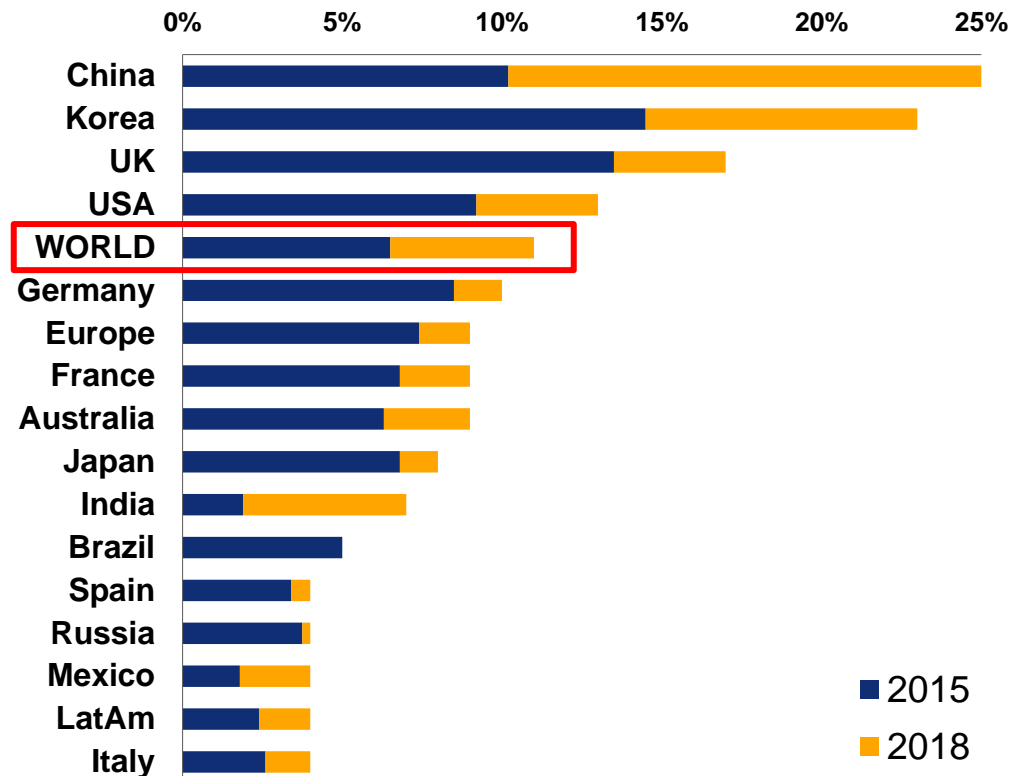
# e-Commerce Penetration Growing Rapidly

**e-Commerce** accounts for upwards of **10% of global retail** sales and has significant opportunities to expand globally

**Some markets**, such as India, are just getting started

Demand from **mobile & voice** (e.g., Alexa) ordering is expected to **further accelerate growth**

**e-Commerce Penetration by Country**  
(as percentage of total B2C retail sales)





# Amazon Service

Strategic **long-term** relationship

**Supporting fast deliveries** for Amazon's customers

**20 B767-300** converted freighters

10-year **dry leases**, 7- to 10-year **CMI**



**18 Aircraft**  
**Currently in**  
**Service for**  
**Amazon**

Amazon granted **rights to acquire AAWW equity**

- Inherent value creation
- Aligns interests, strengthens long-term relationship

**Meaningfully accretive**

Agreement provides for **future growth opportunities**

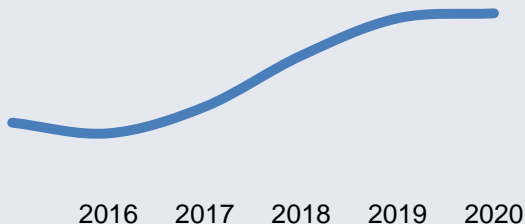


## Amazon Service – Financial Impact

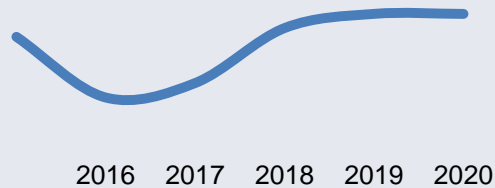
Adjusted Income from Continuing Operations and Cash Flow contributions to ramp up as aircraft enter service for Amazon

Net Leverage Ratio to increase initially, then decrease over time

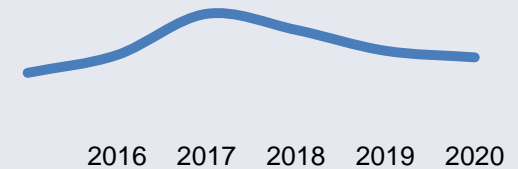
Estimated Amazon Service  
**Adjusted Income from Continuing  
Operations Accretion** Over Time



Estimated Amazon Service  
**Cash Flows** Over Time



Estimated Amazon Service **Net  
Leverage Ratio** Impact Over Time





## 767-300 Financing

Aircraft acquisitions funded with secured aircraft financing and cash generated from operations

Strength of cash flows enhanced financings:

- Positive initial reaction
- Multiple financing avenues
- High LTVs
- Low coupons

Before Thanksgiving 2018,  
20 B767-300 Converted Freighters





# AAWW – Executing Strategic Plan







# Our Fleet

**Total Fleet: 112\***

**Operating Fleet: 99**

**Dry Lease: 9**

**In Pipeline: 4**

## 747



### 51 Boeing 747s

- 10 747-8Fs
- 33 747-400Fs
- 4 747-400 Passenger
- 4 Boeing Large Cargo Freighters (LCFs)

## 767



### 42 Boeing 767/757s

- 35 767-200/300Fs
- 6 767-200/300 Passenger
- 1 757-200 Freighter Titan

## 777



### 12 Boeing 777s

- 2 A+CMI 777Fs
- 4 CMI 777Fs
- 6 Titan 777Fs

## 737



### 7 Boeing 737s

- 5 737-400Fs
- 1 737-300 Freighter Titan
- 1 737-800 Passenger Titan

**2018 Fleet Growth: 16 Aircraft**

+Nine 767s    +Six 747s    +One 777



# Capital Allocation Strategy

## Balance Sheet Maintenance

## Business Investment

## Share Repurchases

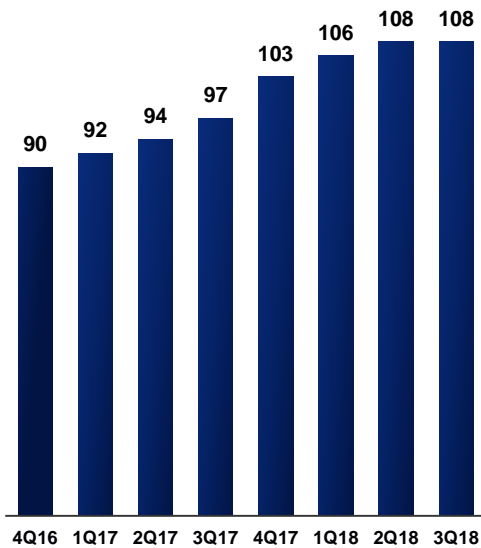
- Acquiring/converting 20 767-300s for Amazon
- Acquired Southern Air
- Refinanced high-cost 747-400 EETC debt and higher-cost 747-8F term loans
- Acquired 10<sup>th</sup> 747-8F
- Acquired two 777s and two 767s for Dry Leasing; also operating them in CMI
- Acquired 4<sup>th</sup> and 5<sup>th</sup> 767 for AMC passenger service
- Repurchased >10% of outstanding stock
- Focused on maintaining healthy cash position



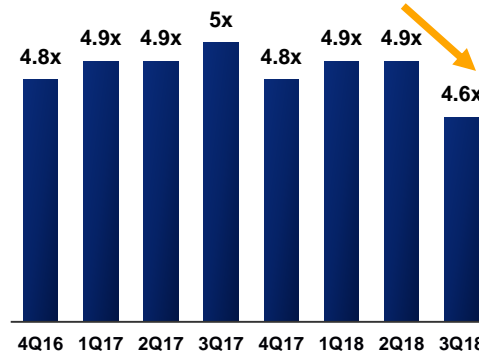


# Growing/Diversifying Fleet/Managing Leverage

## Number of Aircraft

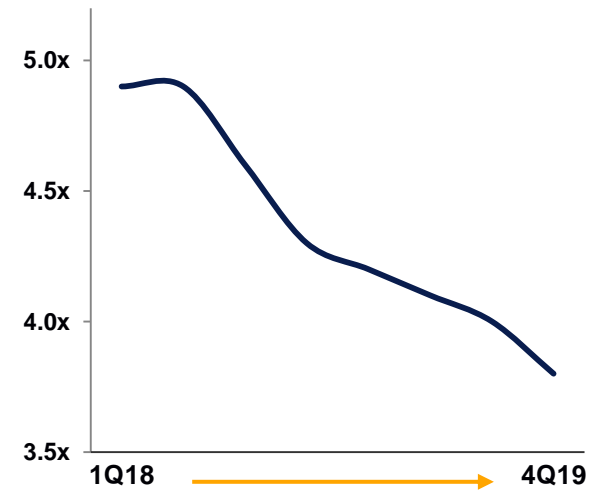


## Net Leverage Ratio\*



## Estimated Net Leverage Ratio

*Based on estimates of fleet growth, placement dates and financing plans*





# AAWW – Key Takeaways

**Global leader** in outsourced aviation

Era of **significant business growth and development**

Expect **sharply higher adjusted net earnings** in 2018

Focus on **express, e-Commerce, fast-growing markets**

**Opportunities to grow** with existing customers and with new ones

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Shaping a  
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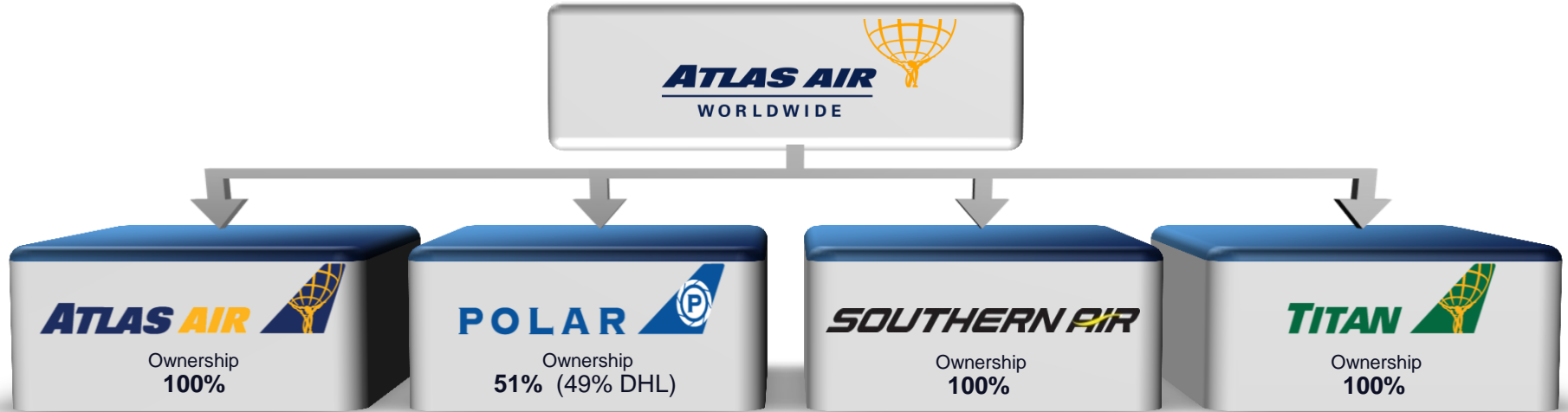
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# Appendix



# Atlas Air Worldwide



- We manage **diverse, complex and time-definite global networks**
- We **deliver superior performance and value-added solutions** across our business segments
- We manage a **world-class fleet** to service **multiple market segments**
- We are **strategically positioned in a strengthening market and focused** on new opportunities to **continue to deliver future growth**



# Diversified Customer Base

Long-term, profitable relationships

Resilient business model and predictable revenues

**Shippers**





**INDITEX**

... and Amazon

**Forwarders/Brokers**





**KUEHNE+NAGEL**



**Airlines**








**Express**





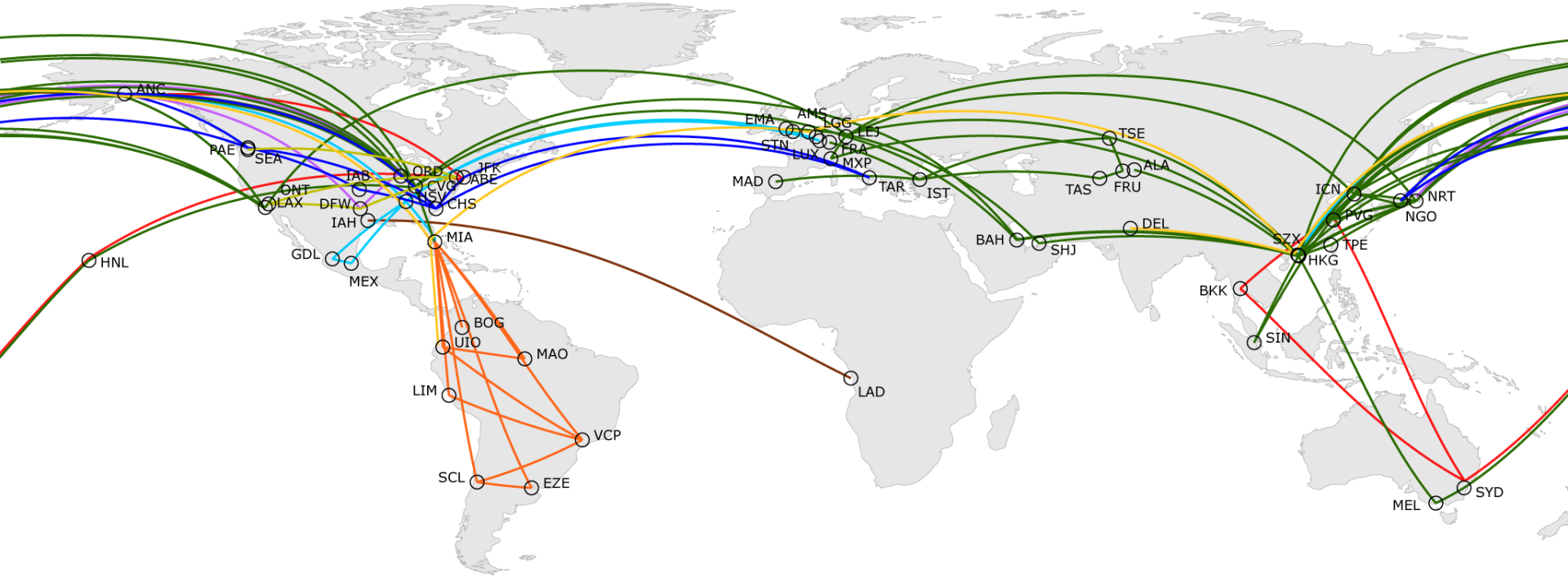


## Our Strengths

- **Diversified portfolio** of growth-oriented market leaders
- Covering the **entire air cargo supply chain**
- High degree of **customer integration**
- Focused on **continuous development and growth**
- **Long-term** contractual commitments



# Global Operating Network – 2017

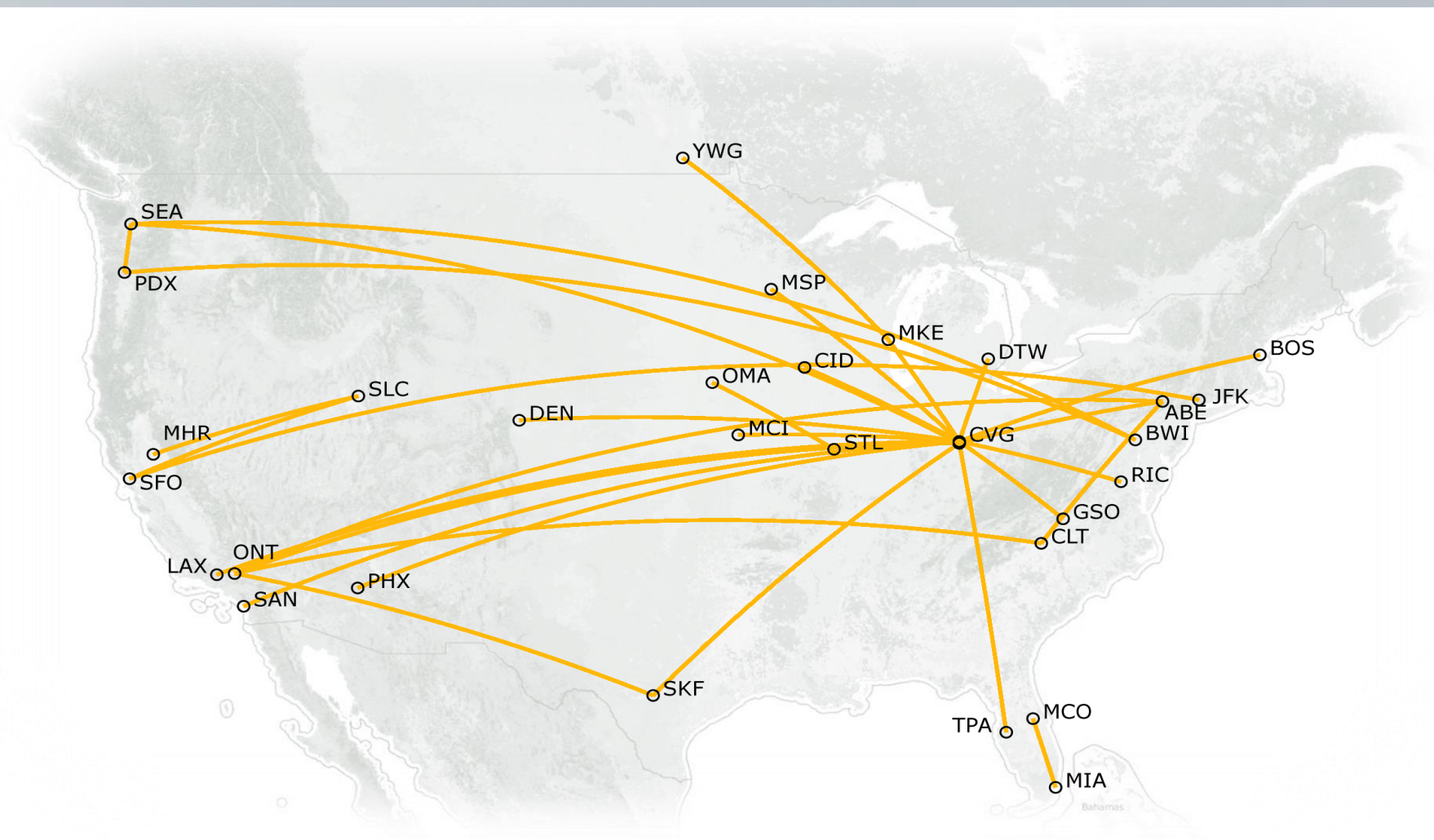


**252,802** Total Block Hours Operated in 2017  
**48,983** Flights  
**422** Airports in 103 Countries  
**790** Charters Completed  
**80+** Unique Customers



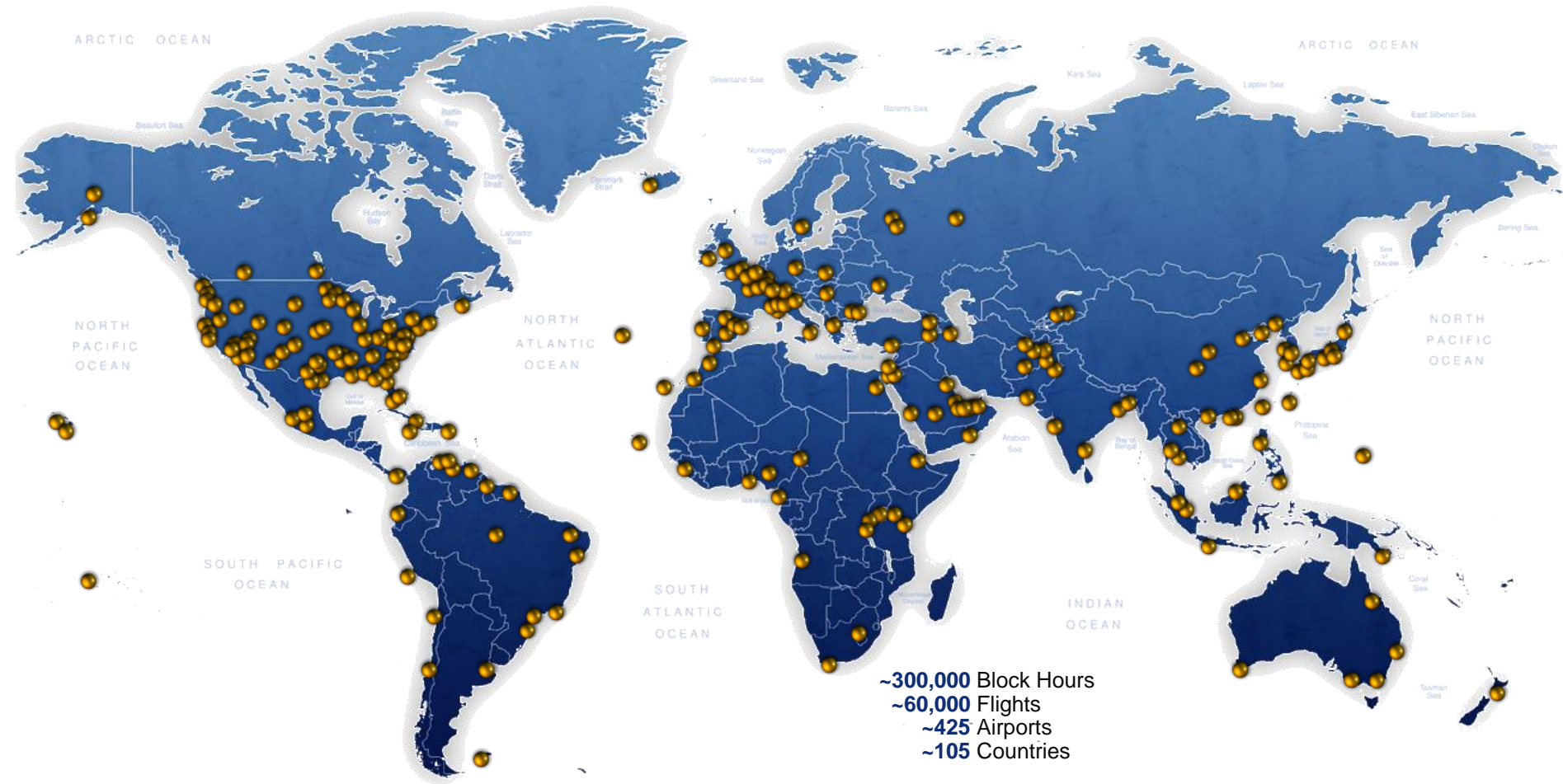


# North America Operating Network





# Global Presence – 2018



**~300,000** Block Hours  
**~60,000** Flights  
**~425** Airports  
**~105** Countries



# 9M18 Summary

Adjusted income from continuing ops\*  
**\$117.3 million, up 75%**

Income from continuing ops,  
**\$59.6 million, including**

**\$11.7 million noncash unrealized  
loss on outstanding warrants**

Benefited from...

<b>17%</b>	<b>25%</b>	<b>29%</b>
<b>increase</b>	<b>increase</b>	<b>increase</b>
in block hours	in revenue	in adj. EBITDA*

**Substantially higher  
total direct contribution**





# 2018 Objectives

- Deliver **superior service quality**
- Ensure **safe, secure, compliant operation**
- Achieve **earnings goals**
- Maximize **business opportunities**
- Implement full **Amazon** service
- Capitalize on **Southern Air** platform for growth
- Realize **continuous improvement**
- Maintain **solid balance sheet**





## 2018 Framework

### 4Q18

- **Expect Record**
  - Block Hours
  - Revenue
  - Adj. EBITDA
  - Adj. Net Income
- **New flying for Asiana Cargo, SF Express**
- **Two more 767s for Amazon**

### Revenue/Adj. EBITDA

- **Revenue >\$2.6 billion**
- **Adj. EBITDA >\$525 million**

### Adj. Net Income

- To grow **near or over 50%** compared with 2017

### Block Hours

- **~17% increase to ~297,000**
- ~75% of total in ACMI
- Balance in Charter

### Other 2018 Key Items

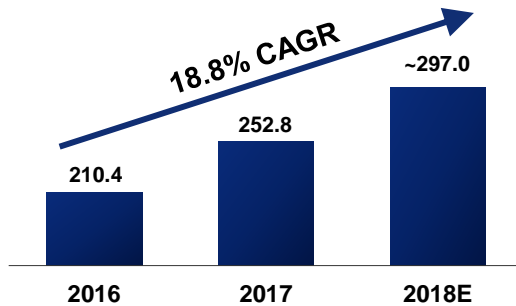
- **Maint Exp** ~\$335 million
- **Depr/Amort** ~\$215 million
- **Core Capex** ~\$105-115 million



# Financial and Operating Trends

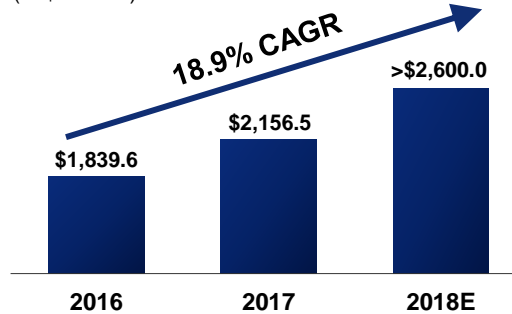
## Block Hours

(In Thousands)



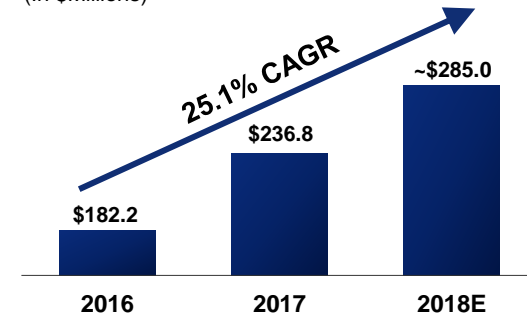
## Revenue

(In \$Millions)



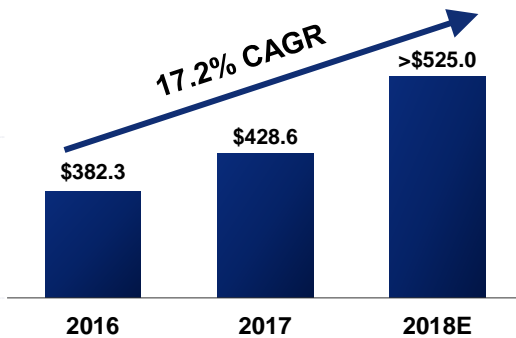
## Free Cash Flow\*

(In \$Millions)



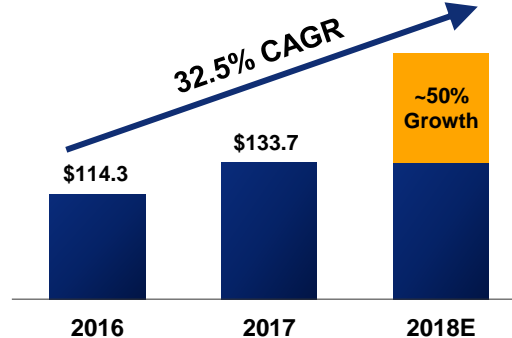
## Adj. EBITDA\*

(In \$Millions)



## Adj. Net Income\*

(In \$Millions)





# 2018 Maintenance Expense

(In \$Millions)

Totals

\$334

Heavy Maintenance

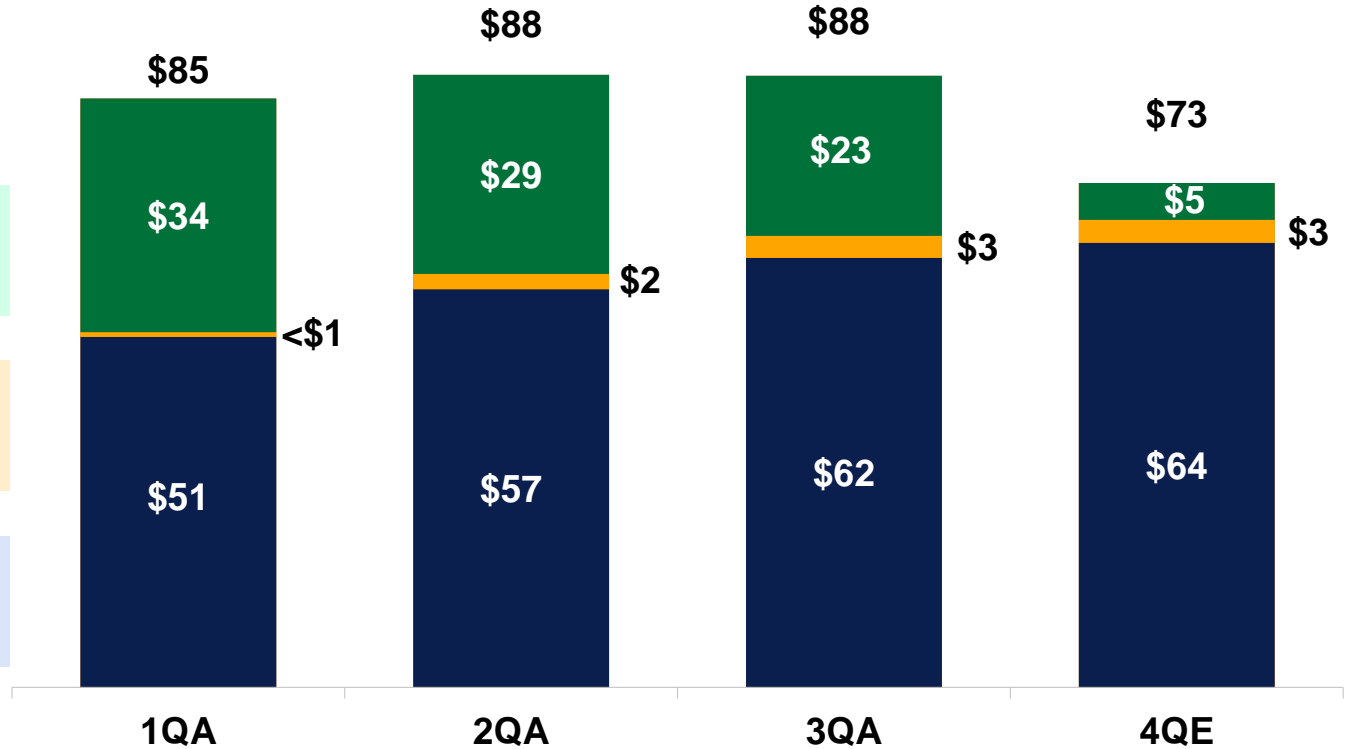
\$91

Non-Heavy Maintenance

\$9

Line Maintenance

\$234



- **Line maintenance** expense increases commensurate with additional block hour flying
- **Line maintenance** expense is approximately \$788 per block hour
- **Non-heavy maintenance** includes discrete events such as APU, thrust reverser, and landing gear overhauls



# Global Airfreight Drivers

## Market Size

Airfreight share:  
1.5-2.5% global  
volume, 35%  
global value

## Products

High-value,  
time-sensitive  
items; items with  
short shelf lives

## Strategic Choice

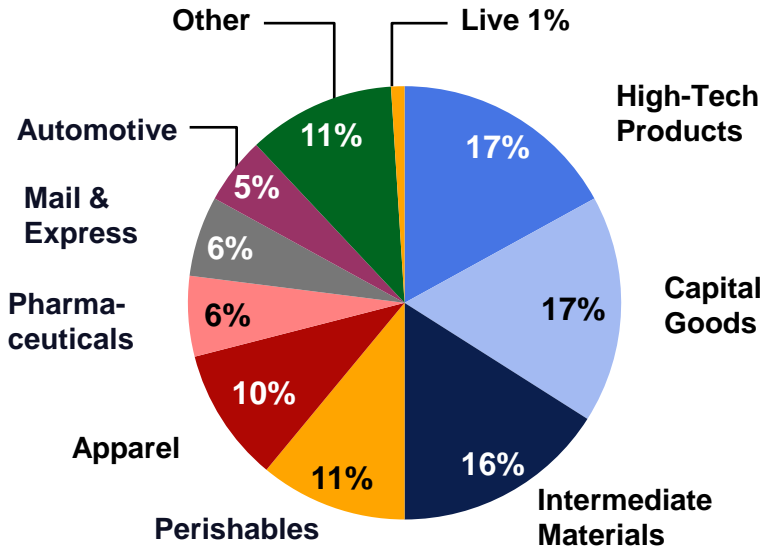
Products/supply  
chains with  
just-in-time delivery  
requirements

## Specialty Consideration

Products with  
significant security  
considerations

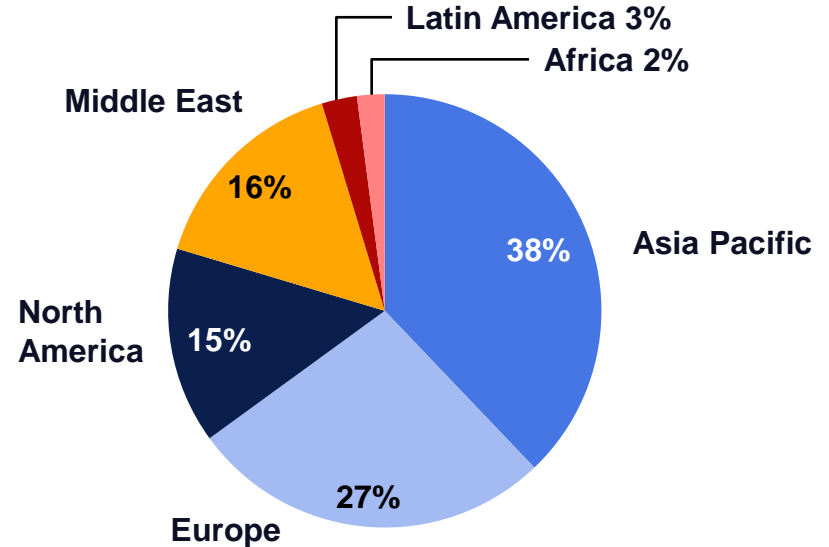
### By Sectors

Industry Sectors Served by AAWW Customers



### By Region

Percent of International Freight Tonne Kilometers (FTKs)







# Delivering a Strong Value Proposition

## Traditional Airfreight

- **Growing ~4%** through 2035
- Airfreight: **35% of the value** of world trade
- Airlines seeking **more efficient and flexible freighter solutions**

## Express

- Strong growth with **~7.5% CAGR**
- Segment fueled by **strong e-Commerce growth**
- Express carriers require **incremental and flexible asset solutions**

## e-Commerce

- Market **growing by >20%**
- Very **low penetration** globally
- Requires **dedicated freighter networks**

**Multiple...**  
*products*  
*markets*  
*fleet*

**Atlas Air**  
**positioned to**  
**deliver value**  
**and growth**



# Tailoring Airfreight Networks for e-Commerce

Customers require tailored solutions, and Atlas provides:

- Customized air networks supported by an unparalleled range of freighters
- Global scale to operate domestic, regional and international networks

We match each customer with the **right assets**, the **most efficient networks** and **value-adding solutions**

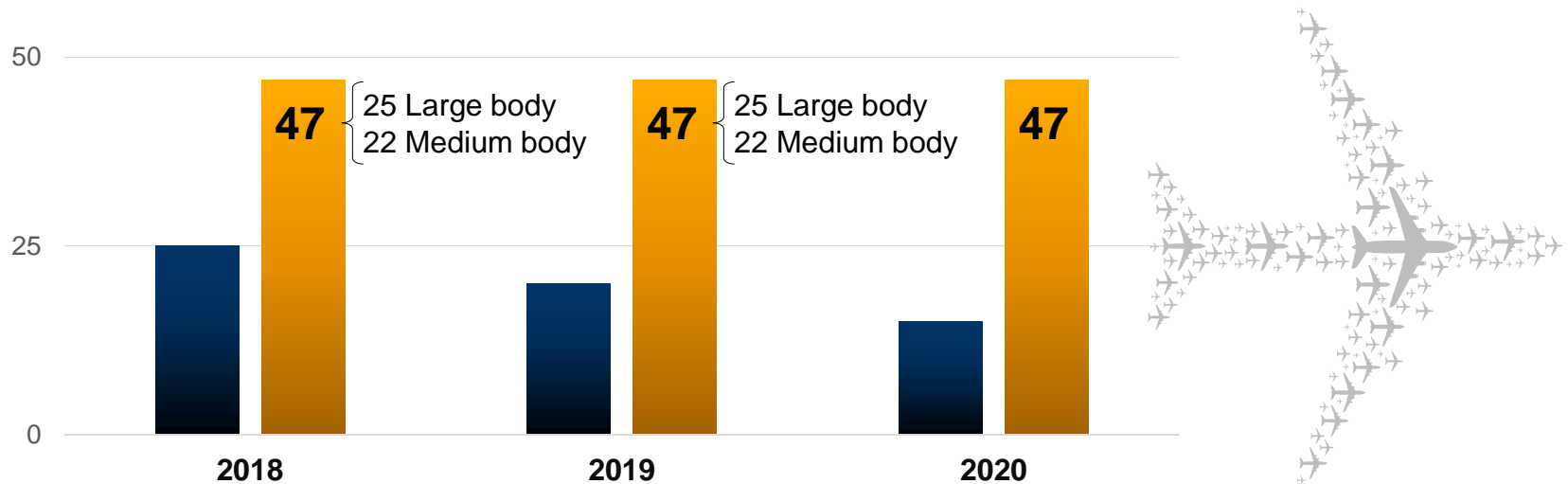




# Demand Exceeding Current Orders

- **Current Orders**
- **New Large Freighters Needed**  
(at ~4% growth)

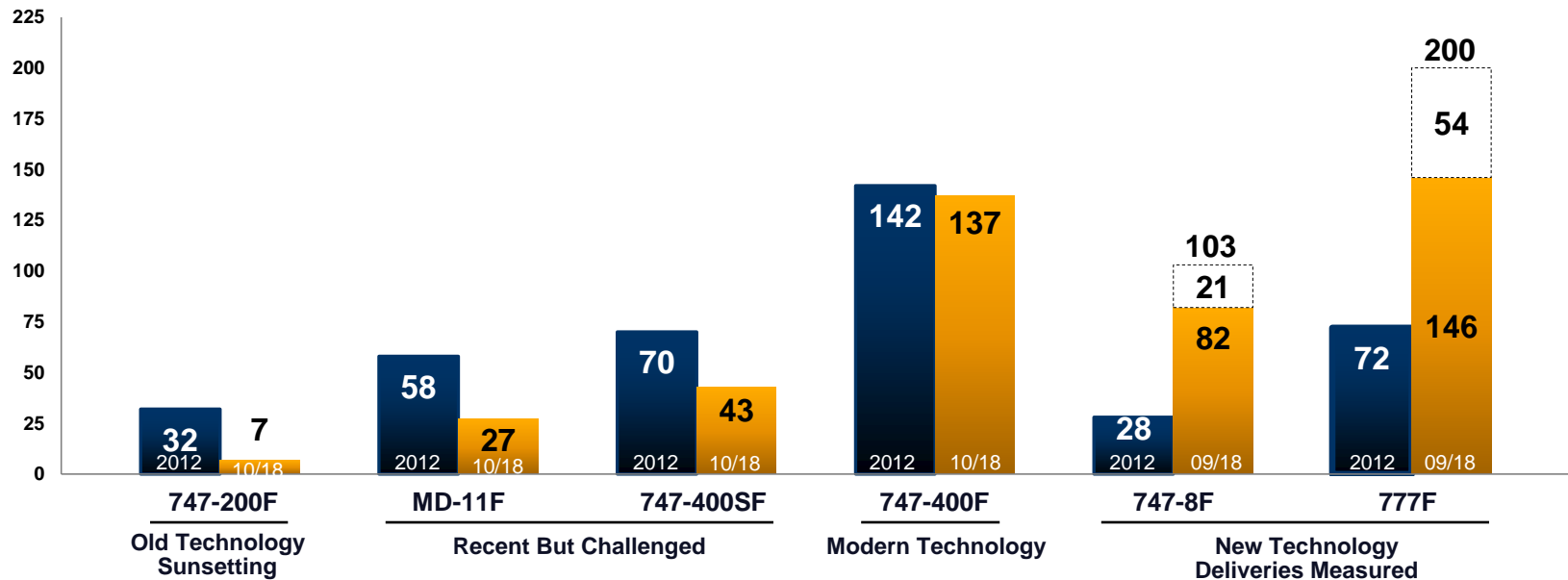
**980** new production freighters needed over next 19 years (2018 – 2037)





# Large Freighter Supply Trends

- Fleet expected to grow <1% annually; forecast long-term demand growth of ~4%
- Older technology is nearly gone
- MD-11F and 747-400 converted freighter fleets are shrinking
- Large wide-body freighters will continue to dominate the major trade lanes
- Belly capacity cannot displace freighters



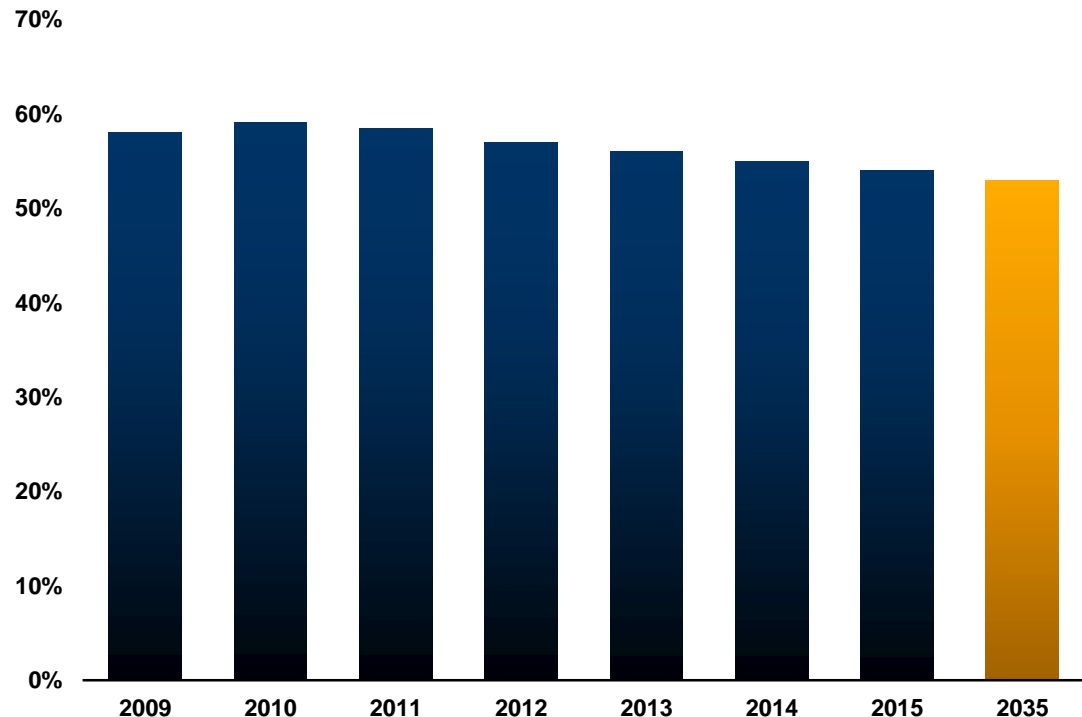


# Main Deck to Belly?

## Key Considerations

- 10% shift of Trans-Pac market from main deck to Pax belly requires 50 incremental aircraft
- Limitations on slot and route availability; not enough passenger demand; limited access to aircraft
- Global average capacity availability on a 777-300ER is 18-20 tonnes\*
- New Pax 787s fly point-to-point, e.g. London to Phoenix; good for passengers, not cargo

### Percentage of World RTKs Carried on Freighters





# A Strong Leader in a Vital Industry

## The Industry

Airfreight is **vital to global trade growth**

~**\$6.9 trillion** of goods airfreighted annually;  
~**35% of total world trade**

Higher-growth e-Commerce and express markets **demand dedicated freighter services**

High-value, time-sensitive inventories **demand airfreight-based supply chain**

Airfreight provides a **compelling value proposition**

## Atlas

**Modern, reliable, fuel-efficient fleet**

**Differentiated fleet solutions:**  
747, 777, 767, 757, 737

Strong portfolio of long-term customers **committed to further expansion**

Operating on **five continents**

Serving the **entire air cargo supply chain**

**Unique integrated value proposition**

High degree of **customer collaboration**

**Focused on innovation and thought leadership**





## *Our Vision*

**To be our customers'  
most trusted partner**

## *Our Mission*

**To leverage our core  
competencies and  
organizational capabilities**



# Reconciliation to Non-GAAP Measures

(In \$Millions)	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16
Face Value of Debt	\$ 2,674.2	\$ 2,644.1	\$ 2,416.6	\$ 2,378.8	\$ 2,259.8	\$ 2,307.2	\$ 2,068.1	\$ 1,943.4
Plus: Present Value of Operating Leases	656.4	684.2	709.7	656.6	681.9	661.0	678.6	749.9
<b>Total Debt</b>	<b>3,330.6</b>	<b>3,328.3</b>	<b>3,126.2</b>	<b>3,035.4</b>	<b>2,941.8</b>	<b>2,968.2</b>	<b>2,746.7</b>	<b>2,693.2</b>
Less: Cash and Equivalents	\$ 226.2	\$ 227.9	\$ 130.4	\$ 291.9	\$ 176.3	\$ 282.7	\$ 118.9	\$ 138.3
Less: EETC Asset	20.2	24.1	27.8	29.0	29.9	30.9	31.9	32.3
LTM EBITDAR	\$ 663.9	\$ 632.6	\$ 603.0	\$ 570.4	\$ 546.8	\$ 543.1	\$ 525.6	\$ 526.0
<b>Net Leverage Ratio</b>	<b>4.6x</b>	<b>4.9x</b>	<b>4.9x</b>	<b>4.8x</b>	<b>5.0x</b>	<b>4.9x</b>	<b>4.9x</b>	<b>4.8x</b>



Thank You

**ATLAS AIR**

WORLDWIDE

