

# AAWW Investor Slides

May 2019





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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 19 and May 1, 2019, which are posted on our website at [www.atlasairworldwide.com](http://www.atlasairworldwide.com).



# Shaping a Powerful Future

**Global leader** in outsourced aviation

Era of **significant business growth and development**

**Record volumes and earnings** expected in 2019

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





# Strong Financial and Operating Performance

In 2018, we continued to deliver record volumes, record revenue and robust earnings growth, reflecting key multiyear strategic initiatives that have transformed our company and created significant shareholder value

## Performance Highlights

### Strategic Initiatives

- ✓ Capitalizing on our **strong market position** and our focus on **express, e-commerce and fast-growing global markets**
- ✓ Our growth and development reflect **expansions with long-standing customers**, contributions and synergies from our **move into 777 and 737 operations** through Southern Air, and key **new customer agreements**

### Business Growth

- ✓ In 2018, placed and began operating **eight additional 767 aircraft for Amazon**
- ✓ Placed and began operating **20 Amazon aircraft** in line with schedule announced in 2016
- ✓ Acquired **two 777 freighters** and added **five leased 747 freighters** to meet increased customer demand

### 2018 Financial Highlights

**Volumes** increased 17% to 296,264 block hours

↑ 17%

**Revenue** grew 24% to \$2.7 billion

↑ 24%

**Adjusted EBITDA\*** rose 26% to \$540.6 million

↑ 26%

**Adjusted income from continuing operations, net of taxes\*** grew 53% to \$204.3 million, or \$7.27 per diluted share

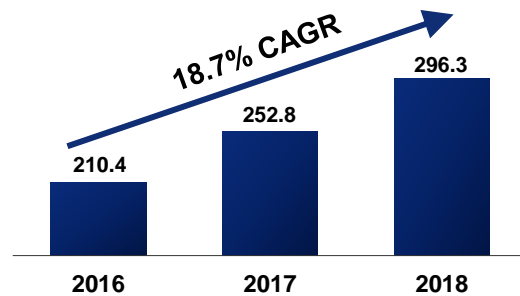
↑ 53%



# Financial and Operating Trends

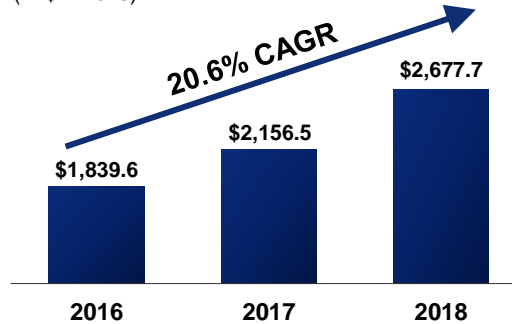
## Block Hours

(In Thousands)



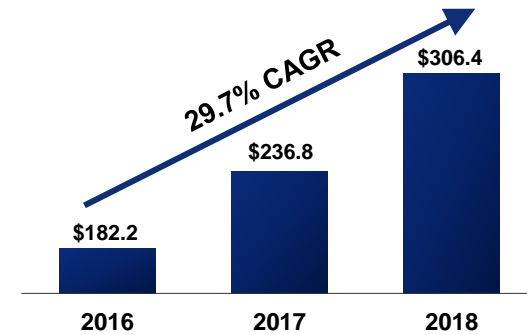
## Revenue

(In \$Millions)



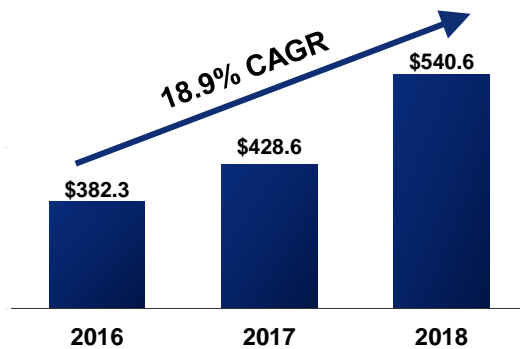
## Free Cash Flow\*

(In \$Millions)



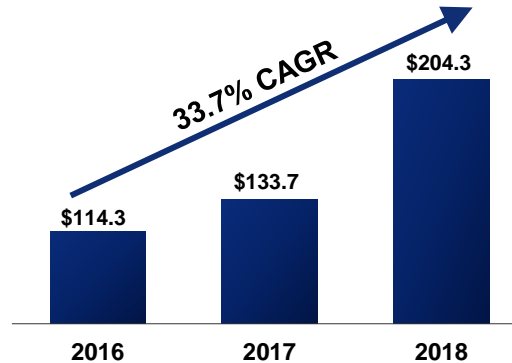
## Adj. EBITDA\*

(In \$Millions)



## Adj. Net Income\*

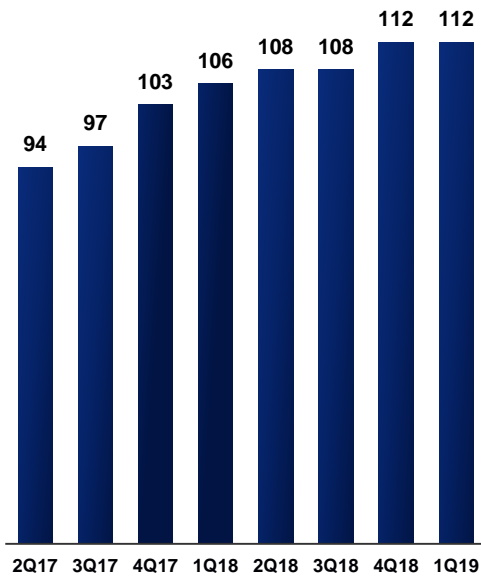
(In \$Millions)



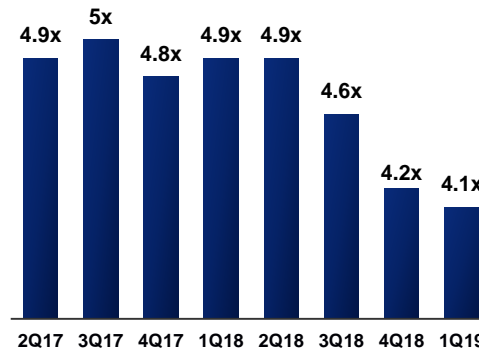


# Growing/Diversifying Fleet/Managing Leverage

## Number of Aircraft

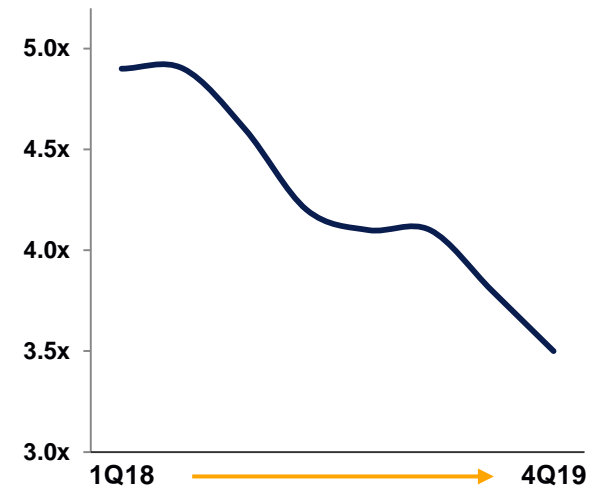


## Net Leverage Ratio\*



## Estimated Net Leverage Ratio

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





# Business Developments

## ACMI/CMI

**Strong record of placements and expanded service** for existing customers

Several **new customers** added:  
e.g., Asiana, Inditex, NCA, DGF, SFE

**Leasing & Charter Operator of the Year** (4<sup>th</sup> consecutive year)

Placed and began operating **20 767-300Fs for Amazon**

Scheduled to begin operating **Five 737-800Fs for Amazon in 2019**

Significant additional **placements with express operators:**  
DHL, FedEx and UPS

ASIANA CARGO 



INDITEX







# Business Developments

## Charter

World's leading 747 charter operator

High-profile sports, racing, entertainment charters: NFL, FC Barcelona, Manchester United, Formula One, Taylor Swift and more

Expanded our network as the leading operator in South America market

Largest provider of cargo and passenger charters to U.S. military



## Dry Leasing

World's 3<sup>rd</sup> largest freighter lessor by value

Added/converted 22 767-300s; acquired two additional 777-200Fs

AeroLogic

amazon

中国邮政航空公司  
China Postal Airlines

DHL

FedEx



# Diversified Customer Base

Long-term, profitable relationships

## Shippers

amazon

BOEING



INDITEX

## Forwarders

AIR CHARTER SERVICE



DB SCHENKER

KUEHNE+NAGEL

PANALPINA  
on 6 continents

## Airlines

AeroLogic

ASIANA CARGO

NCA  
Nippon Cargo Airlines



QANTAS FREIGHT

CATHAY PACIFIC  
CARGO

## Express



中国邮政航空公司  
China Postal Airlines

(SF) EXPRESS  
顺丰速运

FedEx  
Express



## Sports Charters



## 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



# Our Fleet

**Total Fleet: 121\***    **Operating Fleet: 103**    **Dry Lease: 9**    **In Pipeline: 9\***

## 747



### 54 Boeing 747s

- 10 747-8Fs
- 36 747-400Fs\*
- 4 747-400 Passenger
- 4 Boeing Large Cargo Freighters (LCFs)

## 767



### 43 Boeing 767/757s

- 36 767-200/300Fs\*
- 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



### 12 Boeing 737s

- 10 737-400/800Fs\*
- 1 737-300 Freighter Titan
- 1 737-800 Passenger Titan

**2018 Fleet Growth: 16 Aircraft**

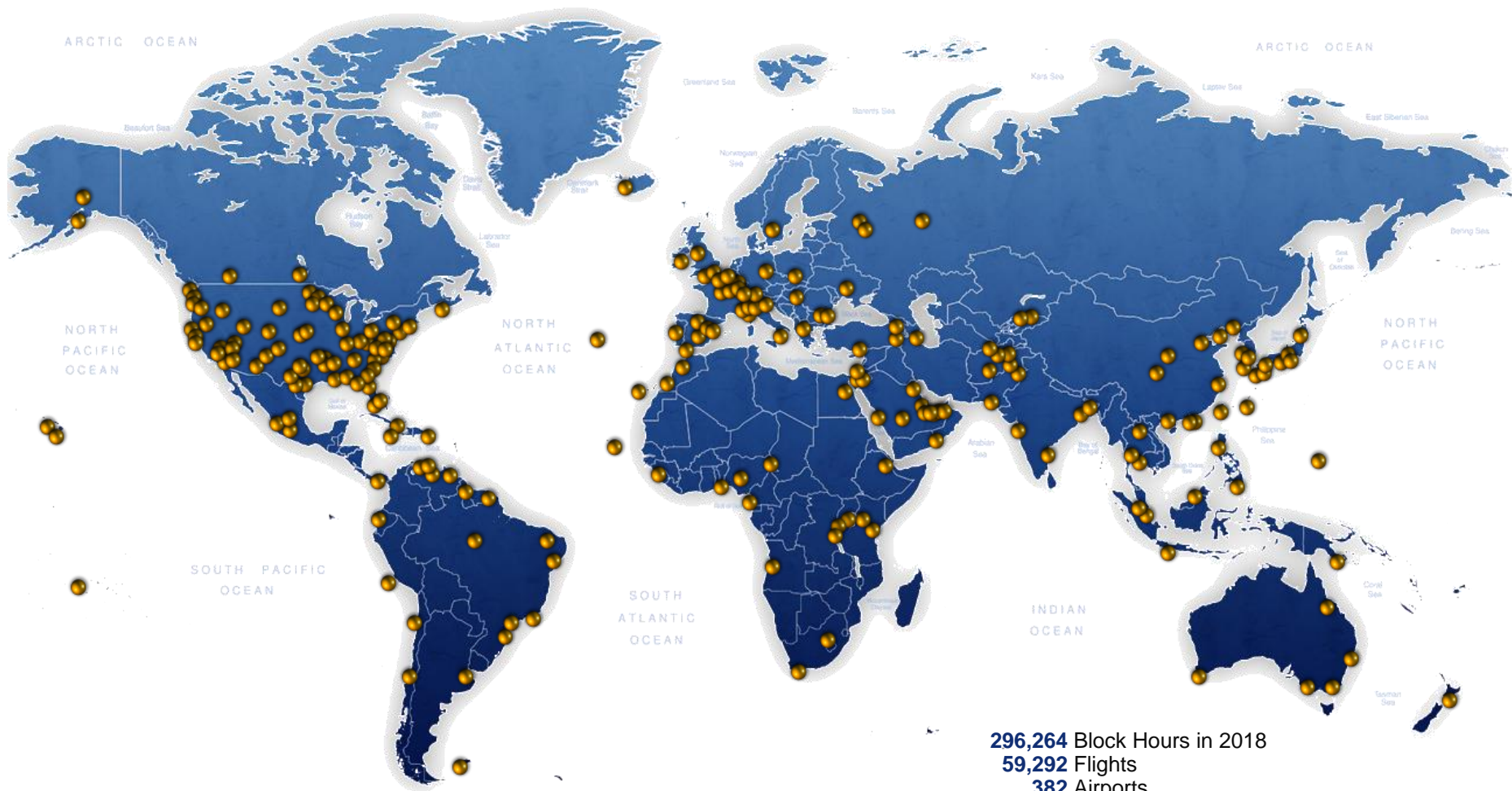
+Nine 767s    +Six 747s    +One 777



\*112 aircraft at March 31, 2019; pipeline includes three 747-400Fs, one 767-300F and five 737-800Fs to be added in 2019



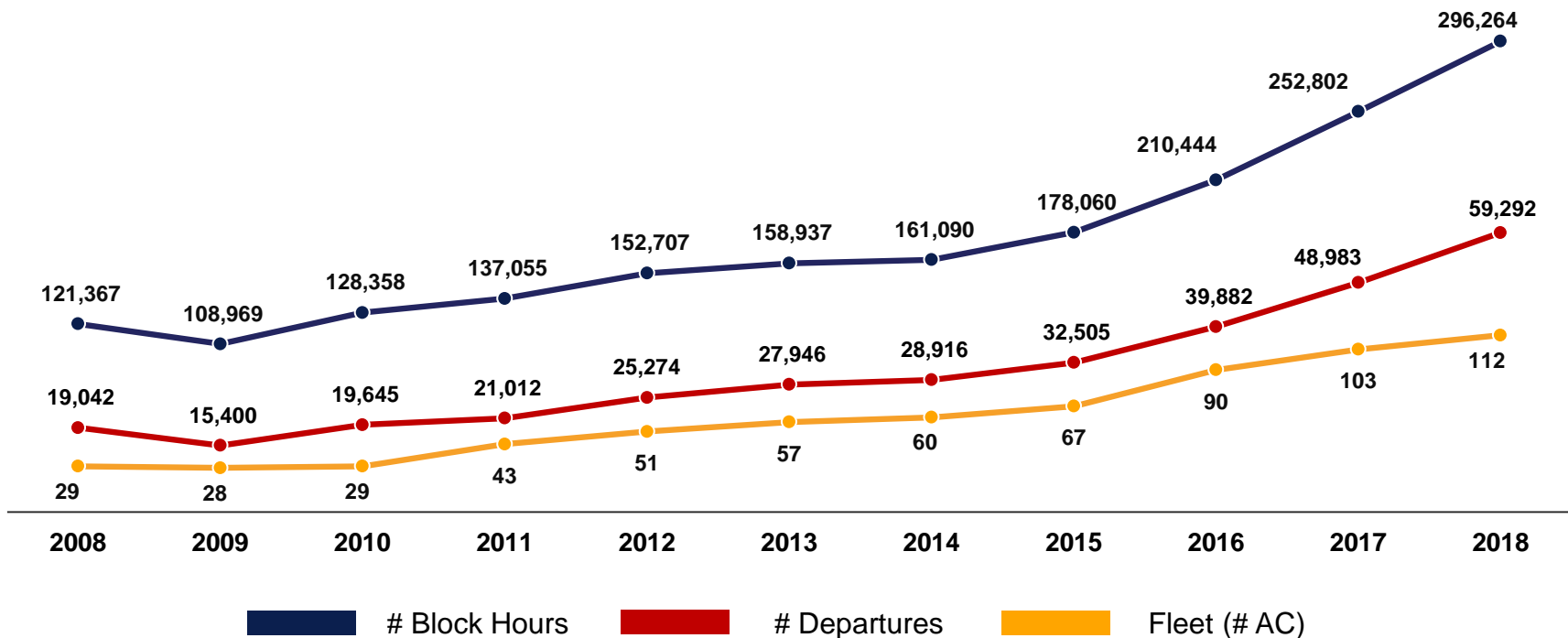
# Global Presence



**296,264** Block Hours in 2018  
**59,292** Flights  
**382** Airports  
**89** Countries



# Growth by Year



## Since 2008...

- +83 aircraft
- +66 airports
- +1,847 employees
- +1,081 pilots
- +\$1.1 billion of revenue
- \$3.1 billion invested in aircraft purchases



# Executing Strategic Plan





# Capital Allocation Strategy

## Balance Sheet Maintenance

## Business Investment

## Share Repurchases

- Acquired/converted 23 767-300s
- Acquired 10<sup>th</sup> 747-8F
- Acquired two 777s and two 767s for Dry Leasing; also operating them in CMI
- Acquired two VIP-configured 747s for Charter passenger service
- Acquired 4<sup>th</sup> and 5<sup>th</sup> 767 for AMC passenger service
- Refinanced high-cost 747-400 EETC debt and higher-cost 747-8F term loans
- Repurchased >10% of outstanding stock
- Focused on maintaining healthy cash position





# In 2018



## Amazon

Added 8 aircraft



## Holiday Flowers

Total Flights: 145

Weight: 26 million lbs

Block Hours: 554



## Awards

Commercial Bank Financing of the Year  
ISHKA

Innovative Financing of the Year  
Airfinance Journal

Governance Team of the Year  
Corporate Secretary

Best Legal Department  
New York Law Journal



## Atlas "On Tour"

Ozzy Osbourne	Depeche Mode
Taylor Swift	Pearl Jam
Britney Spears	Lollapalooza
Katy Perry	Bruno Mars



## On the Road Again

Formula One  
Moto GP  
Parade Floats



## Touchdown!



## Social Responsibility

Champion Award  
Junior Achievement of New York







# 1Q19 Summary

Adjusted income from continuing ops\*  
**\$27.3 million, up 15%**

Reported loss from continuing ops,  
**\$29.7 million**, including

**\$46.6 million noncash unrealized  
loss on outstanding warrants**

Benefited from...

<b>16%</b>	<b>15%</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**





# 2019 Objectives

- Deliver **superior service quality**
- Committed to **safe, secure, compliant operation**
- Achieve **earnings goals**
- Maximize **business opportunities**
- Capitalize on 2018 **fleet growth**
- Realize **continuous improvement**
- Maintain **solid balance sheet**



**Continued Growth and Innovation**



## 2019 Framework

### 2Q19

- **Block Hours**  
~80,000
- **Revenue**  
~\$710 million
- **Adj. EBITDA**  
~\$105 million
- **Adj. Net Income**  
Will represent slightly more than a mid-single-digit percentage of FY19 adj. net income

### Revenue/Adj. EBITDA

- **Revenue ~\$3.0 billion**
- **Adj. EBITDA ~\$600 million**

### Adj. Net Income

- To grow by a **mid- to upper-single-digit percentage** compared with 2018

### Block Hours

- **~340,000**
- Over 75% of total in ACMI
- Balance in Charter

### Other 2019 Key Items

- **Maint Exp** ~\$420 million
- **Depr/Amort** ~\$260 million
- **Core Capex** ~\$135-145 million

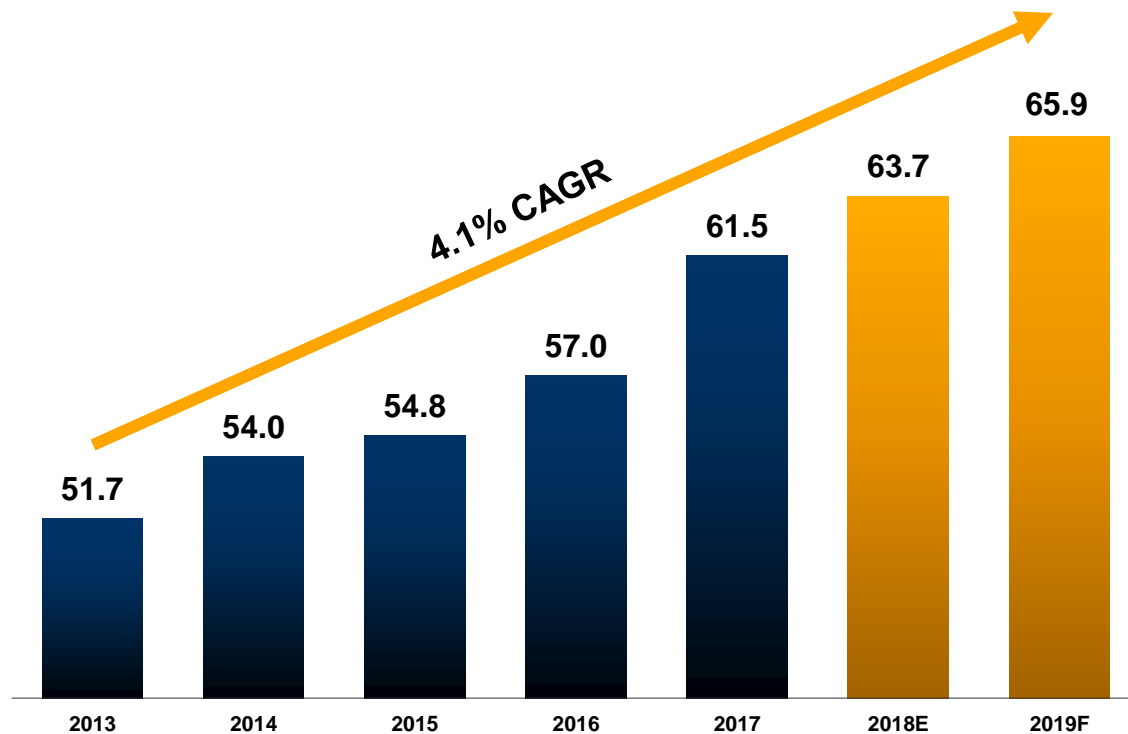


# International Global Airfreight – Annual Growth

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

IATA – International freight tonne kilometers (FTKs) flown **up 3.6% in 2018**

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



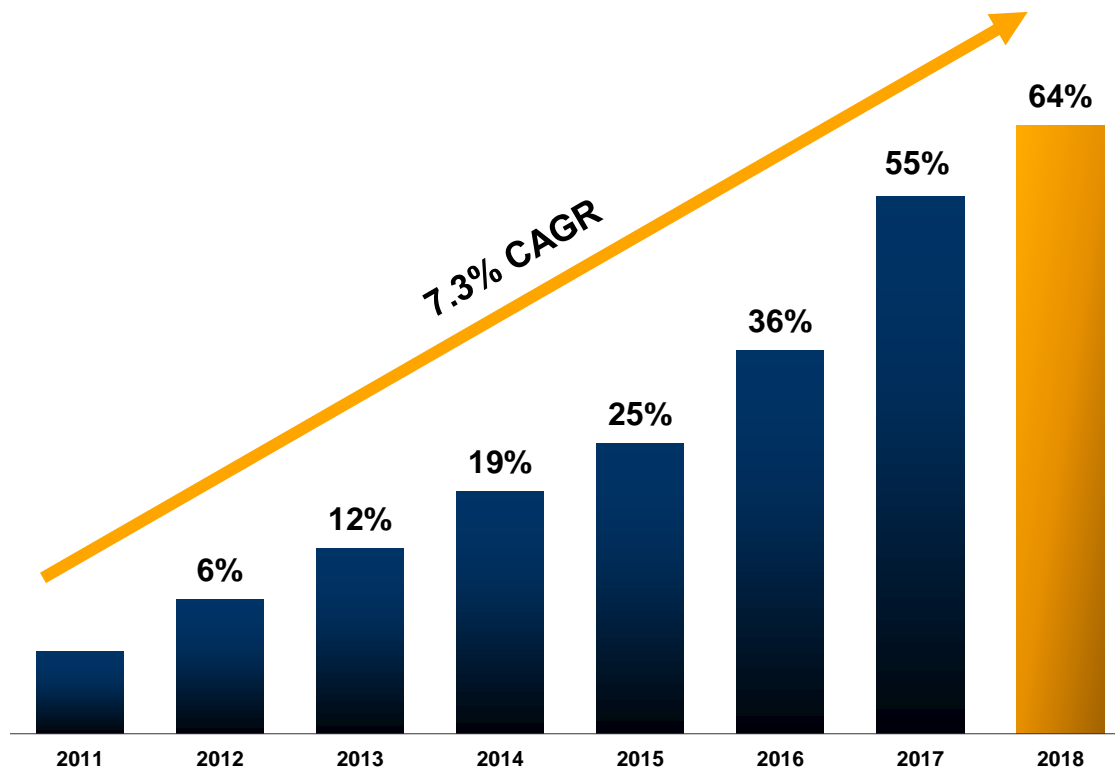


# The Key Underlying Express Market Is Growing

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

**7.3% CAGR** since 2011, well above the pace of general airfreight

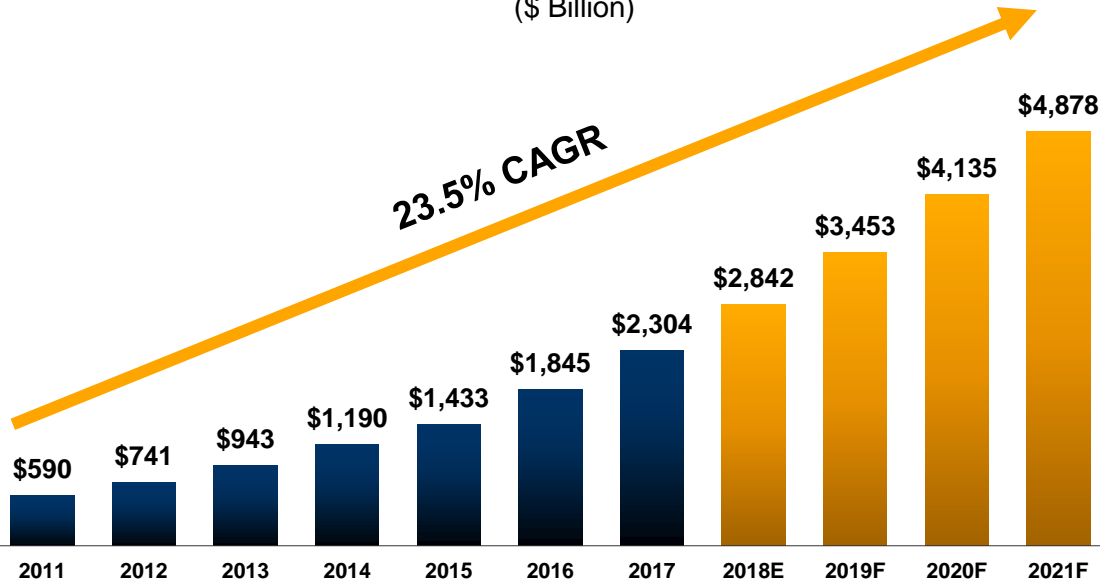
**International Express Market – DHL, FedEx and UPS**  
*Change in Package Volume (Base year 2011 - 100%)*



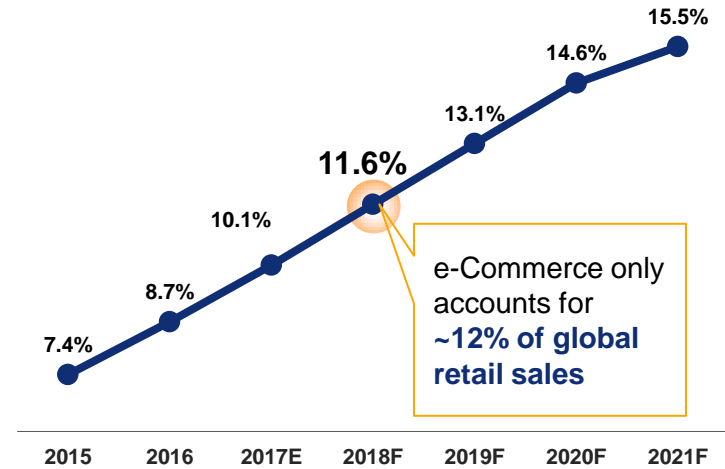


# e-Commerce Growth

**Global e-Commerce Sales**  
(\$ Billion)



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



e-Commerce only accounts for ~12% of global retail sales

**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

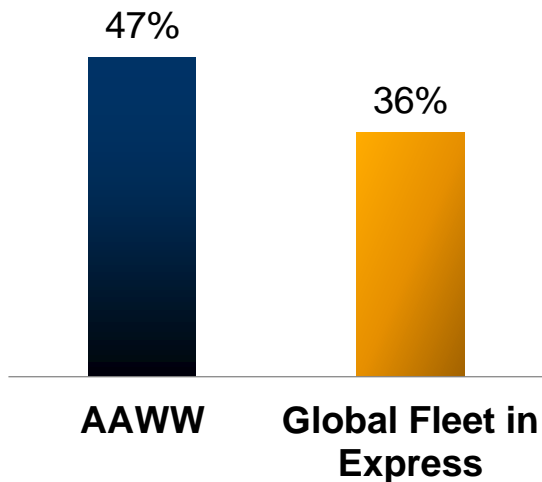




# Fleet Aligned with Express and e-Commerce

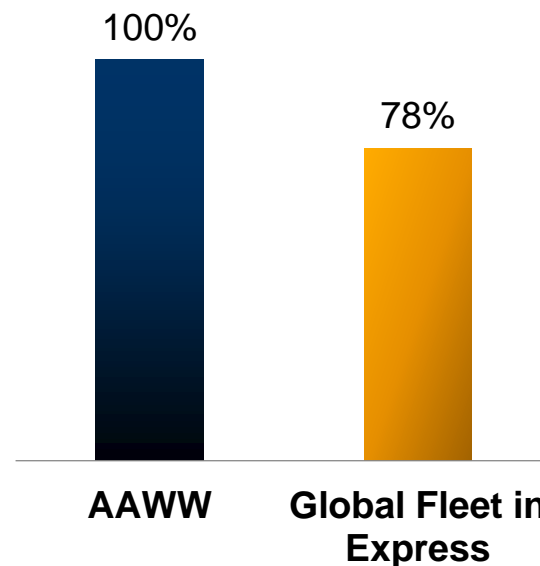
Atlas Fleet  
in Express/  
e-Commerce  
Compared with  
Global Fleet

## 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)



# Amazon Service

**20 B767-300**  
converted freighters

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

**Five 737-800BCFs** in 2019;  
**Up to 20** by May 2021

7- to 10-year **CMI**



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



Strategic **long-term** relationship

Amazon granted **rights to  
acquire AAWW equity**

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

Agreements provide for  
**future growth opportunities**



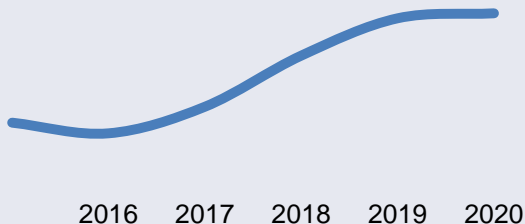


## Amazon 767 Service – Financial Impact

Adjusted Income from Continuing Operations and Cash Flow contributions reflect ramp up to 20 767 aircraft for Amazon

Net Leverage Ratio increased initially, expected to decrease over time

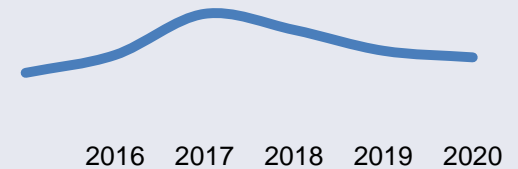
Estimated Amazon Service  
**Adjusted Income from Continuing  
Operations Accretion** Over Time



Estimated Amazon Service  
**Cash Flows** Over Time



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





# A Strong Leader in a Vital Industry

## The Industry

Airfreight is **vital to global trade growth**

~**\$7.0 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**



# 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**



## *Our Vision*

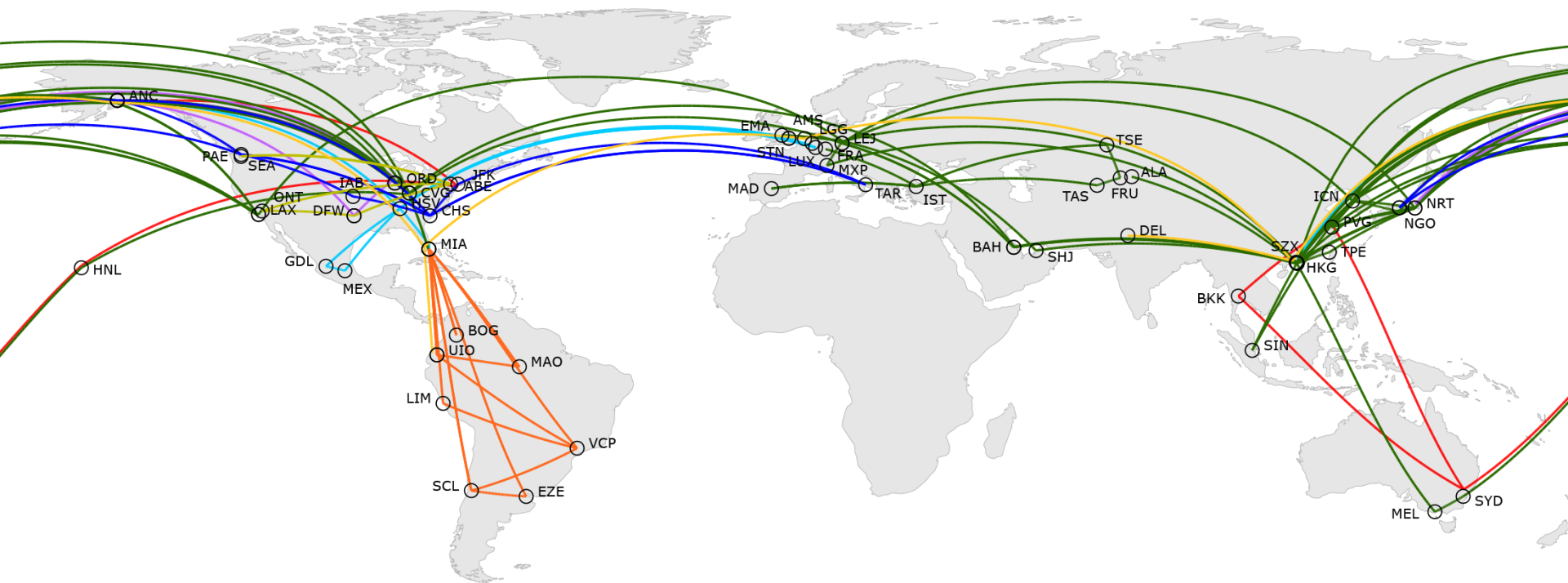
**To be our customers'  
most trusted partner**

## *Our Mission*

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



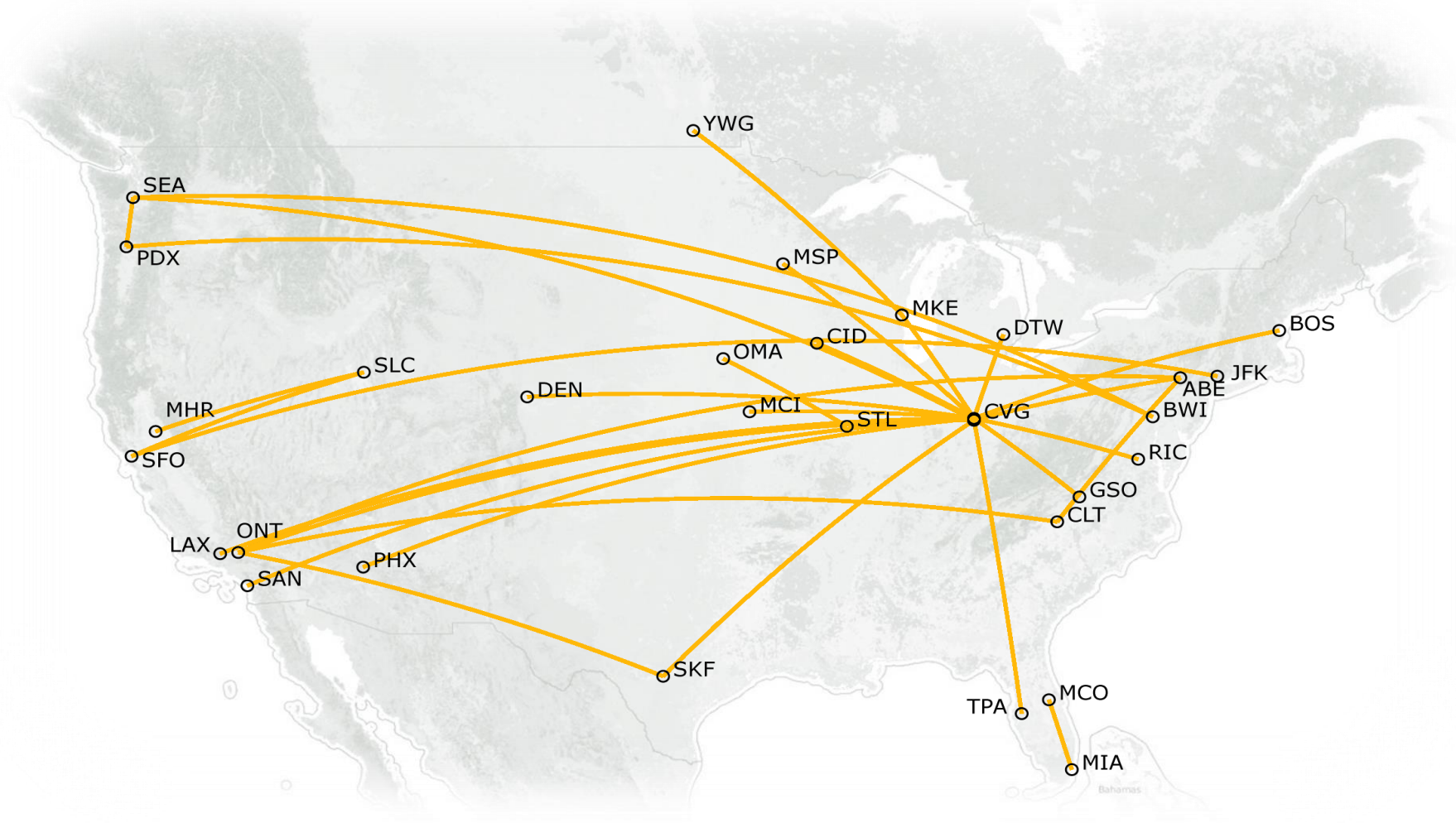
# Global Operating Network



**296,264** Block Hours in 2018  
**59,292** Flights  
**382** Airports  
**89** Countries



# North America Operating Network





# 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

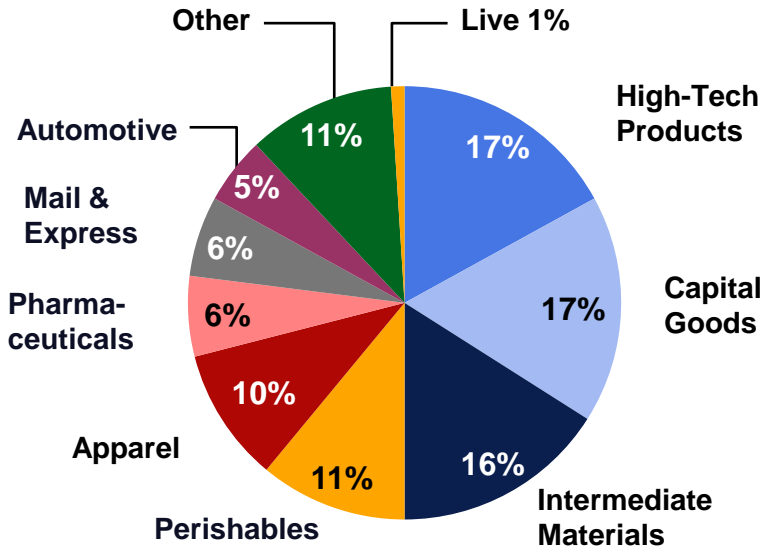
Products/supply  
chains with  
just-in-time delivery  
requirements

## Specialty Consideration

Products with  
significant security  
considerations

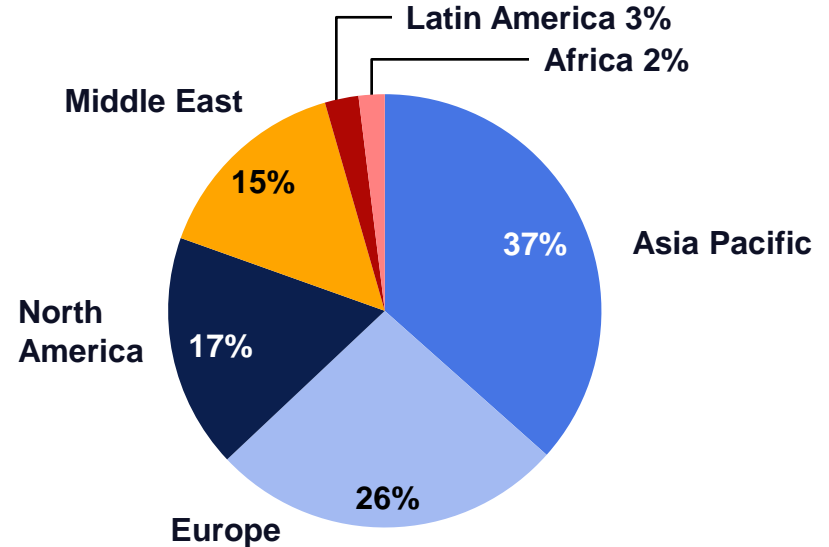
### By Sectors

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 **~7.3% 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**

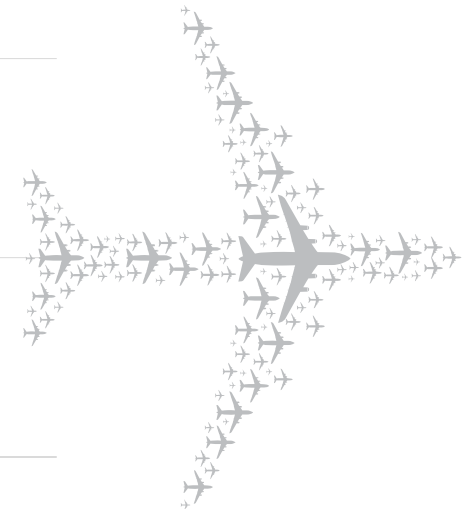
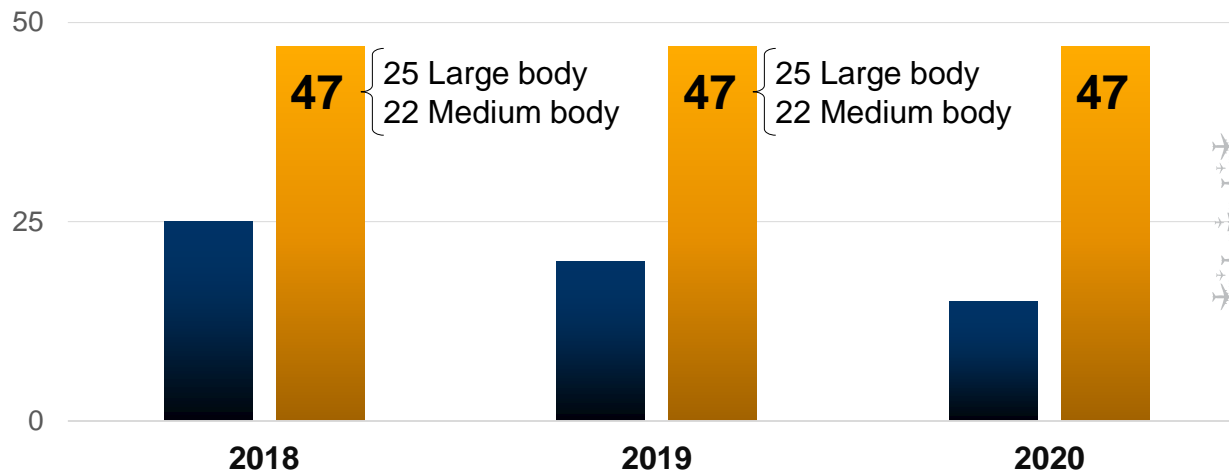




# Demand Exceeding Current Orders

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

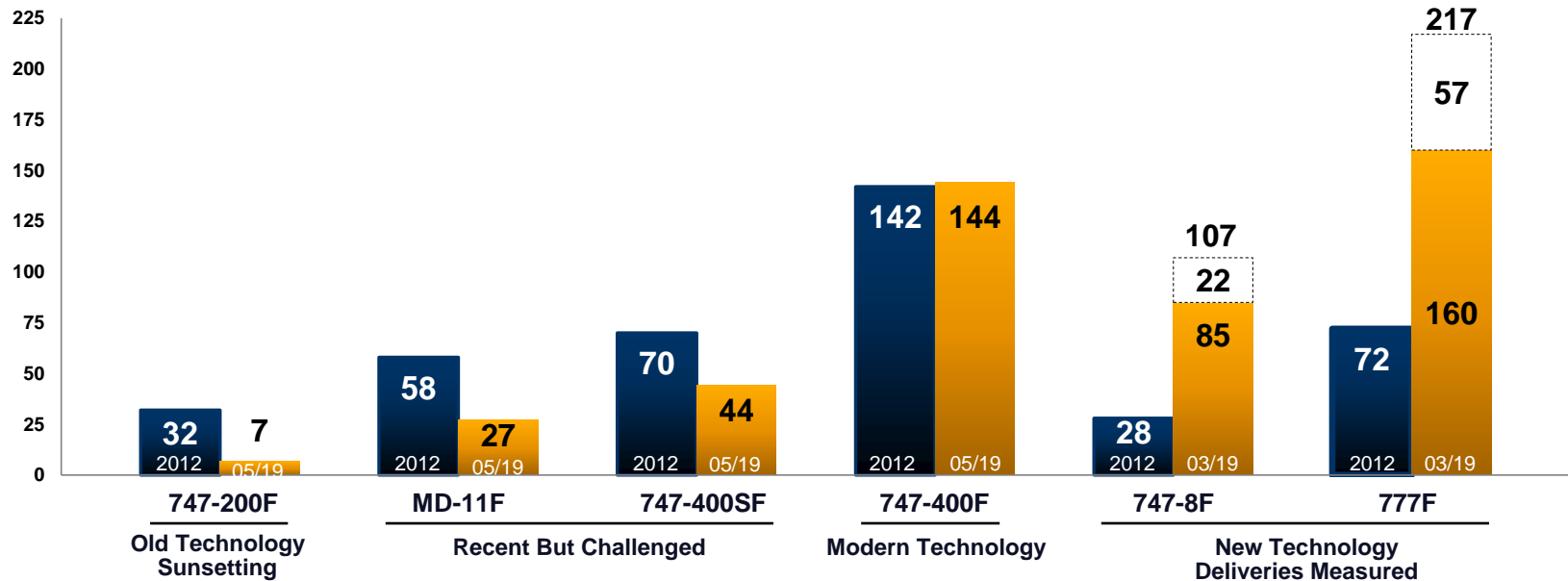
**980** new production freighters needed over next 19 years (2018 – 2037)





# 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



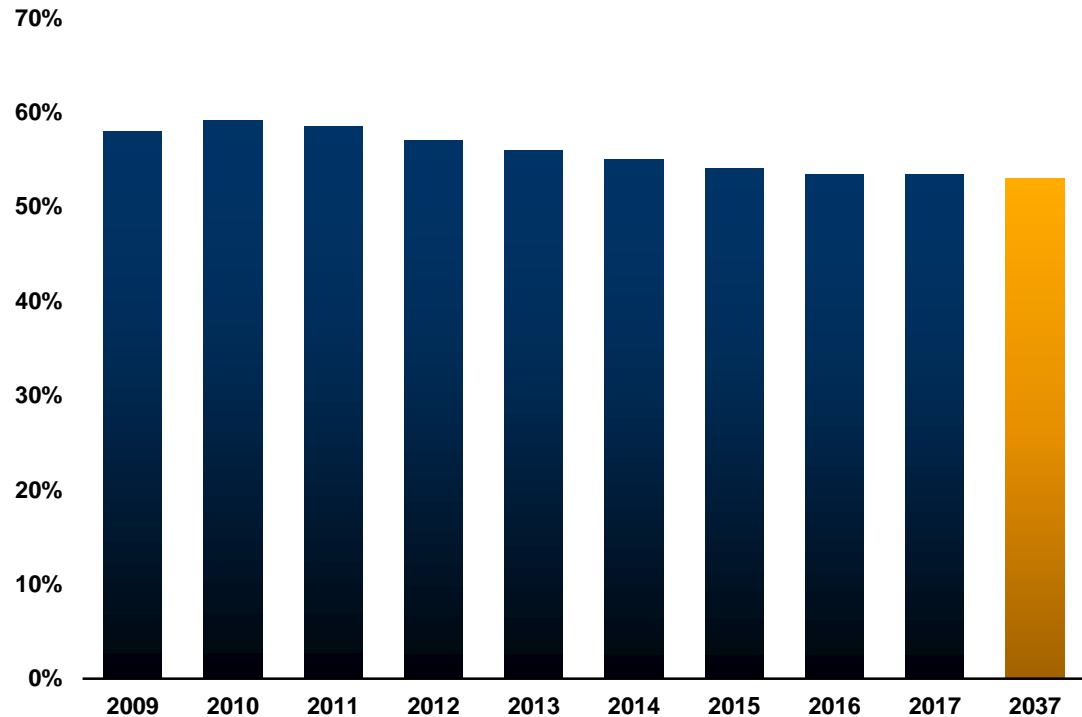


# Main Deck to Belly?

## 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



**Dedicated freighters will continue to carry more than half of air cargo traffic**



# 2019 Maintenance Expense

(In \$Millions)

Totals

\$416

\$104

\$117

\$101

\$94

Heavy  
Maintenance

\$114

\$33

\$42

\$25

\$14

Non-Heavy  
Maintenance

\$18

\$6

\$6

\$3

\$3

Line  
Maintenance

\$284

\$65

\$69

\$73

\$77

1QA

2QE

3QE

4QE

- **Line maintenance** expense increases commensurate with additional block hour flying
- **Line maintenance** expense is approximately \$820 per block hour
- **Non-heavy maintenance** includes discrete events such as APU, thrust-reverser, and landing-gear overhauls



# Reconciliation to Non-GAAP Measures

(In \$Millions)	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Face Value of Debt	\$ 2,307.2	\$ 2,259.8	\$ 2,378.8	\$ 2,416.6	\$ 2,644.1	\$ 2,674.2	\$ 2,601.3	\$ 2,530.4
Plus: Present Value of Operating Leases	661.0	681.9	656.6	709.7	684.2	656.4	626.0	621.8
Total Debt	\$ 2,968.2	\$ 2,941.8	\$ 3,035.4	\$ 3,126.2	\$ 3,328.3	\$ 3,330.6	\$ 3,227.3	\$ 3,152.2
Less: Cash and Equivalents	\$ 282.7	\$ 176.3	\$ 291.9	\$ 130.4	\$ 227.9	\$ 226.2	\$ 232.7	\$ 164.5
Less: EETC Asset	30.9	29.9	29.0	27.8	24.1	20.2	16.3	11.4
LTM EBITDAR	\$ 543.1	\$ 546.8	\$ 570.4	\$ 603.0	\$ 632.6	\$ 663.9	\$ 701.2	\$ 730.8
<b>Net Leverage Ratio</b>	<b>4.9x</b>	<b>5.0x</b>	<b>4.8x</b>	<b>4.9x</b>	<b>4.9x</b>	<b>4.6x</b>	<b>4.2x</b>	<b>4.1x</b>

Present Value of Operating Leases: As of January 1, 2019, operating leases are recognized on the consolidated balance sheet.

EBITDAR: Earnings before interest, taxes, depreciation, amortization, aircraft rent expense, U.S. Tax Cuts and Jobs Act special bonus, noncash interest expenses and income, net, gain on disposal of aircraft, special charge, costs associated with transactions, accrual for legal matters and professional fees, charges associated with refinancing debt, and unrealized loss (gain) on financial instruments, as applicable

Thank You

**ATLAS AIR**

WORLDWIDE

