

**JUNE  
2023**

**| ATSG**

# **INVESTOR PRESENTATION**



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# SAFE HARBOR STATEMENT

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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) unplanned changes in the market demand for our assets and services, including the loss of customers or a reduction in the level of services we perform for customers; (ii) our operating airlines' ability to maintain on-time service and control costs; (iii) the cost and timing with respect to which we are able to purchase and modify aircraft to a cargo configuration; (iv) fluctuations in ATSG's traded share price and in interest rates, which may result in mark-to-market charges on certain financial instruments; (v) the number, timing, and scheduled routes of our aircraft deployments to customers; (vi) our ability to remain in compliance with key agreements with customers, lenders and government agencies; (vii) the impact of current supply chain constraints both within and outside the United States, which may be more severe or persist longer than we currently expect; (viii) the impact of a competitive labor market, which could restrict our ability to fill key positions; (ix) changes in general economic and/or industry-specific conditions, including inflation; (x) the impact of geographical events or health epidemics such as the COVID-19 pandemic, and (xi) 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-Ks and accompanying earnings releases furnished and dated 02/23/23 and 05/04/2023.

# AT A GLANCE


## Fleet (3/31/2023)


 In-Service: 129 Boeing 757, 767, 777

 Owned: 139 Boeing 757, 767, 777 Airbus A321

## Key Business Segments:

 CAM Leasing: world's largest lessor of freighter aircraft

 ACMI Services: three separate airlines providing CMI services to e-commerce and express networks through ABX Air and ATI; passenger charter services through Omni Air Int'l

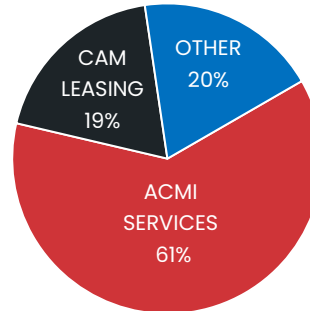
 Other: includes heavy and line aircraft maintenance and aircraft conversion services; ground operations and material handling equipment services

 Founded in 1980 as a wholly owned subsidiary of Airborne Express; first public offering in August 2003 ; Headquarters located at the Wilmington Air Park in Ohio, which also serves as a regional air hub for Amazon

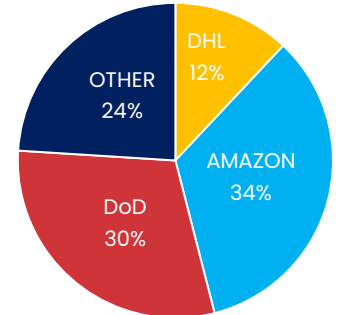
 5,400+ employees worldwide



**FY 2022 Revenue By Segment\***



**FY 2022 Revenue By Customer\***



\*Segment revenue before elimination of internal revenues and revenue by customer percentages are calculated based on FY 2022 results.

**-GLOBAL**

# FLEET STRATEGY

## OWNED FLEET 3/31/23

### Freighter Fleet

767-200 Freighter	29
767-300 Freighter	69
767-300 Freighter (IC)	18
A321-200 Freighter (IC)	9
<i>IC=in or awaiting conversion</i>	<b>125</b>

### Passenger Fleet

777-200 Pax	2
767-300 Pax	5
767-200 Pax	3
757-Combi	4
	<b>14</b>

**Total 139**



## 767-300 Freighter

Our flagship offering will continue

## A321-200 Freighter

We own the STC for conversion & will deliver 4-6 per year in 2023 & 2024

## A330-200/300 Freighter

30 conversion slots for delivery  
2024-2028



# 2022 HIGHLIGHTS

**Customer  
Revenues \$2.0  
billion, up 18%  
over 2021**

**Consistently strong  
Operating Cash  
Flow of \$472 million  
and Adjusted Free  
Cash Flow\*\* of  
\$285 million**

**2022 Adjusted  
EBITDA\* \$641  
million, up  
18% vs \$541  
million 2021**



**GAAP EPS (basic)  
from Continuing  
Operations  
\$2.67**

**Adjusted EPS\*  
of \$2.28  
vs. \$1.61 in 2021,  
up 42%**

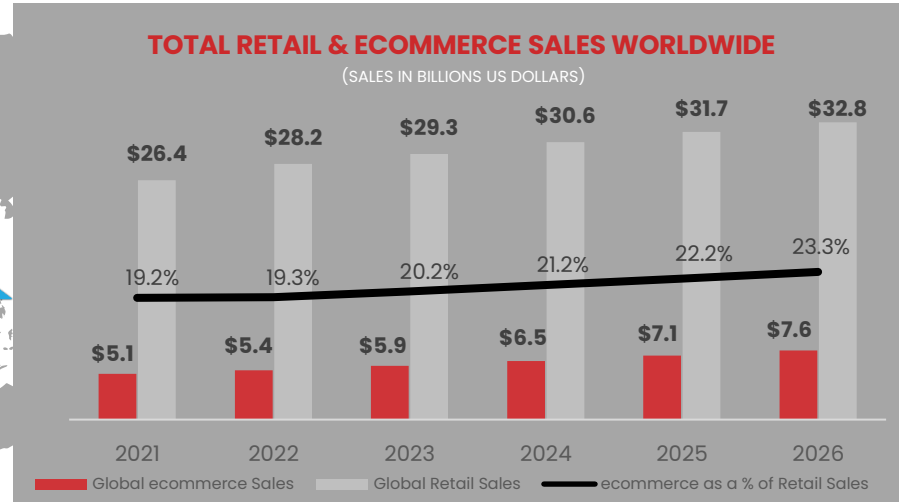
**Feedstock  
secured for 2023  
deliveries of  
twenty converted  
freighters**

\*Non-GAAP measure, please see the company's 8K and accompanying earnings release for GAAP reconciliation furnished and dated February 23, 2023  
\*\* Non-GAAP measure, please see enclosed GAAP reconciliation

**-ATSG GLOBAL GROWTH**

# SUPPORTED BY E-COMMERCE AND EXPRESS NETWORKS

(Source: eMarketer 12/22)



## We Are Worldwide

ATSG fleet expansion through 2025 is focused on the growing regional global markets with continued growth in Canada, Mexico, Africa, and Malaysia.

## Global E-commerce Growth

Ecommerce growth will still outperform brick-and-mortar. The numbers suggest an in-store growth rate of 6.9% last year falling to 2.7% this year and 3.1% next year, that lags ecommerce growth by a little over 6 percentage points per annum.

# ATSG'S DIFFERENTIATED BUSINESS MODEL

ATSG offers mid-size aircraft leasing solutions with an unmatched set of complementary cargo and passenger services



## ASSET

- Owned aircraft portfolio focused on mid-size freighters – the asset of choice for express and e-commerce driven regional air networks
- Boeing 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 generation Airbus A321 and A330 conversion positions ATSG to capitalize on mid-range freighter demand



## MARKET

- E-commerce enabler, providing critical service globally to customers including Amazon, DHL, and UPS
- 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



## SERVICES

- Differentiated value-added service offerings improve customer retention – most leasing customers use several services
- Best-in-class CMI airline operations for integrator and e-commerce networks
- Heavy maintenance, line maintenance, conversion, and engine PBC services
- Aircraft and cargo handling, sort operations, MHE and GSE service

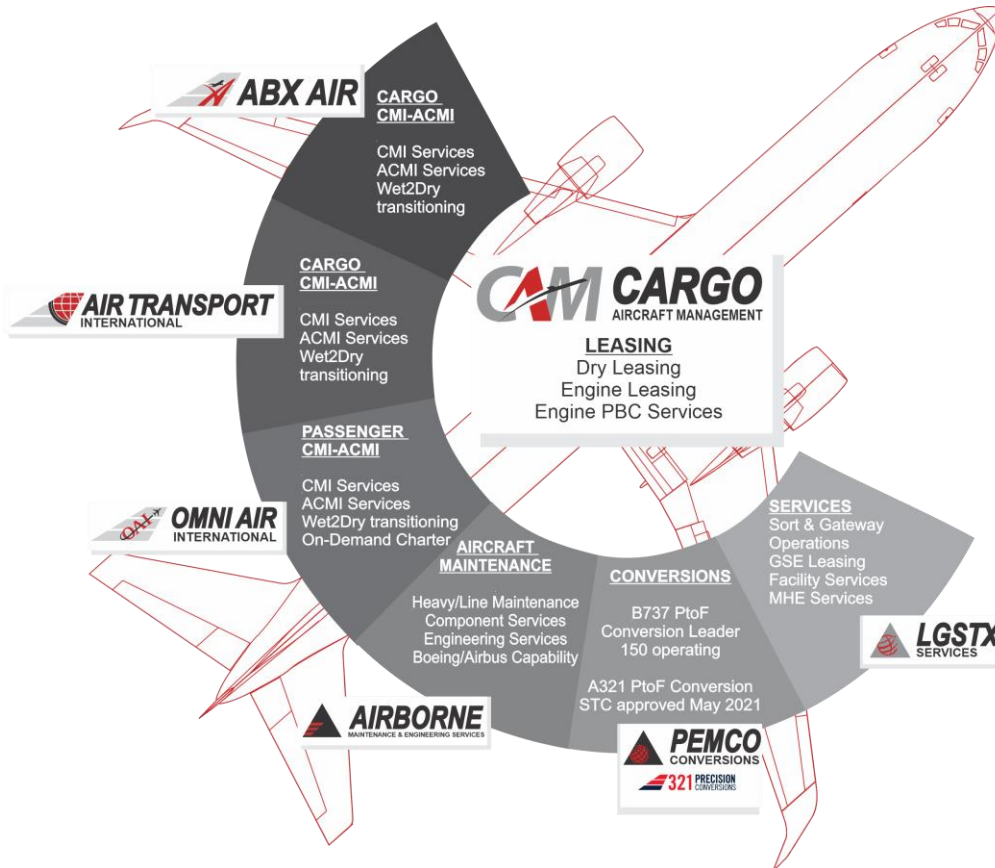


## FINANCIALS

- Solid balance sheet and conservative financial policy
- Significant revenue and cash flow visibility through long-term leases and operating contracts with blue-chip customer base
- Business significantly immunized against trade disruptions or GDP cycles
- No payload or fuel risk

**-TURNKEY SOLUTIONS FOR**

# BUNDLED SERVICES



Amazon		+	+	+	+	+	
DHL		+	+	+	+	+	
Amerijet		+	+			+	
Cargojet		+				+	
UPS		+	+	+	+	+	
Northern Aviation Services		+	+	+		+	
DoD			+	+			+



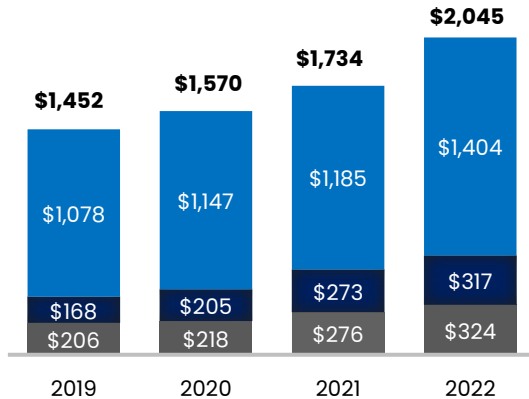
- ANNUAL

# FINANCIALS BY REPORTABLE SEGMENT

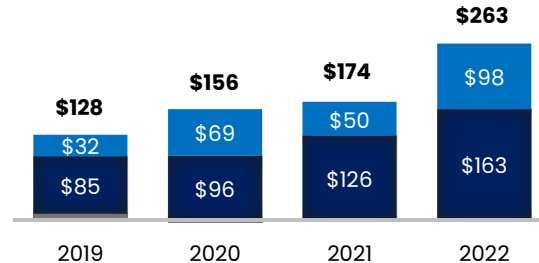


(\$ in millions)

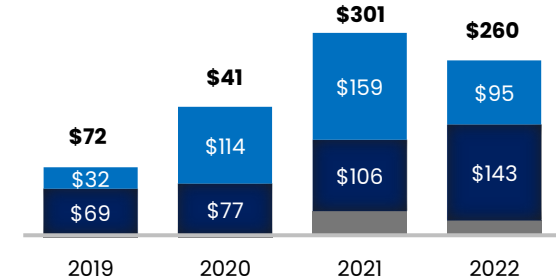
## REVENUE



## ADJUSTED PRE-TAX EARNINGS\*



## (GAAP) PRE-TAX EARNINGS

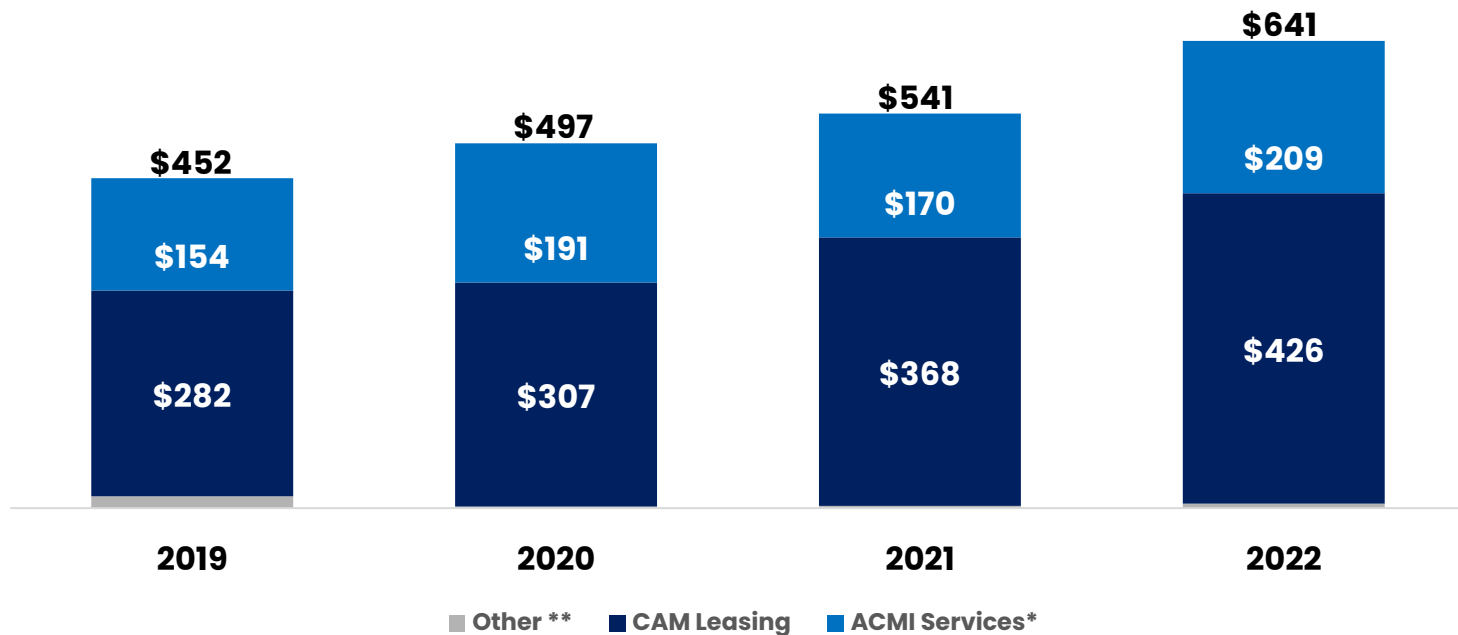


■ ACMI Services ■ CAM Leasing ■ Other

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

**-ANNUAL**

# ADJUSTED EBITDA BY REPORTABLE SEGMENT



\* ACMI 2020 and 2021 excludes the benefit of \$47M and \$112M respectively from government grants

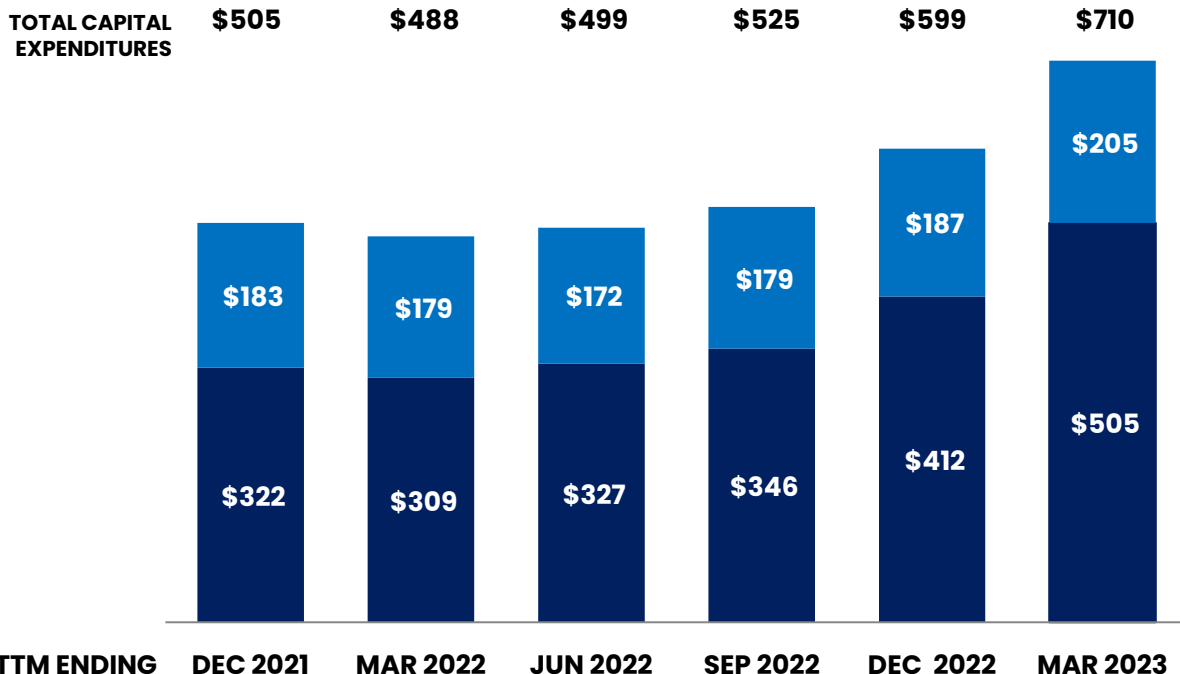
\*\* Results of non-reportable business segments and reconciling items; See appendix for non-GAAP reconciliation

## -TRAILING TWELVE MONTH TREND

# CAPITAL EXPENDITURES



(\$ in millions)

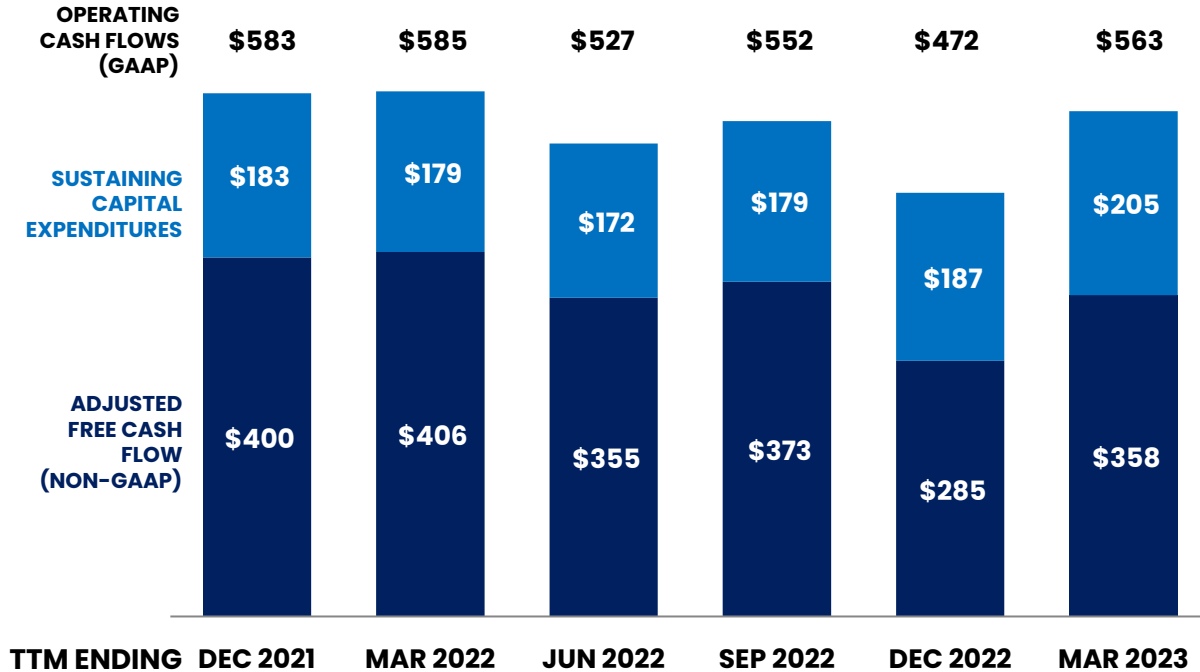


<b>SUSTAINING CAPITAL EXPENDITURES</b>	<b>Cost of planned airframe maintenance, engine overhauls, technology, and other property and equipment.</b>
<b>GROWTH CAPITAL EXPENDITURES</b>	<b>Cost of aircraft acquisitions and freighter modifications.</b>

- Projected 2023 total capital spend of \$850M – \$260M for Sustaining and \$590M for growth
- Fourteen 767-300s and six A321s to be leased in 2023
- Twenty-seven aircraft in or awaiting conversion on Mar 31, 2023

**-TRAILING TWELVE MONTH TREND**

# ADJUSTED FREE CASH FLOW\*\*



- ATSG received \$83M in non repayable COVID PSP grants during the first half of 2021, none in 2022
- Q4 2022 spike in DoD receivables and lower customer prepayments temporarily reducing adjusted free cash flow
- Stable sustaining capital expenditures
- Adjusted Free Cash Flow for Capex and Stock Repurchases

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

# CAPITAL STRUCTURE

(\$ in thousands)



	December 31,				March 31,
	2019	2020	2021	2022	2023
Term Loan	\$ 635	\$ 619	\$ -	\$ -	\$ -
Senior Secured Revolver	\$ 633	\$ 140	\$ 360	\$ 620	\$ 700
Unsecured Notes					
Convertible Notes	\$ 259	\$ 259	\$ 259	\$ 259	\$ 259
Unsecured Notes Payable	\$ -	\$ -	\$ 700	\$ 580	\$ 580
Total Debt Maturity Values	\$ 1,526.65	\$ 1,517.88	\$ 1,318.80	\$ 1,458.80	\$ 1,538.80
Leverage Ratio Bank Agreement	2.06X	2.06X	2.06X	2.22X	2.43X

➤ \$388M of unused capacity under senior revolver facility as of 3/31/2023

➤ Added \$100M revolver facility in Ireland in 2023

➤ Accommodates share repurchases; two million shares repurchased in 4Q 2022; one million shares repurchased in 1Q 2023

**Revolver is SOFR based, Debt-to EBITDA variable rate 5.765%, expires Oct 2027**

**Unsecured Notes, fixed coupon rate of 4.75%, due Feb 2028**

**Convertible Notes, fixed coupon rate of 1.125%, due Sept 2024**

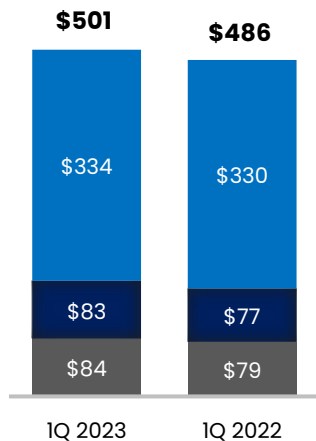
1Q 2023

# FINANCIALS BY REPORTABLE SEGMENT

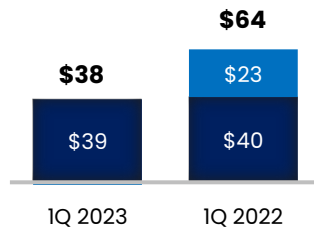


(\$ in millions)

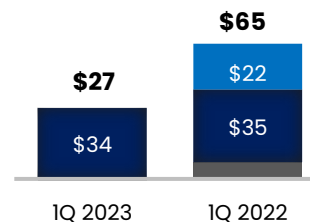
## REVENUE



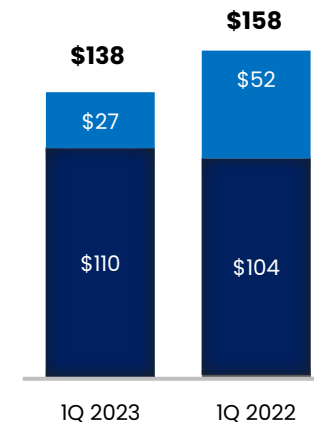
## ADJUSTED PRE-TAX EARNINGS\*



## (GAAP) PRE-TAX EARNINGS\*



## ADJUSTED EBITDA\*



■ ACMI Services ■ CAM Leasing ■ Other

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

FLEET

# INVESTMENTS & RETURNS

- **CAM to lease twenty newly converted freighters (14-Boeing 767-300s, 6-A321-200s) in 2023; generates \$70+M of annualized freighter lease and produce a double-digit return on that invested capital**
- **767 conversion vendor pace improving; expect eight freighter deliveries in 1H 2023, twelve in 2H 2023**
- **Resolving regulatory reviews by International authorities for A321-200 dry lease deliveries**
- **Aircraft on hand will complete 2023 deliveries and several 2024 deliveries to satisfy strong existing orders from domestic and global customers**
- **ATSG has flexibility to redirect some 2024 and beyond capex to debt reduction, buy back shares**

2023

# OUTLOOK

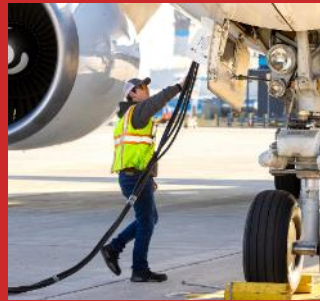
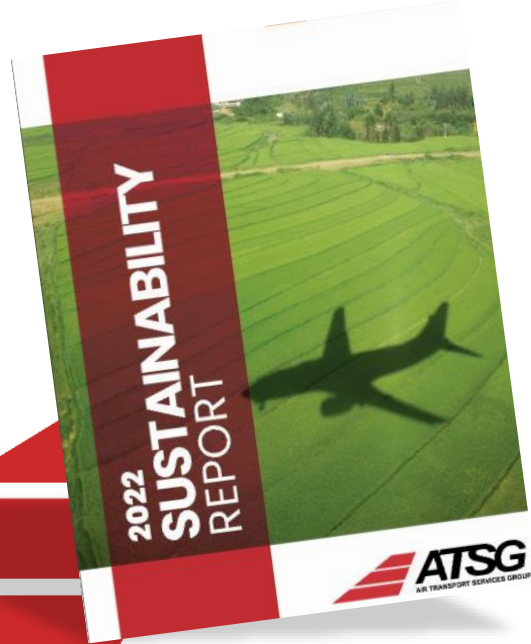
- Adjusted EBITDA for 2023 to be \$610 – \$620 million**
- Full year 2023 Adjusted EPS to be \$1.55 – \$1.70**
- 2023 capital spending \$850 million, including \$260 million in sustaining capex and \$590 million for growth**
- ATSG remains midsize freighter market leader, with superior customer service record and strong balance sheet**



2022

# SUSTAINABILITY REPORT

## HIGHLIGHTS



Operational improvements from 2021 to 2022 resulted in a relative reduction in jet fuel usage by 19.9 million gallons and CO2 emissions by 191,000 tons.

This carbon footprint reduction is in addition to fuel-efficiency improvements the company will realize from its ongoing fleet modernization.

The company began offering four weeks of paid parental leave to all eligible employees, regardless of gender, upon the birth, adoption, or foster placement of a child. The new benefit became effective in April 2023.



ATSG formed a Management Sustainability Committee to further integrate ESG matters into the strategy and operations of the company.



Support for charitable causes exceeded \$850,000 during 2022, an increase of more than 65% over the prior year.





**- ATTRACTIVE**

# INVESTMENT OPPORTUNITY

ATSG has a **best-in-class** value proposition for all stakeholders to gain exposure to a **well-positioned** air freight company with **several levers to pull** to progress toward its strategic initiatives and further strengthen its financial profile

| **ATSG**

**QUESTION**

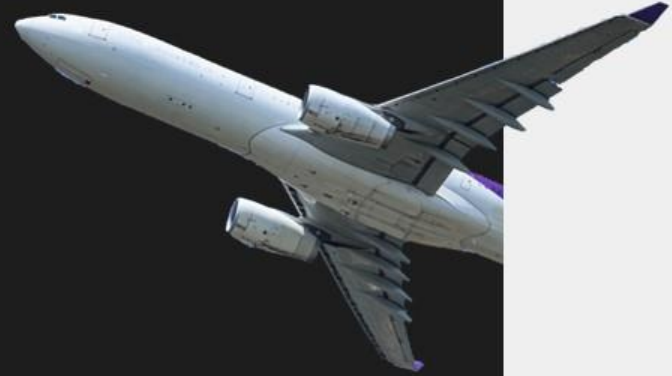
**AND**

**ANSWER**



| **ATSG**

**APPENDIX**



**-GLOBAL**

# FREIGHTER MARKETS



## BOEING 767-300

**CAM is the global leader leasing more 767 freighters than any other leasing company around the globe**

- 767 is an established airframe for the regional express and e-commerce operator
- CAM dominates the leasing market for the 767
- Five of the top ten 767-300 leased freighter operators are CAM customers

## AIRBUS A330-200/300

**CAM will enter the A330 leasing market in 2024 with the first of at least twenty converted freighters to be leased between 2024 and 2026**

- Currently 641 aircraft in PAX configuration for feedstock with an average age of 10.3 years
- Provides flexibility with 141" clear width & 101" clear height, hydraulically operated, and range up to 3,600 nm
- Target Operators – 767, 777 operators, European and Pacific markets for medium range air cargo delivery
- Currently twenty-four A330-300 Freighter Aircraft in service with an average age of 13 years

## AIRBUS A321-200

**CAM will enter the A321 leasing market in 2023 with six aircraft**

- Affordable and available feedstock allowing ATSG to enter the narrowbody freighter leasing market
- Alternative for 737F conversion, provides higher volume and similar efficiencies
- Target operators – B737F, B757F and Airbus PAX carriers
- Through JV, ATSG earns income on the conversion, MRO touch labor, component and kit development

**-SEGMENT ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION**

# NON-GAAP RECONCILIATION

(\$ in thousands)



	2019				2020				2021				2022			
	CAM Leasing	ACMI Services	Other and Reconciling Items		CAM Leasing	ACMI Services	Other and Reconciling Items		CAM Leasing	ACMI Services	Other and Reconciling Items		CAM Leasing	ACMI Services	Other and Reconciling Items	
			Items	Total			Items	Total			Items	Total			Items	Total
Segment Earnings (GAAP)	68,643	32,055	(29,126)	71,572	77,424	114,128	(150,159)	41,393	106,161	158,733	36,311	301,205	143,008	95,198	22,292	260,498
Remove: Government grants	-	-	-	-	-	(47,231)	-	(47,231)	-	(111,673)	-	(111,673)	-	-	-	-
Add: lease incentive amortization	16,708	470	-	17,178	18,509	2,162	-	20,671	20,040	3,054	-	23,094	20,118	3,145	-	23,263
Add: charges for non-consolidated affiliates	-	-	17,445	17,445	-	-	13,587	13,587	-	-	2,577	2,577	-	-	7,607	7,607
Add: net loss (gain) on financial instruments	-	-	12,302	12,302	-	-	100,771	100,771	-	-	(29,979)	(29,979)	-	-	(9,022)	(9,022)
Add: debt issuance costs	-	-	-	-	-	-	-	-	-	-	6,505	6,505	-	-	-	-
Add: transaction fees	-	-	373	373	-	-	-	-	-	-	-	-	-	-	-	-
Add: other non-service components of retiree benefit costs, net	-	-	9,404	9,404	-	-	(12,032)	(12,032)	-	-	(17,827)	(17,827)	-	-	(20,046)	(20,046)
Add: impairment of aircraft and related assets	-	-	-	-	-	-	39,075	39,075	-	-	-	-	-	-	-	-
Add: net charges for hangar foam incident	-	-	-	-	-	-	-	-	-	-	-	-	-	53	925	978
Adjusted Pretax Earnings	85,351	32,525	10,398	128,274	95,933	69,059	(8,758)	156,234	126,201	50,114	(2,413)	173,902	163,126	98,396	1,756	263,278
Add: net interest expense	38,300	24,950	3,024	66,274	39,304	20,542	2,825	62,671	38,160	18,066	2,525	58,751	30,880	13,818	1,748	46,446
Add: Depreciation & amortization	158,470	96,191	2,871	257,532	172,003	101,748	4,316	278,067	203,675	101,541	3,232	308,448	231,663	96,996	2,405	331,064
Adjusted EBITDA	<b>282,121</b>	<b>153,666</b>	<b>16,293</b>	<b>452,080</b>	<b>307,240</b>	<b>181,348</b>	<b>(1,617)</b>	<b>496,972</b>	<b>368,036</b>	<b>169,721</b>	<b>3,344</b>	<b>541,101</b>	<b>425,669</b>	<b>209,210</b>	<b>5,909</b>	<b>640,788</b>

**-SEGMENT ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION**

# NON-GAAP RECONCILIATION

(\$ in thousands)



	1Q 2022				1Q 2023			
	CAM Leasing	Other and		Total	CAM Leasing	Other and		Total
		Services	Reconciling			Services	Reconciling	
Segment Earnings (GAAP)	34,995	22,165	7,925	65,085	34,200	(2,411)	(5,220)	26,569
Remove: Government grants	-	-	-	-	-	-	-	-
Add: lease incentive amortization	5,030	768	-	5,798	5,030	792	-	5,822
Add: charges for non-consolidated affiliates	-	-	1,403	1,403	-	-	406	406
Add: net loss (gain) on financial instruments	-	-	(2,696)	(2,696)	-	-	1,740	1,740
Add: debt issuance costs	-	-	-	-	-	-	-	-
Add: transaction fees	-	-	-	-	-	-	-	-
Add: other non-service components of retiree benefit costs, net	-	-	(5,388)	(5,388)	-	-	3,218	3,218
Add: impairment of aircraft and related assets	-	-	-	-	-	-	-	-
Add: net charges for hangar foam incident	-	-	-	-	-	56	(15)	41
Adjusted Pretax Earnings	40,025	22,933	1,244	64,202	39,230	(1,563)	129	37,796
Add: net interest expense	7,705	3,378	307	11,390	10,022	4,958	510	15,490
Add: Depreciation & amortization	56,291	25,190	590	82,071	60,397	23,621	710	84,728
Adjusted EBITDA	<b>104,021</b>	<b>51,501</b>	<b>2,141</b>	<b>157,663</b>	<b>109,649</b>	<b>27,016</b>	<b>1,349</b>	<b>138,014</b>