



**STEPHENS**

**INVESTMENT CONFERENCE**

**Nashville, TN**

NOVEMBER 14, 2019

JOE HETE – CEO

QUINT TURNER – CFO

# CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the matters discussed in this presentation contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that are inherently difficult to predict. Words such as “projects,” “believes,” “anticipates,” “will,” “estimates,” “plans,” “expects,” “intends” and similar words and expressions are intended to identify forward-looking statements.

These forward-looking statements are based on expectations, estimates and projections as of the date of this presentation and address activities events or developments that we expect, believe or anticipate will or may occur in the future. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. We caution all readers that the forward-looking statements contained in this presentation are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur.

There are a number of important factors that could cause Air Transport Services Group's ("ATSG's") actual results to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, changes in market demand for our assets and services; our operating airlines' ability to maintain on-time service and control costs; the cost and timing with respect to which we are able to purchase and modify aircraft to a cargo configuration; fluctuations in ATSG's traded share price, which may result in mark-to-market charges on certain financial instruments; the number, timing and scheduled routes of our aircraft deployments to customers; our ability to remain in compliance with our agreements with key customers and lenders; changes in general economic and/or industry-specific conditions; and other factors (including those listed under the heading “Risk 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. 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.





# 2018 ACCOMPLISHMENTS

## Diversified via Omni acquisition

- Adds \$400+ million revenue
- Strong cash flow from public-sector customers
- Eleven owned passenger aircraft including 8 B767s and 3 B777s

## Agreements with Amazon extended and expanded

- Ten additional 767s, totaling thirty leased by end of 2020
- Multi-year extensions to 20 existing 767 leases and CMI
- Additional warrants granted to Amazon to acquire 33.2% of ATSG shares

## More feedstock 767s secured

- Twenty 767-300s sourced via Jetran from American Airlines
- e-Commerce-driven demand for express-network cargo aircraft

## Freighter fleet expanded

- Nine 767-300 converted freighters entered service in 2018
- Eight to ten more due in 2019
- More than 80% of 767s in service at year-end 2018 were dry-leased

## Labor agreement reached with ATI pilots

- Adds four years and market-competitive terms



# ATSG KEY ATTRIBUTES

## MARKET

- World's largest lessor of freighter aircraft
- Largest provider of passenger charter service to the DoD and other governmental agencies
- Differentiated package of value-added aviation services, building long-term customer partnerships
- Decades of experience with express network airline operations providing best in class reliable service to customers such as Amazon, DHL, and UPS

## ASSET

- Owned aircraft portfolio focused on mid-size freighters - the asset of choice for express and e-Commerce-driven regional air networks
- 767 freighter is ideally suited to regional network flying due to high reliability, cubic capacity and durable performance
- 767 is the fastest growing freighter in regional air networks around the world
- Investment in next gen A321 conversion well positions ATSG for mid-range freighter demand

## FINANCIAL

- Solid balance sheet and conservative financial discipline
- Long term leases and operating contracts with blue-chip customer base
- Strong sustainable cash flows through varying economic cycles
- Governmental revenues not subject to trade disruptions or cyclical GDP
- No payload or fuel risk

***ATSG offers mid-size air leasing solutions through subsidiaries with unmatched set of complementary services for cargo and passenger***



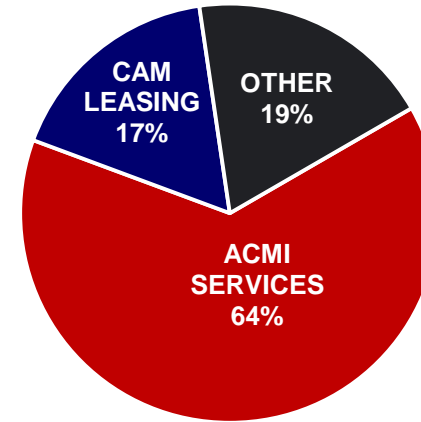
# ATSG - AT A GLANCE

- In-service fleet of 92 at 9/30/19: 777s, 767s, 757s and 737s
- Key Business Segments:
  - CAM (Cargo Aircraft Management) *dry-leasing cargo and passenger aircraft*
  - ACMI (Aircraft, Crew, Maintenance & Insurance) **Services** *CMI and ACMI agreements*

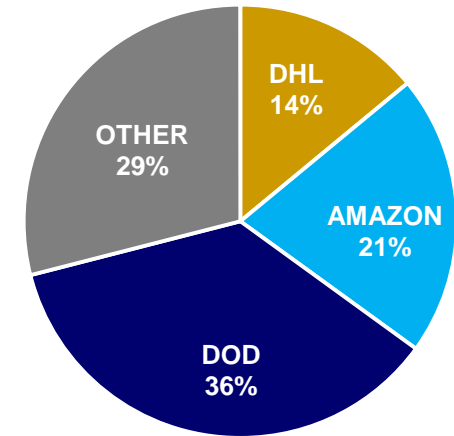
Other businesses include: *MRO services, passenger-to-freighter conversion services, ground operations and material handling equipment services*

- Deliver holistic operational solutions to customers
- Markets include air cargo and air express (package) transport, and ACMI and charter passenger transport for commercial and government entities
- Founded in 1980 as a wholly owned subsidiary of Airborne Express, first public offering in August 2003
- Headquartered in Wilmington, OH, with 4,000+ employees worldwide

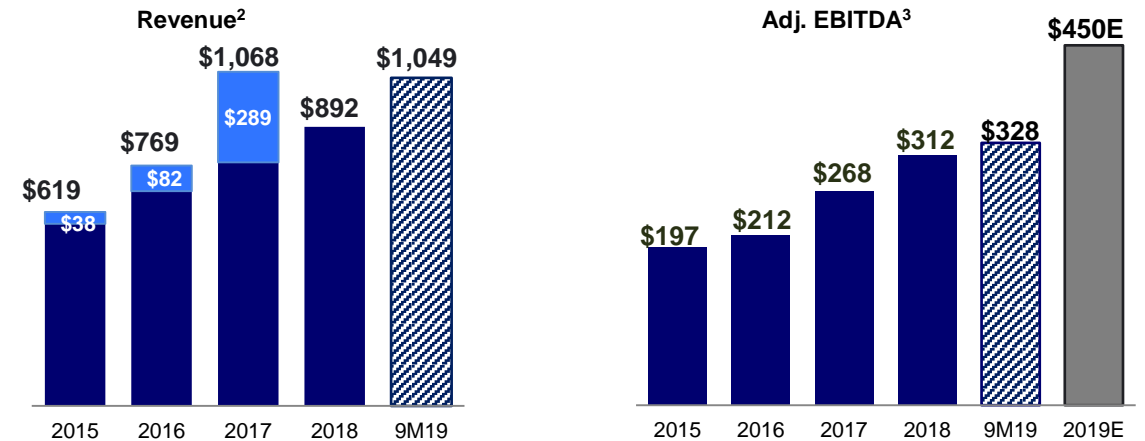
9M 2019 Revenue By Segment<sup>1</sup>



9M 2019 Revenue By Customer<sup>1</sup>



Strong Financial Performance (\$M)

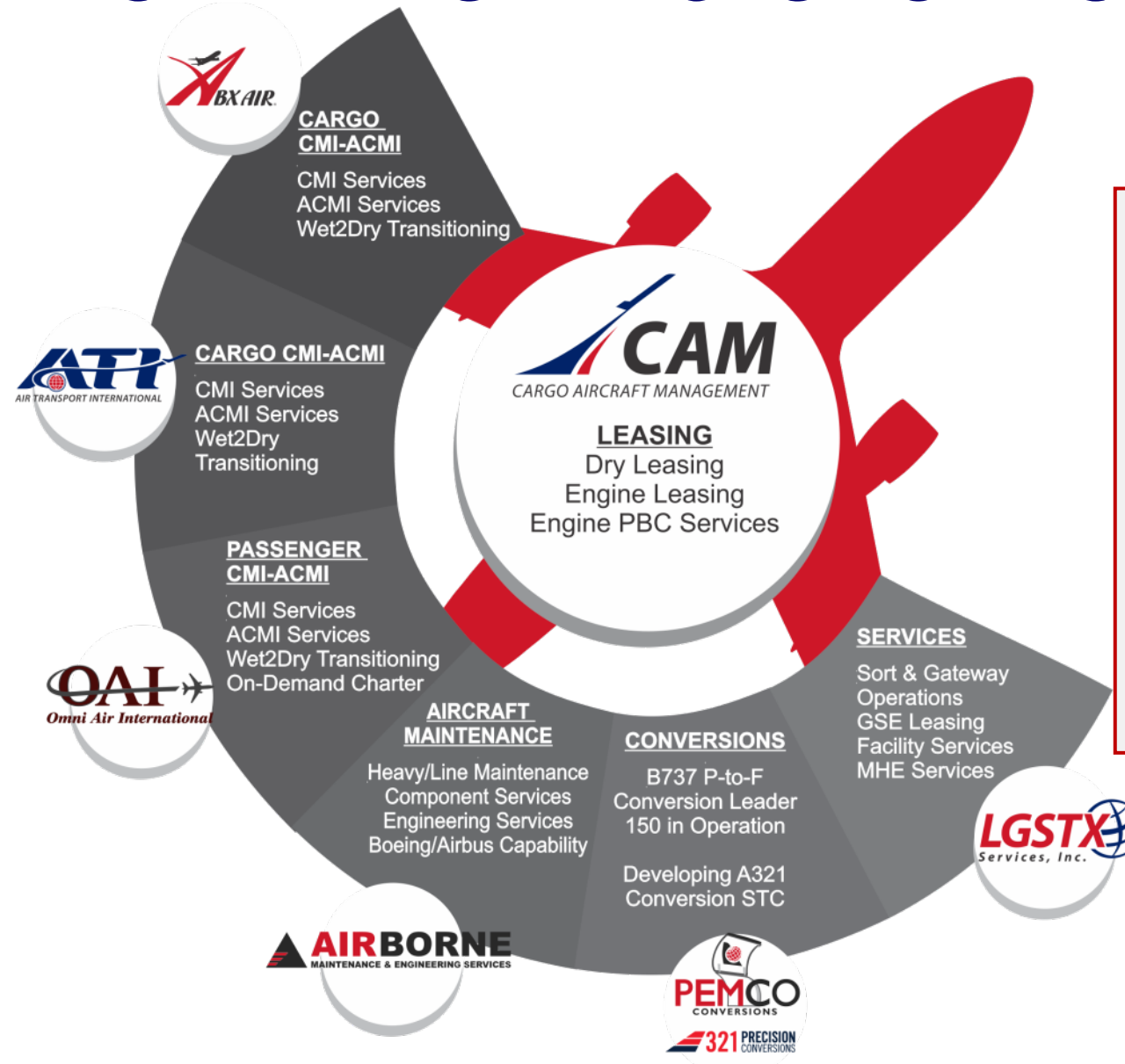


■ Reported revenue from reimbursed expenses

1. Segment revenue before elimination of internal revenues and revenue by customer percentages are calculated based on 9M2019 results.
2. ATSG adopted Topic 606 revenue recognition rules on 1/1/2018. Revenues for 2015-2017 show revenues that would have been excluded if Topic 606 rule were in effect.
3. Non-GAAP metric. See Reconciliation to GAAP Pre-tax Earnings in a table at the end of this presentation.



# BUNDLED SERVICES FOR TURNKEY SOLUTIONS



**ATSG Customers - Bundled Services Profile**

Customer	CAM	ABX Air	ATI	Omni	Airborne	LGSTX
Amazon	✈️	✈️	✈️	✈️	✈️	✈️
DHL	✈️	✈️	✈️	✈️	✈️	✈️
Amerijet	✈️	✈️	✈️		✈️	
Cargojet	✈️				✈️	
UPS	✈️	✈️	✈️		✈️	✈️
Northern Aviation Services	✈️	✈️	✈️		✈️	
DoD		✈️	✈️	✈️		





- World's largest lessor of freighters with focus on 767 Passenger-to-Freighter converted aircraft
- Specializes in providing aircraft wet, dry, and Wet2Dry leasing programs tailored to the individual needs of its customers, drawing from its growing fleet of cost-efficient aircraft



- Completed 16,950 flight segments in 2018 (government & commercial)
- Providing CMI service to DHL and Amazon
- FAR 121 cargo airline flying express cargo routes for customers in the U.S. and around the world



- Completed 15,474 flight segments in 2018 (government & commercial)
- Providing CMI service to Amazon, DHL, and Aloha Freight
- FAR 121 airline that is a premier provider of track, ad hoc or ACMI wet lease programs



- Completed 5,308 flight segments in 2018 (government & commercial)
- Carried 202,333 passengers on 1,080 CRAF missions in 2018
- Provides charter service for the NCAA and NFL including the New England Patriots, Atlanta Falcons and University of Oklahoma among others





- Solidified maintenance relationships with blue chip customers including UPS, Delta, and Frontier
- Providing Heavy Maintenance, Line Maintenance, Engineering, Component Repair/Overhaul, Manufacturing, Material Services
- Narrow and wide-body support of Boeing, Airbus and regional aircraft types in 635,000 sq. ft. of hangar space across six hangars

- Added Material Handling Equipment capacity in February 2019 with the purchase of TriFactor Distribution Solutions; offering includes design, installation, and service
- Providing gateway operations to Amazon at Tampa International Airport and Charlotte Douglas International Airport; plus MHE, GSE, and Fuel service at their Regional Air Hub located at the Wilmington Air Park
- Product lines include Facility Maintenance, Ground Support Equipment, Sort and Gateway Operations, Material Handling Service

### PEMCO Conversions

- Pax to Freighter Conversions: 737-300s and -400s; plus -700s pending FAA Supplemental Type Certificate approval
- 26 platforms and 2 million hours of safe reliable operation

### 321 Precision Conversions Joint Venture

- Projecting approval of A321-200 Pax to Freighter Conversion STC in mid-2020
- 757 capacity, 737 efficiency



# IN-SERVICE FLEET AT SEPT 30, 2019 - 92 AIRCRAFT

## BOEING 767-300 – 44 IN SERVICE

### 36 FREIGHTERS IN SERVICE



- Thirty-one dry-leased to DHL, Amazon, NAC, Amerijet, Cargojet, up to 10 yr. terms



### 8 PASSENGER AIRCRAFT IN SERVICE



- Commercial, DoD, and U.S. and allied governments

## BOEING 767-200 – 36 IN SERVICE

### 33 FREIGHTERS IN SERVICE



- Twenty-six dry-leased to Amazon, DHL, Amerijet, Cargojet, SkyTaxi, Raya, West Atlantic, up to 7 year terms



### 3 PASSENGER AIRCRAFT IN SERVICE



- Commercial ACMI/Charter, DoD

## BOEING 757-200

### 8 IN SERVICE



- Four 757-200 combis under ACMI agreements with U.S. Military
- Four 757-200Fs under ACMI agreements with DHL

## BOEING 777-200

### 3 PASSENGER AIRCRAFT IN SERVICE



- Commercial, DoD, and U.S. and allied governments

## BOEING 737-400

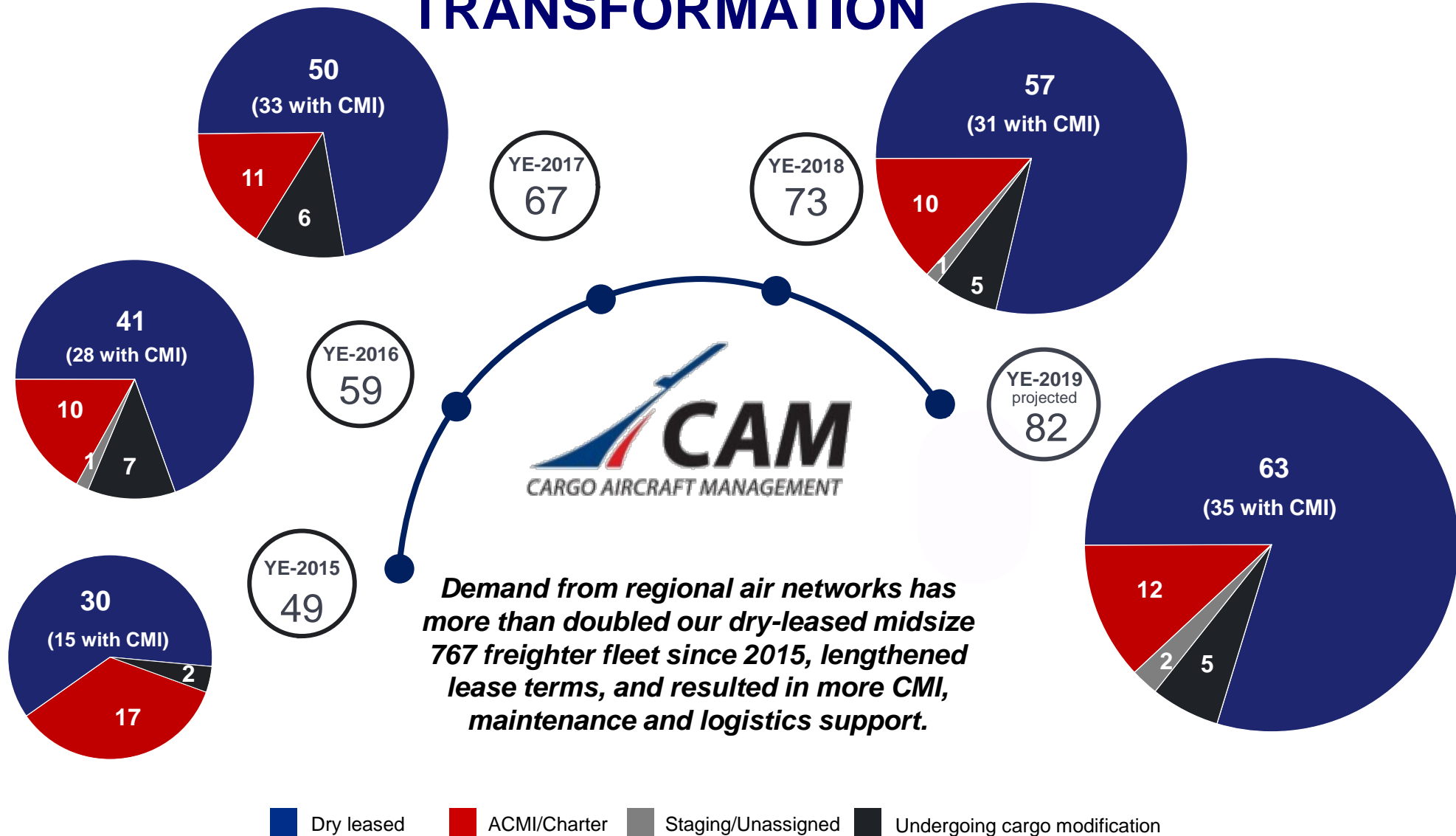
### 1 FREIGHTER IN SERVICE



- Dry leased to West Atlantic



# 767 FREIGHTER TRANSFORMATION

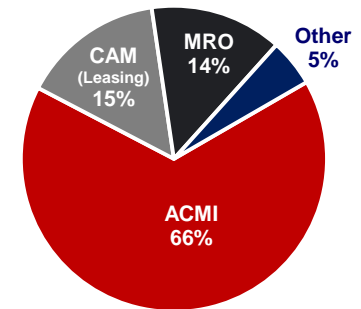




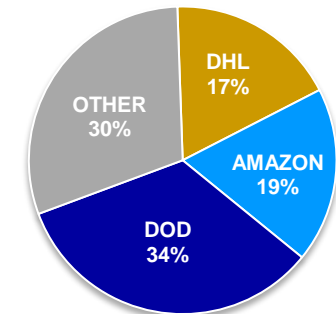
# OMNI ACQUISITION OVERVIEW

- \$845 million cash purchase price, prior to working capital adjustments, inclusive of ~\$85 million NPV of tax benefits
  - Adjusting for NPV of tax benefits, purchase multiple is 5.8 times Omni's LTM August 2018 adjusted EBITDA
- Funded through an expansion of existing term loan debt and utilization of the revolving credit facility. Ratio of combined total debt to annualized Adjusted EBITDA<sup>1</sup> was ~3.4 times as of acquisition date
- Exceeds ATSG's investment hurdle and was immediately accretive to Adjusted EPS<sup>1</sup> starting in 1Q 2019
- Additional \$430 million of annual revenue to ATSG; on combined pro forma basis ATSG's 2018 revenue was \$1.32 billion
- Adds B777 platform and grows B767 fleet; passenger transport added
- Customer revenue diversification and expansion of DoD relationship that accounts for 70% of Omni revenue
- Collective bargaining agreements with Omni pilots through March 2022 and Omni flight attendants through November 2022

2018 Pro Forma Revenue Mix<sup>2</sup> By Segment



2018 Pro Forma Revenue Mix<sup>2</sup> By Customer



1. Adjusted EPS and Adjusted EBITDA are a non-GAAP financial measure s. See reconciliation to GAAP EPS and GAAP Pretax Earnings at the end of presentation.

2. Pro forma revenues for ATSG assuming Omni Air acquired 1/1/18. Segment revenue before elimination of internal revenues and revenue by customer percentages are calculated based on FY 2018 pro forma results.



# EXTENDED AND EXPANDED AMAZON AGREEMENT



## Aircraft Leases and Operating Agreement

	2016 Agreement	2018 Agreement
Twelve Orig. 767-200s	Five-year leases through 2021	Seven-year leases through 2023, three-year extension option
Eight Orig. 767-300s	Seven-year leases through 2023-24	Ten-year leases through 2026-27, three-year extension option
Ten Added 767-300s		Ten-year leases, six starting 2019; four starting 2020, three-year extension option
Additional Lease Options		Can lease up to 17 additional freighters under mutually acceptable terms, Jan. 2019 to Jan. 2026
Operating Agreement	Five years through March 2021	Ten years through March 2026, three-year extension option

## Warrant Agreements

	2016 Agreement	2018 Agreement
Warrants	<ul style="list-style-type: none"> <li>14.4M warrants vested, with anticipated 0.3M more warrants to be issued in Sept 2020 to equal 19.9% of ATSG common shares</li> <li>Exercise price \$9.73; cashless exercise option</li> <li>Expire March 2021</li> </ul>	<ul style="list-style-type: none"> <li>14.8M warrants issued to Amazon to increase Amazon's potential ownership of ATSG from 19.9% to ~33.2%</li> <li>Exercise price \$21.53 per share; cashless exercise option</li> <li>Expire seven years from issuance; option for additional warrants for additional aircraft leases</li> </ul>



# LONG-TERM RELATIONSHIPS WITH KEY CUSTOMERS



## U.S. Government / Department of Defense

- Leading CRAF provider of passenger airlift services to the U.S. DoD
- Leader of CRAF Patriot team
- Charter passenger service to other government agencies, including Dept. of Homeland Security, Immigration & Customs Enforcement
- B757 Combi service to military for 20+ years, contracted through December 2021



## Amazon Network

- CAM provided 24 B767s as of 9/30/2019; two more due by YE2019
- ABX & ATI operate and AMES maintains all CAM-leased 767s plus 2 provided by Amazon
- LGSTX Services provides gateway services in CLT, TPA, and ILN
- Amazon support began in Fall 2015; extended in Dec 2018 to at least 30 aircraft by end of 2020
- Amazon to hold warrants for purchase of ~33.2% of ATSG shares

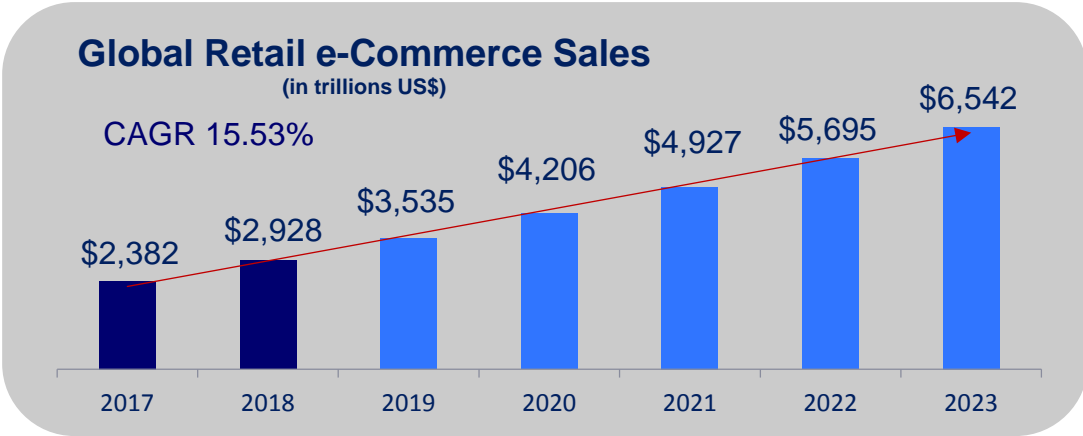


## DHL Network

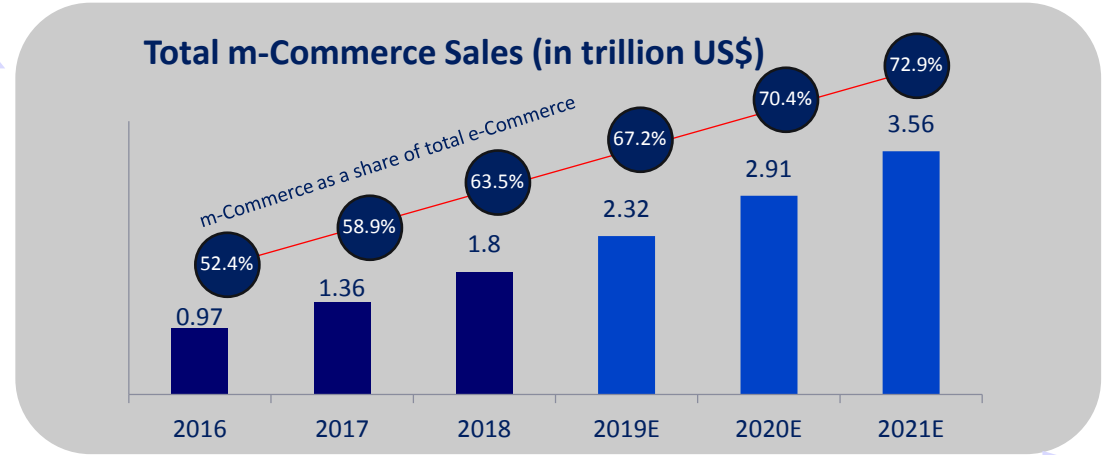
- Long-term contracts since August 2003; three-year extensions signed
- Eleven 767 freighter aircraft leases extended to 2022 with three others leased into 2023/24
- ACMI and CMI agreements to operate 757 and 767 freighter aircraft
- Americas Region remains fastest growing region for DHL Express; with FY2018 revenues up 9.5% in Americas ex currency effects



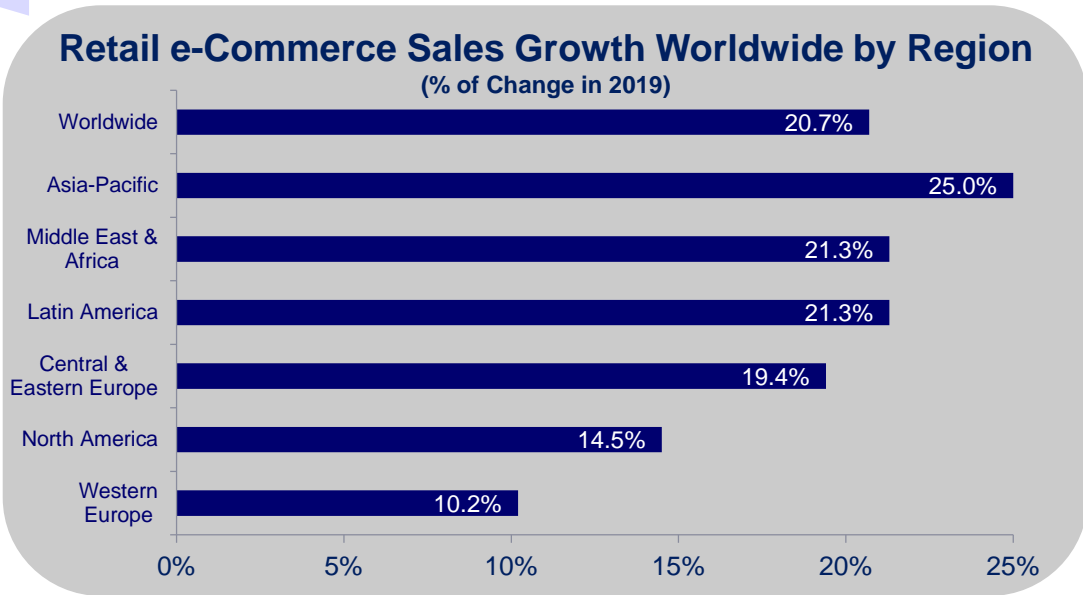
# CONVERTED FREIGHTER GROWTH OPPORTUNITY



Source: eMarketer, May 2019

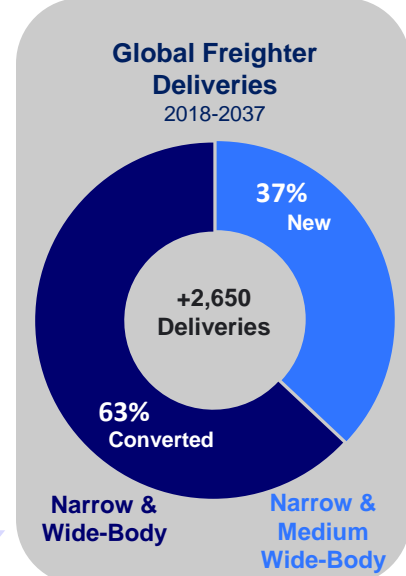


Source: Statista.com



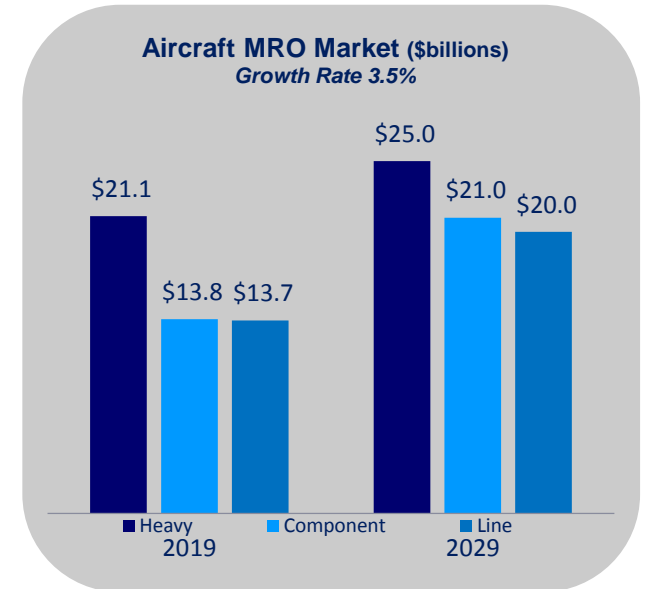
Source: eMarketer, May 2019

## Freighter Leasing



Source: Boeing Commercial Market Outlook 2018

## Maintenance



Source: Oliver Wyman Global Fleet-MRO-Market Forecast





Largest new generation narrow-body freighter with economics similar to the smaller 737-800



19% Fuel burn savings compared to the 757 while still offering 95% of the cube space



31% increase in containerized volume compared to the 737 plus a 14.5% increase in payload weight



More than

**1,600**

A321 passenger aircraft in service

**Target aircraft for the fastest growing segment in the industry – e-Commerce and integrators**

## JOINT VENTURE

# A321 FREIGHTER CONVERSION

The A321-200 passenger to freighter conversion will leverage ATSG's multi-service freighter aircraft solutions, including converting, leasing, operating and maintaining the aircraft



### Background



- CAM partnered with Precision Aircraft Solutions in 2017 to form a new joint venture, 321 Precision Conversions
- Precision is the market leader in converting 757 aircraft
- CAM is the second largest freighter conversion lessor in the world

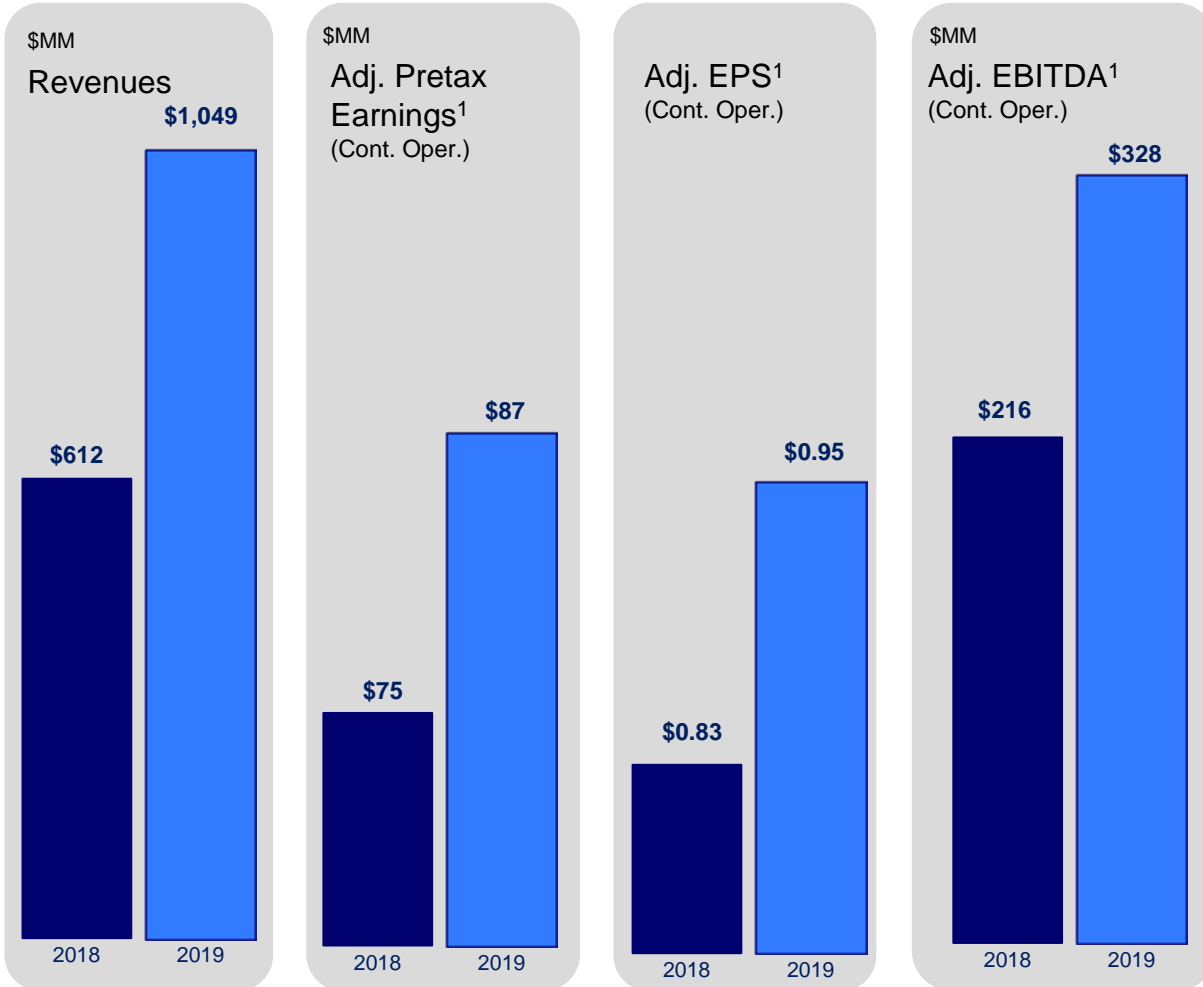
### Timeline



- 321 Precision began work on the project in 2016
- Projecting STC approval by FAA mid-2020
- Anticipate deployments into CAM-leased ATSG fleet



# 9 MONTH FINANCIALS ENDED 9/30/2019

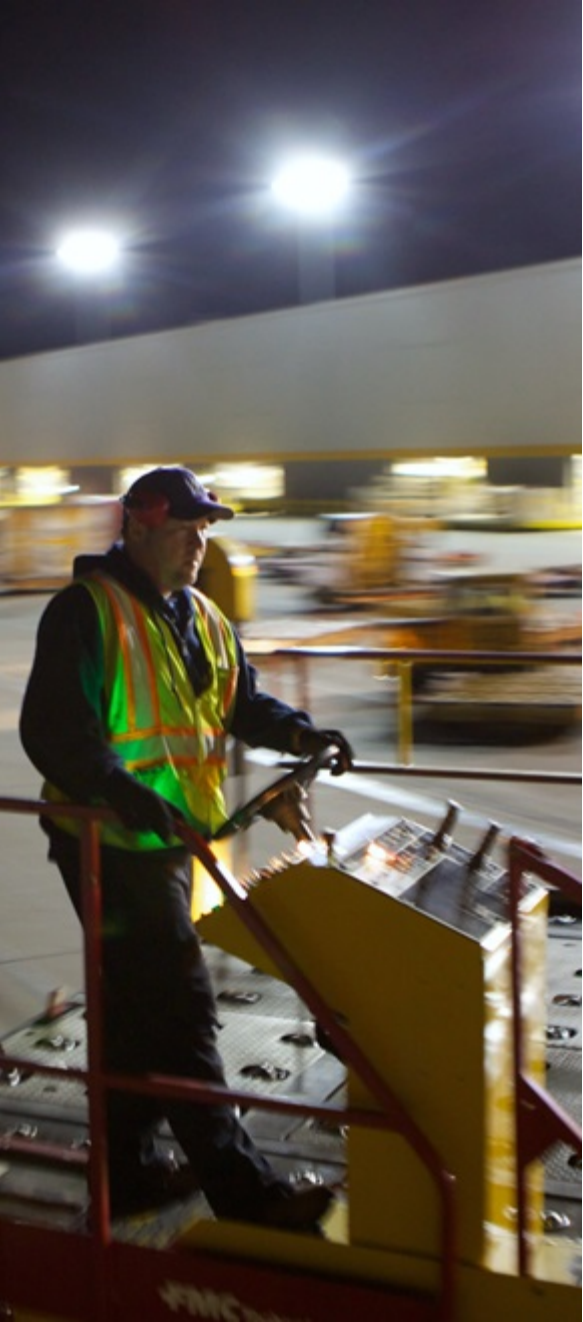


1. Non-GAAP metrics. See tables at end of this presentation for reconciliation to nearest GAAP results for Adjusted Pretax Earnings, Adjusted EPS, and Adjusted EBITDA.

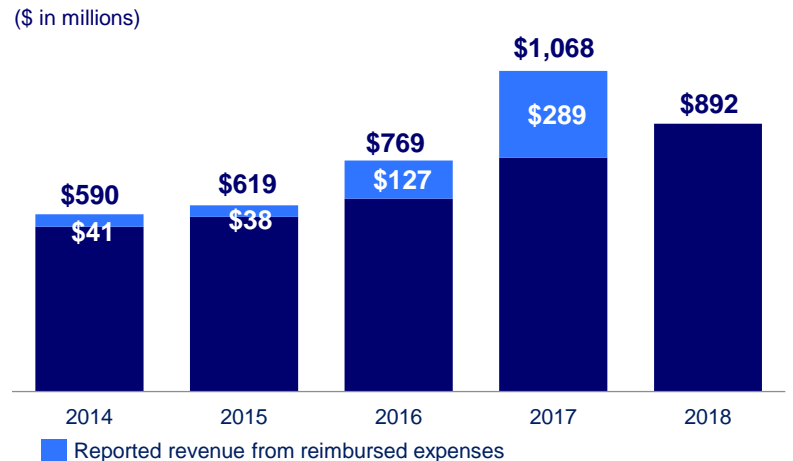
- EBITDA increased \$112 million due to four additional dry-leased freighters, fourteen additional passenger aircraft added since previous year and Omni contributions
- Total Block Hours increased 37%
- CAM leased four additional 767 freighters to Amazon in 2019. Six additional 767s to deploy in 4Q, two for Amazon, four for UPS
- Peak-season flight schedules for ATSG's scheduled express-package services will be higher in the fourth quarter than previously forecast, largely due to strong e-commerce demand.
- Capital spending was up 57% to \$337 million due to purchase of 9 B767s, plus modification cost



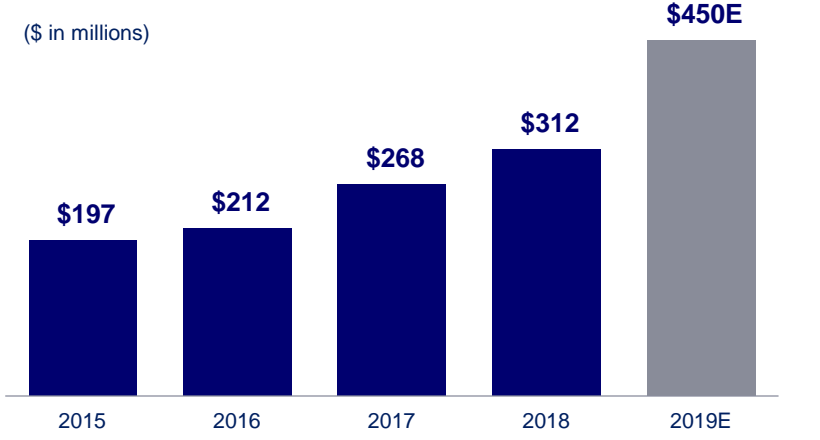
# HISTORICAL FINANCIAL PERFORMANCE



## Revenues\*



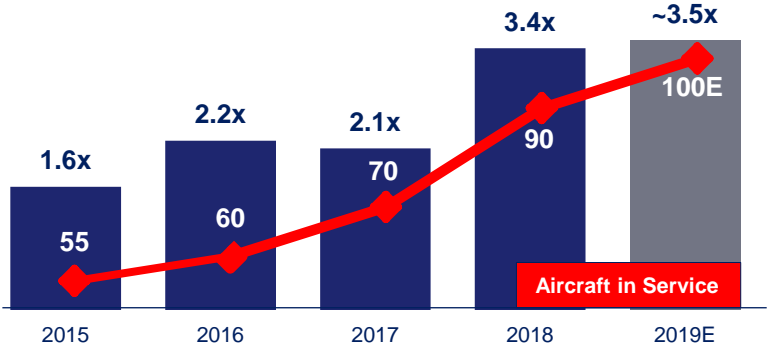
## Adjusted EBITDA\*\*



## Capital Expenditures\*\*



## Debt Obligations/Adjusted EBITDA\*\*\*



\* Revenue recognition rules changes effective 1/1/18 remove reimbursable revenues. The effect of the rules change had no impact on earnings.  
 \*\* Capital Expenditures projection reflects guidance as of the date of ATSG's 3Q2019 earnings call.

\*\*\* Adjusted EBITDA is a non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results. Ratios of Debt Obligations to Adjusted EBITDA and fleet totals are as of end of period shown and are calculated under formulas included in bank covenants.

# CURRENT COMPONENTS OF DEBT STRUCTURE

\$millions	Principal Balance	Maturity
■ Term Loan A	\$ 635.00	Nov 2024
■ Revolver*	633.00	Nov 2024
■ Convertible**	258.75	Oct 2024
<b>Total Debt*</b>	<b>\$1,526.75</b>	

\* Approximately 50% of total debt currently hedged. Revolver capacity \$750 million with leverage-based accordion feature, subject to lender consent

\*\* 1.125% coupon, Oct. 2024 maturity. Bond hedge, with warrant transaction up 75% to \$41.35 per share

*Reflects November 2019 Senior Secured Credit Facility*



# CONCLUSION – INVESTMENT HIGHLIGHTS



**Unmatched Mix of Services for  
Cargo and Passenger  
Markets**

**Increased Revenue  
Diversification  
With Blue-Chip Customers**

**Strong sustainable cash flows through economic  
cycles as 90% of EBITDA is derived from:**

- **CAM long-term lease portfolios**
  - **Government Revenues**  
*not subject to trade disruption or cyclical GDP*
- **Multi-year Airline Operating Services Contracts**  
*in customer-owned express and  
e-Commerce-driven regional air networks*

**Solid Balance Sheet and  
Cash Flows Back Value-Accretive  
Capital Allocation Options**

**Established Feedstock Supply  
and Diversity of Aircraft  
to Support Operations**



# EPS ADJUSTMENTS REFLECT WARRANT VALUATION

	Three Months Ended				Nine Months Ended			
	September 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
	\$	\$/Share	\$	\$/Share	\$	\$/Share	\$	\$/Share
Earnings from Continuing Operations - basic (GAAP)	\$ 105,085		\$ 32,933		\$ 101,087		\$ 73,079	
Gain from warrant revaluation, net tax	(91,849)		(16,801)		(71,319)		(24,274)	
Earnings from Continuing Operations - diluted (GAAP)	13,236	\$ 0.19	16,132	\$ 0.24	29,768	\$ 0.43	48,805	\$ 0.71
Adjustments, net of tax								
Customer incentive amortization	3,310	0.05	3,272	0.05	9,611	0.14	9,816	0.14
Non-service component of retiree benefits	1,795	0.02	(1,562)	(0.02)	5,385	0.08	(4,686)	(0.07)
Loss from affiliates	2,020	0.03	2,049	0.02	11,771	0.17	5,883	0.09
Omni acquisition fees	—	—	—	—	285	—	—	—
Derivative revaluation	1,081	0.02	(435)	(0.01)	9,234	0.13	(2,875)	(0.04)
Adjusted Earnings from Continuing Operations (non-GAAP)	\$ 21,442	\$ 0.31	\$ 19,456	\$ 0.28	\$ 66,054	\$ 0.95	\$ 56,943	\$ 0.83
	Shares		Shares		Shares		Shares	
Weighted Average Shares - diluted	68,718		68,323		69,382		68,629	
Additional weighted average shares	—		—		—		—	
Adjusted Shares (non-GAAP)	68,718		68,323		69,382		68,629	

**Adjusted Earnings from Continuing Operations and Adjusted Earnings Per Share from Continuing Operations** are non-GAAP financial measures and should not be considered as alternatives to Earnings from Continuing Operations, Weighted Average Shares – diluted, Earnings Per Share from Continuing Operations or any other performance measure derived in accordance with GAAP. Adjusted Earnings and Adjusted Earnings Per Share from Continuing Operations should not be considered in isolation or as a substitute for analysis of the company's results as reported under GAAP.



# NON-GAAP RECONCILIATION STATEMENT

Reconciliation Stmt. (\$ in 000s)	2015	2016	2017	2018	9M2018	9M2019
<b>GAAP Pre-Tax Earnings (Loss) from Cont. Oper.</b>	<b>\$ 62,563</b>	<b>\$ 34,454</b>	<b>\$ (6,536)</b>	<b>\$ 87,478</b>	<b>\$ 89,418</b>	<b>\$ 115,179</b>
Non-service components retiree benefit costs, net	(1,040)	6,815	6,105	(8,180)	(6,135)	7,053
Non-consolidating affiliate losses	-	1,229	3,135	10,468	7,600	12,459
Customer Incentive Amortization	-	4,506	13,986	16,904	12,678	12,585
Transaction fees				5,264	-	373
Financial Instruments Loss (Gain)	(920)	18,107	79,789	(7,296)	(28,707)	(60,566)
<b>Adjusted Pre-tax Earnings from Cont. Oper.</b>	<b>60,603</b>	<b>65,111</b>	<b>96,479</b>	<b>104,638</b>	<b>74,854</b>	<b>87,083</b>
Interest Income	(85)	(131)	(116)	(251)	(144)	(255)
Interest Expense	11,232	11,318	17,023	28,799	16,336	50,906
Depreciation and Amortization	125,443	135,496	154,556	178,895	124,825	190,052
<b>Adjusted EBITDA from Cont. Oper.</b>	<b>\$ 197,193</b>	<b>\$ 211,794</b>	<b>\$ 267,942</b>	<b>\$ 312,081</b>	<b>\$ 215,871</b>	<b>\$ 327,786</b>

**Adjusted Pre-Tax Earnings from Continuing Operations** is defined as Earnings from Continuing Operations Before Income Taxes plus certain charges from non-consolidating affiliates, and lease incentive amortization. It excludes the net effect of transaction fees, financial instrument gains and losses, and of non-service components of retiree benefit costs.

**Adjusted EBITDA from Continuing Operations** is defined as Earnings from Continuing Operations Before Income Taxes plus net interest expense, depreciation and amortization expense, charges from non-consolidating affiliates, and lease incentive amortization. It excludes the net effect of transaction fees, financial instrument gains and losses, and of non-service components of retiree benefit costs.

**Adjusted EBITDA from Continuing Operations and Adjusted Pre-Tax Earnings from Continuing Operations** are non-GAAP financial measures and should not be considered alternatives to net income or any other performance measure derived in accordance with GAAP. Management uses Adjusted EBITDA from Continuing Operations and Adjusted Pre-Tax Earnings from Continuing Operations to assess the performance of its operating results among periods. These measures should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, or as an alternative measure of liquidity.

**The Company does not provide a reconciliation of projected Adjusted EBITDA** because it is unable to predict with reasonable accuracy the value of certain adjustments. Certain adjustments can be significantly impacted by the period-end re-measurements of financial instruments including stock warrants issued to customers. The Company's earnings on a GAAP basis and the non-GAAP adjustments for gain and losses resulting from the re-measurement of stock warrants, will depend on the future prices of ATSG stock, interest rates and other assumptions which are highly uncertain.

