



# AIR TRANSPORT SERVICES GROUP 2Q 2022 PRESENTATION

AUGUST | 05 | 2022

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**WITH RESILIENCE, FLEXIBILITY AND INTEGRITY**

A 360° set of top-quality capabilities and a tenacious approach that overcomes challenges and allows their opportunities to take flight



# CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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Except for historical information contained herein, the matters discussed in this release contain forward-looking statements that involve risks and uncertainties. A number of important factors could cause Air Transport Services Group, Inc.'s ("ATSG's") actual results to differ materially from those indicated by such forward-looking statements.

Such factors include, but are not limited to: (i) the extent to which changes in market conditions impact the number, timing, and scheduled routes of aircraft deployments to new and existing customers; (ii) the cost and timing with respect to which we are able to purchase and modify aircraft to a cargo configuration, which may be impacted by global supply chain disruptions; (iii) our operating airlines' ability to maintain on-time service and control costs; (iv) our ability to remain in compliance with key agreements with customers, lenders and government agencies; (v) persistent elevated rates of inflation and changes in general economic and/or industry-specific conditions such as higher labor costs, increases in interest rates, an economic recession, and downturns in customer business cycles; (vi) the impact arising from COVID-19 outbreaks, including the emergence of COVID-19 variants; (vii) mark-to-market changes on certain financial instruments; and (viii) other factors that are contained from time to time in ATSG's filings with the U.S. Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q.

Readers should carefully review this presentation and should not place undue reliance on ATSG's forward-looking statements. These forward-looking statements were based on information, plans and estimates as of the date of this presentation. Except as may be required by applicable law, ATSG undertakes no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

This presentation also refers to non-GAAP financial measures from continuing operations, including adjusted earnings, adjusted earnings per share, adjusted pretax earnings, adjusted EBITDA, and adjusted free cash flow. Management believes these metrics are useful to investors in assessing ATSG's financial position and results. These non-GAAP measures are not meant to be a substitute for ATSG's GAAP financials. We advise you to refer to the reconciliations to GAAP measures, which are included in the company's 8-K and accompanying earnings release furnished and dated 8/4/2022.

# SECOND QUARTER 2022 HIGHLIGHTS

\*Non-GAAP measure, please see the company's 8K and accompanying earnings release for GAAP reconciliation furnished and dated 8/4/2022

\*\* Non-GAAP measure, please see enclosed GAAP reconciliation

GAAP EPS (basic) from Continuing Operations **\$ .73**

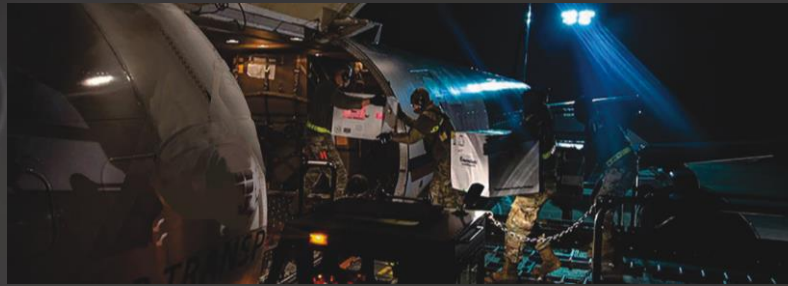
Customer Revenues **\$510** million, up **\$100 million or 24%** over 2Q 2021



Adjusted EPS\* of **\$ .59**, vs. **\$0.35** in 2Q 2021, up **69%**

TTM Adjusted EBITDA\* **\$623** million, up **30% vs \$481** million TTM 2Q 2021

Consistently strong Adjusted Free Cash Flow\*\* (**\$355 million** current trailing twelve months)

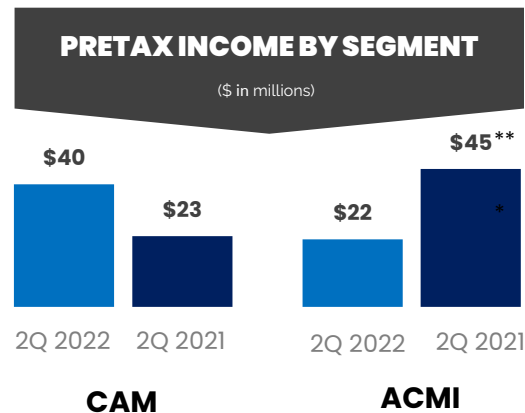
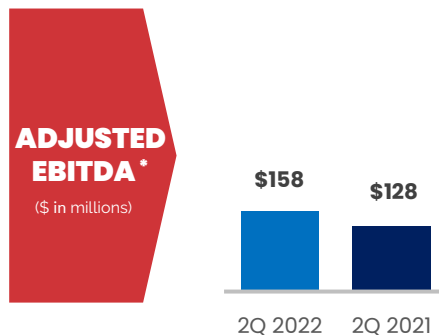
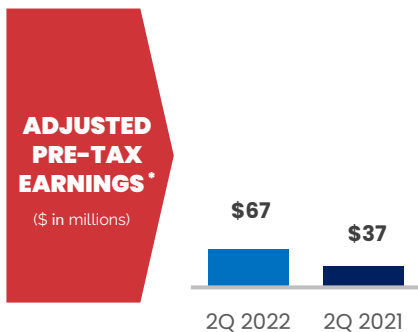
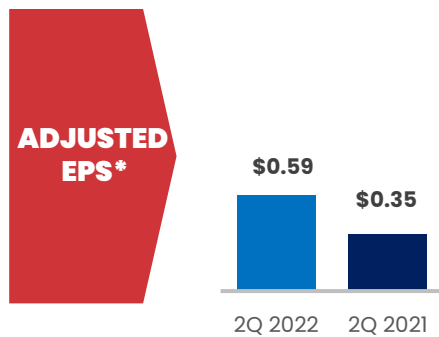
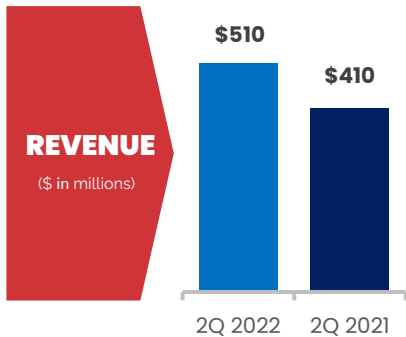


2022 Adjusted EBITDA Guidance of **\$640** million, up nearly **\$100 million** vs. 2Q 2021



# 2Q 2022 FINANCIALS

\*Non-GAAP measure, please see the company's 8K and accompanying earnings release for GAAP reconciliation furnished and dated 8/4/2022



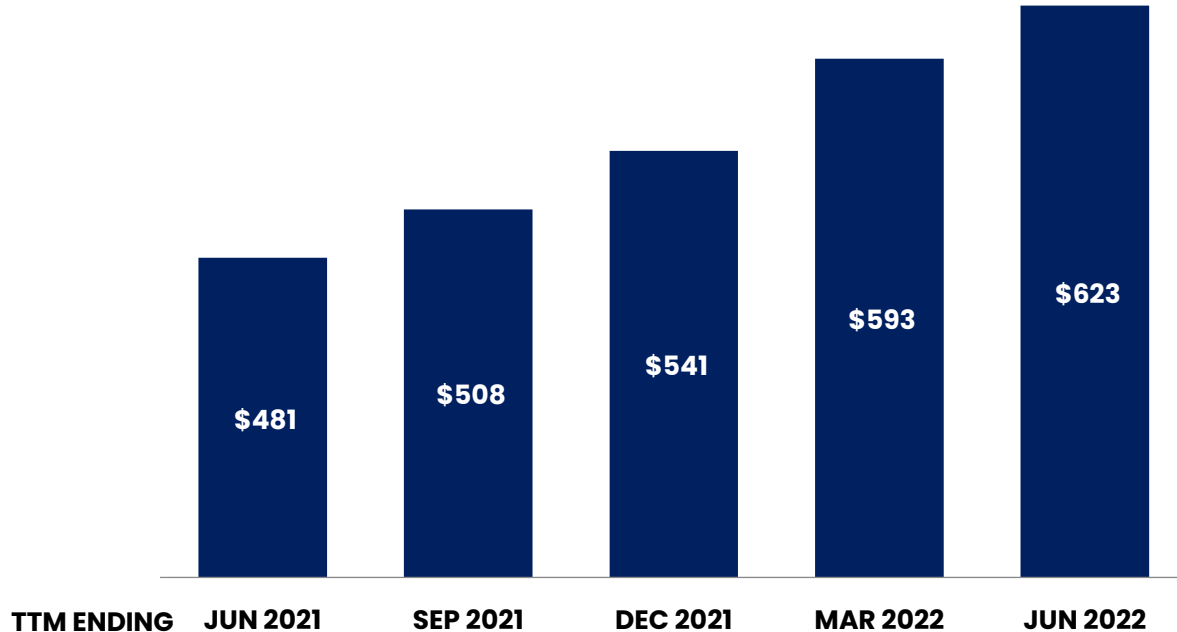
\*\* ACMI 2Q 2021 included \$38M from government grants. No government grants will be recognized in 2022.

# ADJUSTED EBITDA\*

## -TRAILING TWELVE MONTH TREND

\*Non-GAAP measure, see GAAP reconciliation attached. For additional information about non-GAAP adjustments, see the company's 8K and accompanying earnings release.

(\$ in millions)

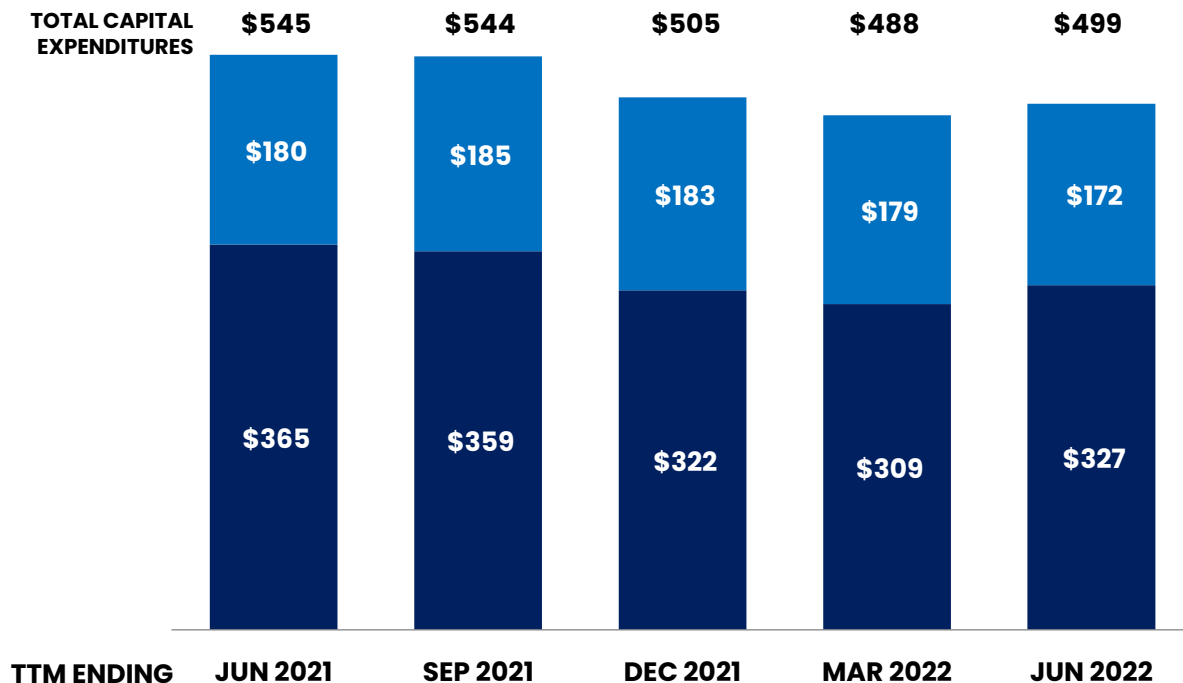


- **2Q 2022 Adjusted EBITDA up 23% to \$158M vs 2Q 2021**
- **Larger fleet of Boeing 767s aircraft and increased DoD passenger flying led results**
- **In-service fleet increased by eleven aircraft since June 2021; seven CAM-owned and four customer-provided aircraft**

# CAPITAL EXPENDITURES

## -TRAILING TWELVE MONTH TREND

(\$ in millions)



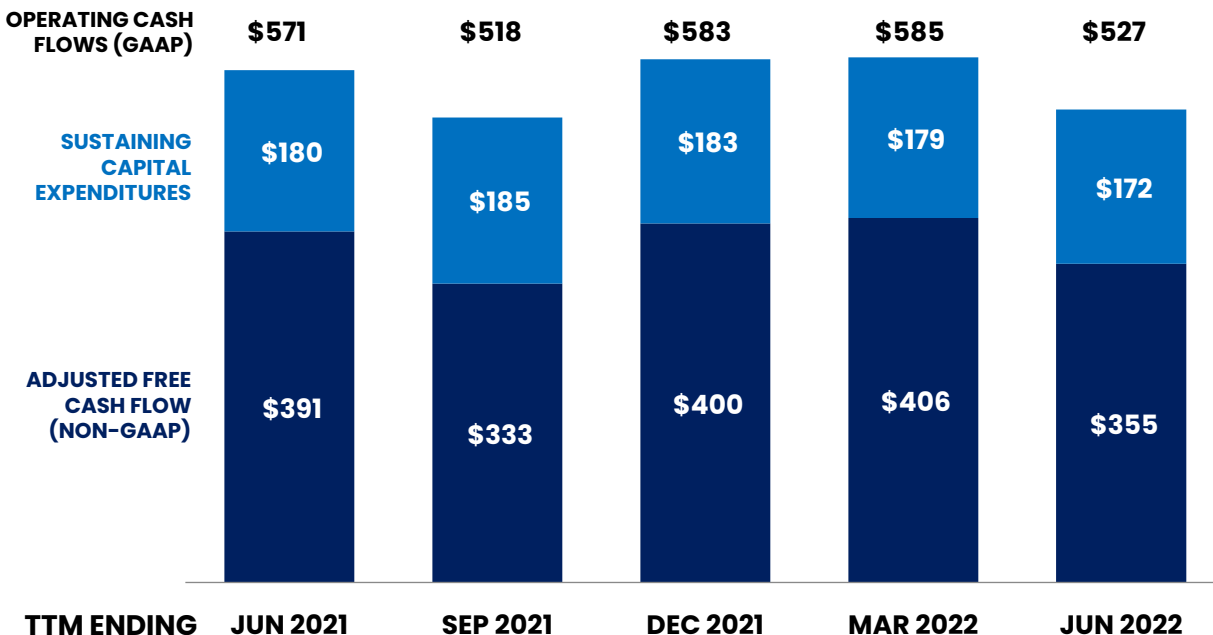
<b>SUSTAINING CAPITAL EXPENDITURES</b>	Cost of planned airframe maintenance, engine overhauls, technology, and other property and equipment.
<b>GROWTH CAPITAL EXPENDITURES</b>	Cost of aircraft acquisitions and freighter modifications.

- **Nineteen aircraft in conversion at 6/30/22 with six to be leased in 2H 22**

# ADJUSTED FREE CASH FLOW\*\*

-TRAILING TWELVE MONTH TREND

(\$ in millions)



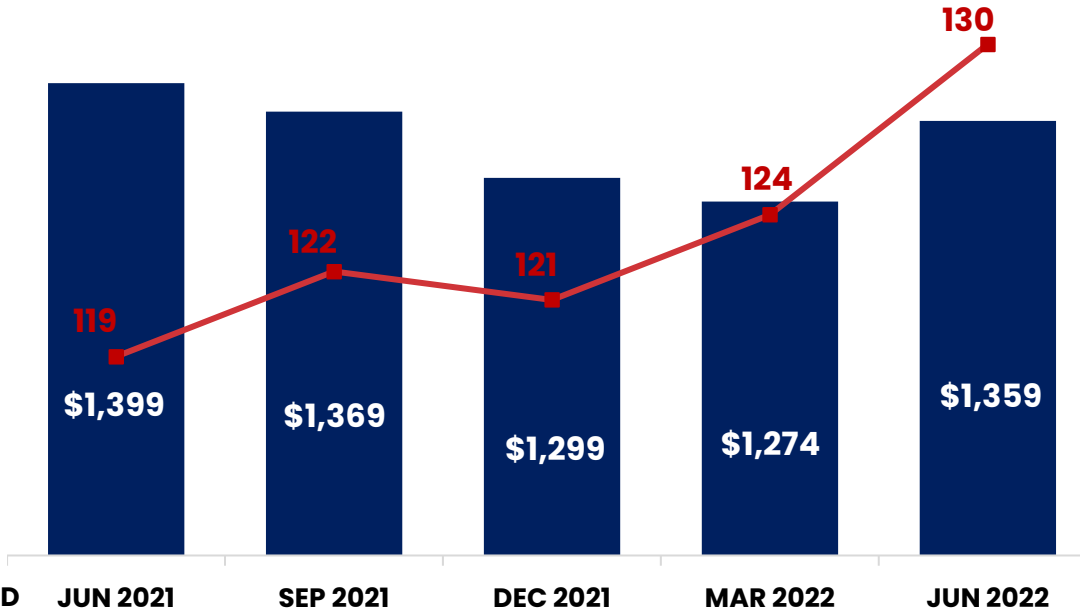
- Decrease in operating cash flow in June 22 quarter end vs. March primarily due to increase in accounts receivable
- ATSG received \$121M in non repayable COVID PSP grants between June 2020 through May 2021
- Adjusted Free Cash Flow funds Growth Capex

\*\*Adjusted Free Cash Flow is a Non-GAAP measure and equals Operating Cash Flow less Sustaining Capital Expenditures

# FLEET GROWS WITHOUT ADDITIONAL DEBT

(\$ in millions)

■ TOTAL DEBT    ■ OWNED FLEET



- CAM owned 130 aircraft at June 30, 2022 including nineteen being converted to freighters
- Debt leverage under bank agreement, which includes government grant proceeds, improved from 2.39x in June 2021 to 1.98x in June 2022

Debt amounts shown reflect long term plus current portion of balance sheet debt at end of month shown.



# 2022 PERFORMANCE DRIVERS

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- **2022 revenue and earnings gains driven by fifteen 2021 leases of Boeing 767s**
- **CMI customers assigning us seven more 767 freighters they own or lease from others**
- **Strong international demand for midsize freighters; all but two of this year's new freighter leases will operate outside the U.S.**
- **E-commerce, strong driver of consumer shopping for convenience and price, supports increased flying in air cargo networks**

# FREIGHTER DEMAND REMAINS STRONG

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- **Long-term growth secured by conversion capacity gains totaling 80 slots through 2026.**
- **2022 feedstock purchases to support eighteen 2023 lease deployments, including fourteen 767s and four A321s**
- **More than two-thirds of A330s we intend to convert and deploy from 2024 through 2027 are committed to customers.**
- **ATSG business model provides long-term visibility into cash flows from multi-year agreements with global customers**

# 2022 OUTLOOK

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- **Projected Adjusted EBITDA for 2022 up 18% to \$640M**
- **Six new freighter leases expected in the second half, including four 767-300s and two A321-200s**
- **Omni passenger and ATI combi flights continue to increase for 2022**
- **2022 capital spending projected at \$625M, including \$420M growth plus \$205M sustaining**
- **ATSG business model largely mitigates economic risk from inflation and GDP slowdown through long-term leases, customers responsible for fuel and payload, minimal short-term charter exposure**

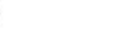
# QUESTION & ANSWER

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# APPENDIX

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# NON-GAAP RECONCILIATION

-ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Trailing twelve months ended (\$ in 000s)	2Q2021	3Q2021	4Q2021	1Q2022	2Q2022
GAAP Pre-Tax Earnings (Loss) from Cont Ops	\$ 166	\$ 242	\$ 301	\$ 311	\$ 276
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense	\$ 60	\$ 59	\$ 59	\$ 56	\$ 50
Depreciation and Amortization	\$ 287	\$ 297	\$ 308	\$ 319	\$ 325
Add customer incentive amortization	\$ 22	\$ 23	\$ 23	\$ 23	\$ 23
Less government grants recognized	\$ (104)	\$ (112)	\$ (112)	\$ (84)	\$ (45)
Add impairment of aircraft and related assets	\$ -	\$ -	\$ -	\$ -	\$ -
Add non-service components of retiree benefit	\$ (15)	\$ (17)	\$ (18)	\$ (19)	\$ (20)
Less debt issuance costs	\$ 7	\$ 6	\$ 7	\$ 7	\$ -
Less net (gain) loss on financial instruments	\$ 53	\$ 7	\$ (30)	\$ (23)	\$ 7
Add loss from non-consolidated affiliates	\$ 5	\$ 3	\$ 3	\$ 3	\$ 7
	-	-	-	-	-
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 481</b>	<b>\$ 508</b>	<b>\$ 541</b>	<b>\$ 593</b>	<b>\$ 623</b>