



# Quarterly Review 4Q 2019

February 20, 2020

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*SOUTHERN AIR*



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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 our earnings release dated February 20, 2020, which is posted at [www.atlasairworldwide.com](http://www.atlasairworldwide.com).



# Key Takeaways

**AIRFREIGHT IS A LONG-TERM GROWTH INDUSTRY**  
and a critical part of the global supply chain

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**ATLAS IS WELL-POSITIONED**  
with a diversified portfolio of aircraft and marquee customers

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**ADJUSTING OUR BUSINESS**  
to manage costs and best align resources with strategic priorities

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**FOCUSED ON GROWTH CUSTOMERS**  
and opportunities that generate the best returns

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**ANTICIPATE IMPROVED FINANCIAL PERFORMANCE**  
over 2019





# 4Q19 Highlights

## RESULTS REFLECTED:

- Peak-season pickup in customer demand and improved yields
  - Atlas team delivered high-quality service customers appreciate
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## BENEFITED FROM:

- Refund of excess aircraft rent paid
  - Lower heavy maintenance expense
  - Lower aircraft rent and depreciation
  - Increased military passenger and cargo flying
  - Peak-season flying for express customers
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## IMPACTED BY GLOBAL AIRFREIGHT AND MACROECONOMIC CONDITIONS, INCLUDING:

- Tariffs and global trade tensions
- Geopolitical unrest in South America



# Our Future

## WHERE WE ARE TODAY

Safety, security and compliance

Strong core of long-term, marquee customers

Key role in customers' networks

Modern, diversified fleet

Disciplined capital allocation strategy

Dedicated team of talented employees

## SHAPING OUR FUTURE

Committed to express, e-commerce, U.S. military and fast-growing markets

Focused on operating management, cost savings

Committed to working together with union leaders to complete new pilot agreement

Reviewing all business activities

Adjusting business in favor of more profitable opportunities



WELL-POSITIONED FOR CONTINUED SUCCESS AS WE GO FORWARD

# 2020 Framework

## REVENUE/EARNINGS

### Revenue

~\$2.8 billion

### Adj. EBITDA

To grow by a mid-teens percentage compared with 2019

### Adj. Net Income

To increase by a high-30% to low-40% level compared with 2019

## OTHER 2020 KEY ITEMS

### Block Hours

~325,000

~75% of total in ACMI  
Balance in Charter

### Maintenance Expense

~\$380 million

### Depreciation/Amortization

~\$250 million

### Core Capex

~\$90 to \$100 million

### Adj. Effective Tax Rate

~21.0%

## 1Q20 OUTLOOK

### Block Hours

~75,000

### Revenue

~\$640 million

### Adj. EBITDA

~\$90 million

### Adj. Net Income

To range from approximately breakeven to a modest profit

# 4Q19 Summary

BLOCK HOURS

84,488

REVENUE

\$747.0M

ADJ. EBITDA\*

\$204.7M

DIRECT CONTRIBUTION

\$186.0M

ADJUSTED INCOME  
FROM CONTINUING OPS\*

**\$98.2 million**

- Higher than anticipated

REPORTED LOSS  
FROM CONTINUING OPS

**\$410.2 million**

- \$485.2 million after-tax noncash special charge
- \$3.8 million noncash unrealized loss on outstanding warrants

\*See February 20, 2020 press release for Non-GAAP reconciliations.

# 4Q18 vs. 4Q19 Segment Revenue

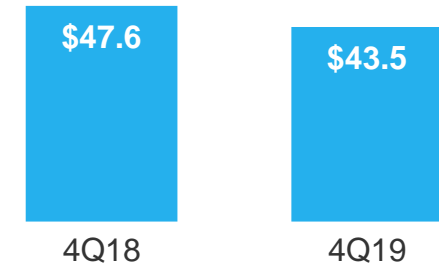
## ACMI In \$Millions



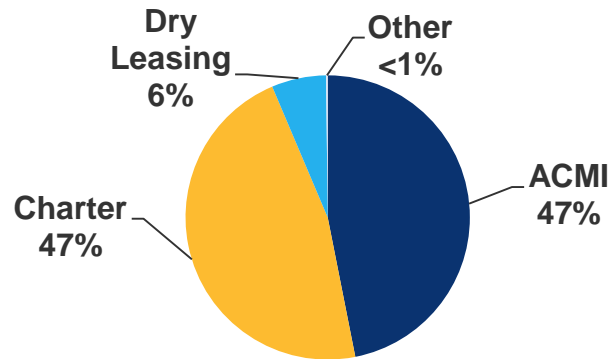
## CHARTER In \$Millions



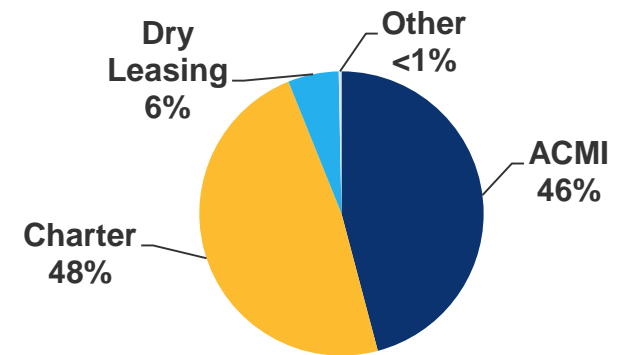
## DRY LEASING In \$Millions



## 4Q18



## 4Q19



Note: Percentages subject to rounding.

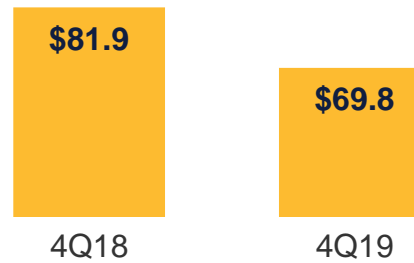


# 4Q18 vs. 4Q19 Segment Contribution

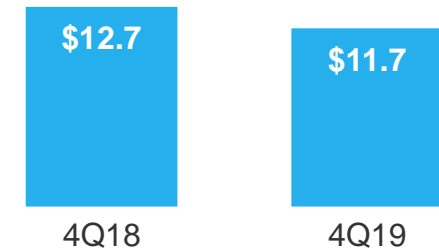
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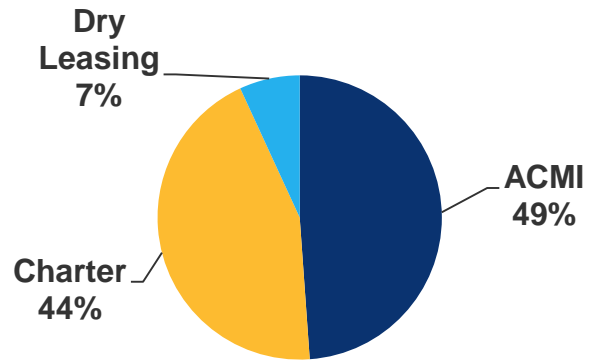
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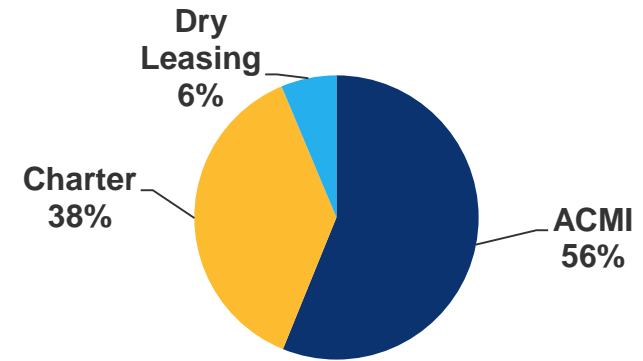
## DRY LEASING In \$Millions



## 4Q18



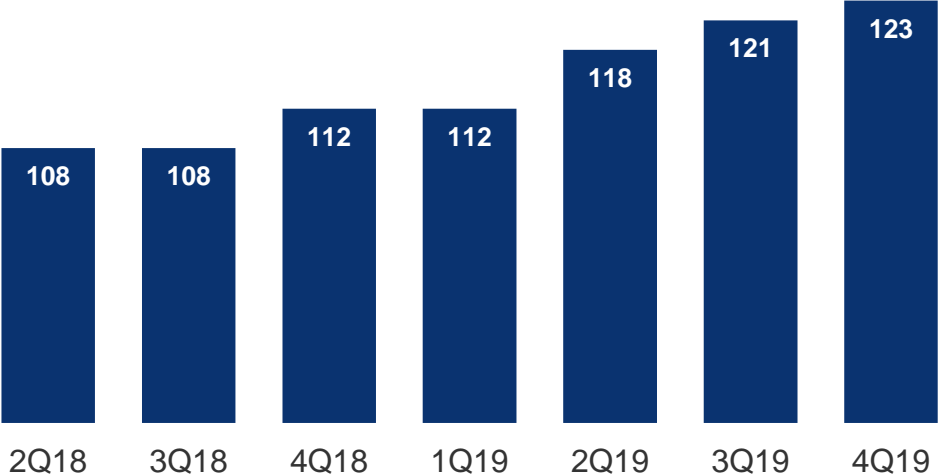
## 4Q19



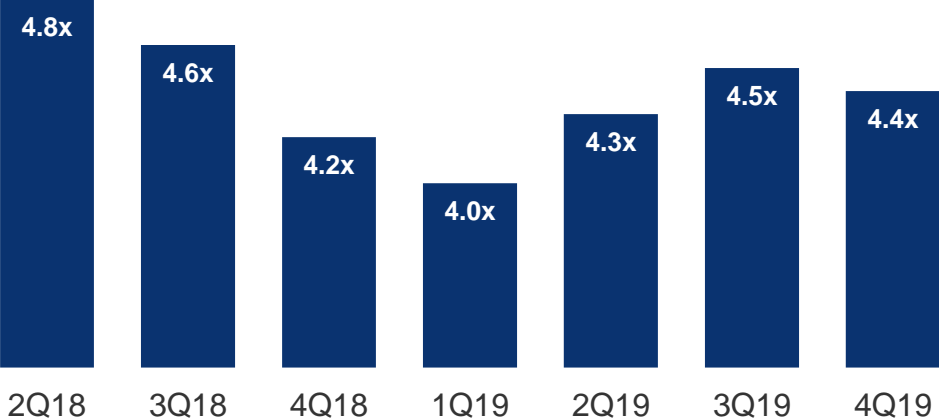
Note: Percentages subject to rounding.

# Fleet Count and Net Leverage Ratio

NUMBER OF AIRCRAFT



NET LEVERAGE RATIO\*



Maintaining debt payments of ~\$70 million per quarter

\*See Appendix for Non-GAAP reconciliation.

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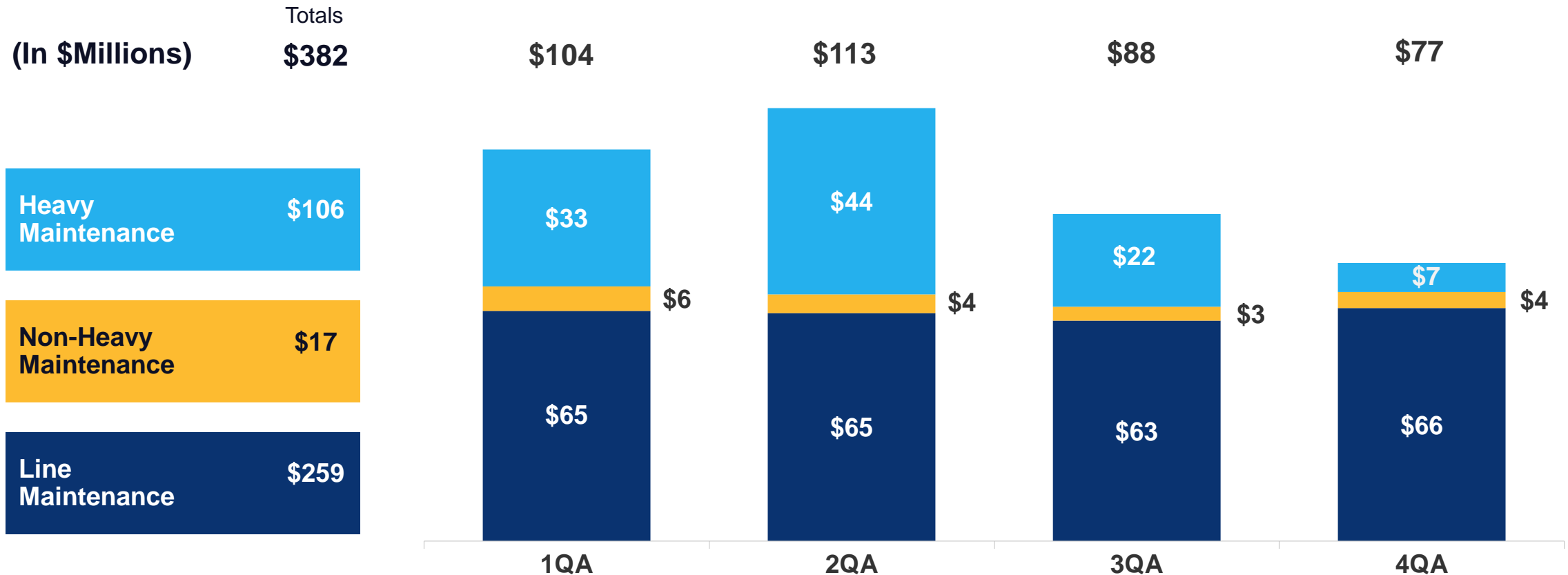


# Appendix





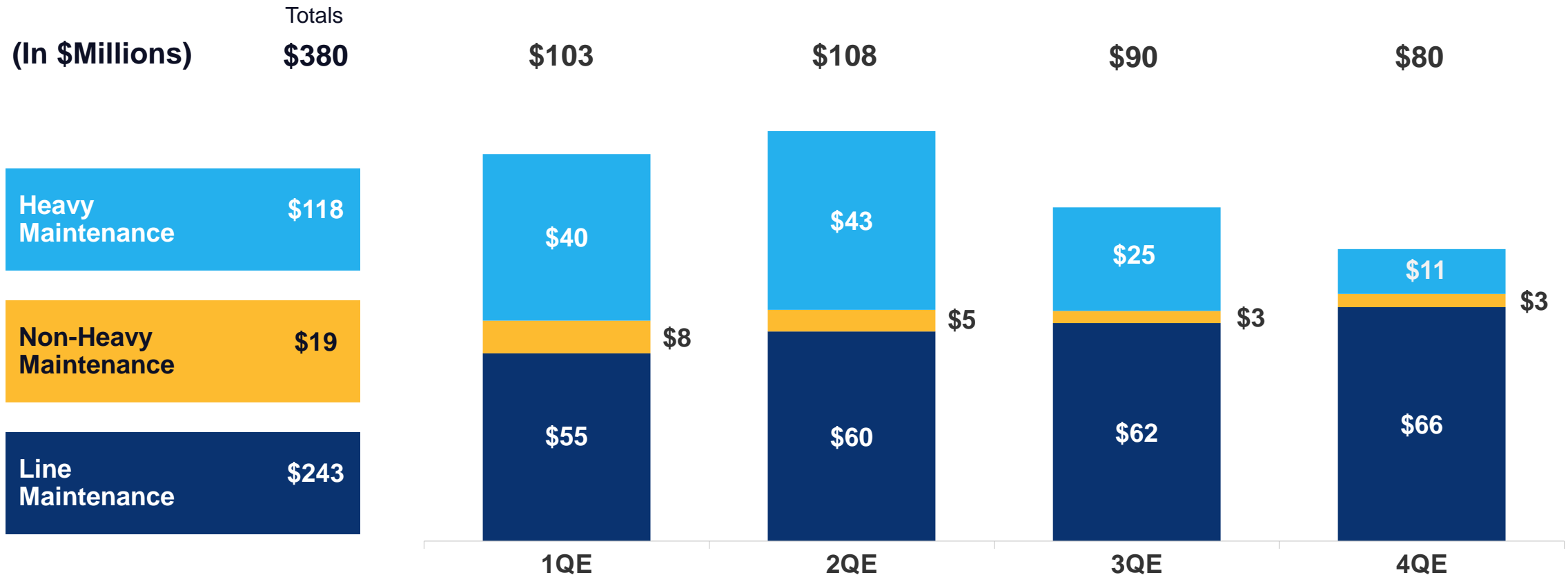
# 2019 Maintenance Expense



- **Line maintenance** expense increases commensurate with additional block hour flying
- **Line maintenance** expense is approximately \$800 per block hour
- **Non-heavy maintenance** includes discrete events such as APU, thrust reverser, and landing gear overhauls

Note: Figures subject to rounding.

# 2020 Maintenance Expense



- **Line maintenance** expense increases commensurate with additional block hour flying
- **Line maintenance** expense is approximately \$750 per block hour
- **Non-heavy maintenance** includes discrete events such as APU, thrust reverser, and landing gear overhauls

Note: Figures subject to rounding.

# Reconciliation to Non-GAAP Measures

(In \$Millions)	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
FACE VALUE OF DEBT	\$ 2,644.1	\$ 2,674.2	\$ 2,601.3	\$ 2,530.4	\$ 2,511.4	\$ 2,483.4	\$ 2,484.4
PLUS: PRESENT VALUE OF OPERATING LEASES	684.2	656.4	626.0	621.8	591.9	568.8	536.2
<b>TOTAL DEBT</b>	<b>\$ 3,328.3</b>	<b>\$ 3,330.6</b>	<b>\$ 3,227.3</b>	<b>\$ 3,152.2</b>	<b>\$ 3,103.3</b>	<b>\$ 3,052.3</b>	<b>\$ 3,020.6</b>
LESS: CASH AND EQUIVALENTS	\$ 227.9	\$ 226.2	\$ 232.7	\$ 164.5	\$ 120.8	\$ 80.7	\$ 113.4
LESS: EETC ASSET	24.1	20.2	16.3	11.4	7.2	2.1	0.9
LTM EBITDAR	\$ 645.5	\$ 674.7	\$ 711.8	\$ 736.3	\$ 687.7	\$ 659.6	\$ 658.8
<b>NET LEVERAGE RATIO</b>	<b>4.8x</b>	<b>4.6x</b>	<b>4.2x</b>	<b>4.0x</b>	<b>4.3x</b>	<b>4.5x</b>	<b>4.4x</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, loss (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



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