

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:

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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.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(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 measures, 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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