



# AIR TRANSPORT SERVICES GROUP INVESTOR PRESENTATION

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DECEMBER | 02 | 2021



**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

RICH CORRADO | PRESIDENT & CEO  
QUINT TURNER | CFO  
MATT FEDDERS | VICE PRESIDENT



# CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the matters discussed in this presentation contain forward-looking statements that involve risks and uncertainties. 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.

A number of important factors 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 the following, which relate to the current COVID-19 pandemic. The pandemic may (i) continue for a longer period, or its effect on commercial and military passenger flying may be more substantial than we currently expect; (ii) cause disruptions to our workforce and staffing capability, including through our compliance with federally mandated COVID-19 vaccination and testing requirements; (iii) cause disruptions in our ability to access airports and maintenance facilities; and (iv) adversely impact our customers' creditworthiness or the ability of our vendors and third-party service providers to maintain customary service levels.

Other factors that could cause ATSG's actual results to differ materially from those indicated by such forward-looking statements 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; and (x) 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.

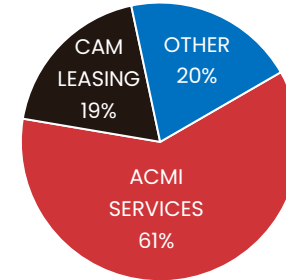
Readers should carefully review this presentation and should not place undue reliance on ATSG's forward-looking statements. These forward-looking statements were based on information, plans and estimates as of the date of this presentation. Except as may be required by applicable law, ATSG undertakes 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 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.

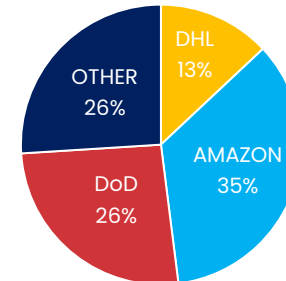
# ATSG AT A GLANCE

- In-service fleet of 112 at 09/30/21: 777s, 767s, and 757s
- Key Business Segments:
  - CAM Leasing: (Cargo Aircraft Management) Dry-leasing cargo aircraft, engine leasing and leasing of cargo/passenger aircraft for DoD
  - ACMI Services: (Aircraft, Crew, Maintenance & Insurance) CMI and ACMI agreements
  - Other: Businesses include MRO services, passenger-to-freighter conversion services, ground operations and material handling equipment services
- Acquired passenger airline Omni Air International in November 2018
- 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
- 5,500+ employees worldwide

**9M2021 Revenue By Segment<sup>(1)</sup>**

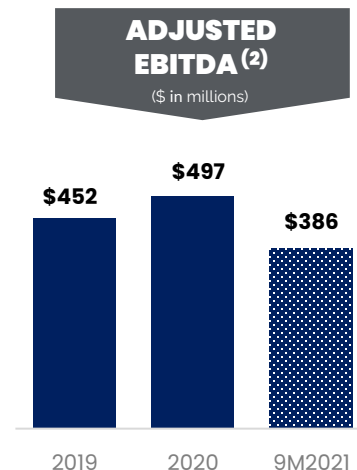
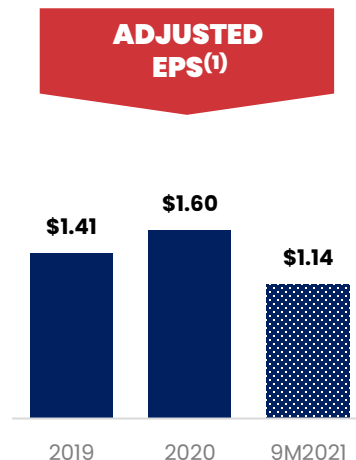
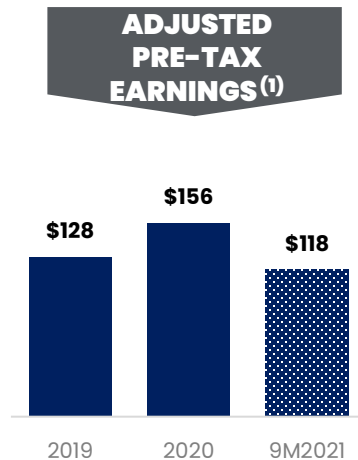
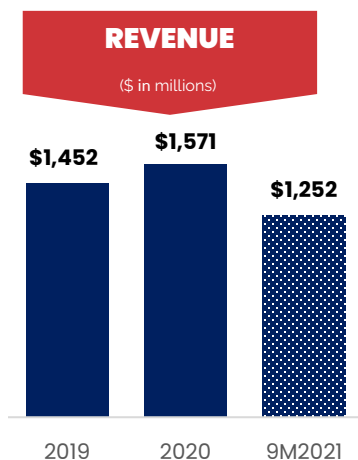


**9M2021 Revenue By Customer<sup>(1)</sup>**



(1) Segment revenue before elimination of internal revenues and revenue by customer percentages are calculated based on 9M2021 results.

# HISTORICAL FINANCIAL PERFORMANCE







(1) Non-GAAP metrics. See reconciliations included in the earnings 8-K filed 08/05/21.

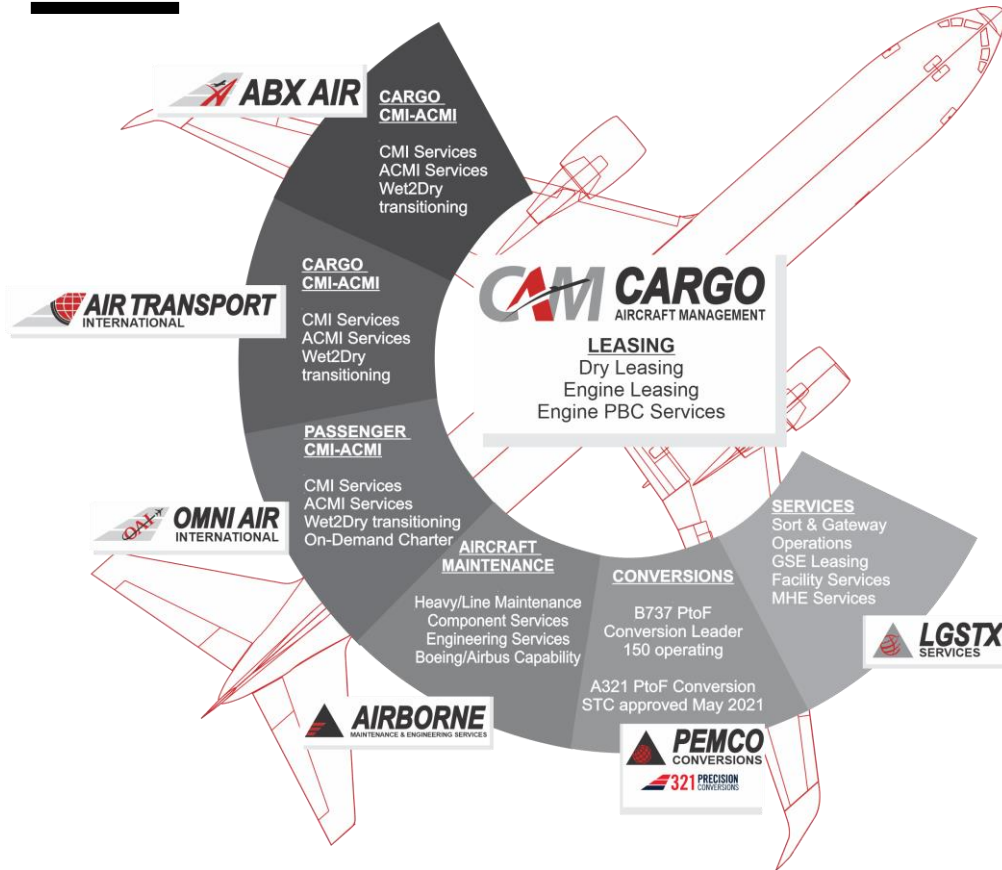
(2) Adjusted EBITDA is a non-GAAP metric. See table at end of this presentation for reconciliation to nearest GAAP results.

# ATSG'S DIFFERENTIATED BUSINESS MODEL

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

 <b>ASSET</b>	 <b>MARKET</b>	 <b>SERVICES</b>	 <b>FINANCIALS</b>
<ul style="list-style-type: none"> <li>Owned aircraft portfolio focused on mid-size freighters – the asset of choice for express and e-commerce driven regional air networks</li> <li>Boeing 767 freighter is ideally suited to regional network flying due to high reliability, cubic capacity and durable performance</li> <li>767 is the fastest growing freighter in regional air networks around the world</li> <li>Investment in next generation Airbus A321 and A330 conversion positions ATSG to capitalize on mid-range freighter demand</li> </ul>	<ul style="list-style-type: none"> <li>E-commerce enabler, providing critical service globally to customers including Amazon, DHL, and UPS</li> <li>World's largest lessor of freighter aircraft</li> <li>Largest provider of passenger charter service to the DoD and other governmental agencies</li> <li>Differentiated package of value-added aviation services, building long-term customer partnerships</li> <li>Decades of experience with express network airline operations</li> </ul>	<ul style="list-style-type: none"> <li>Differentiated value-added service offerings improve customer retention – most leasing customers use several services</li> <li>Best-in-class CMI airline operations for integrator and e-commerce networks</li> <li>Heavy maintenance, line maintenance, conversion, and engine PBC services</li> <li>Aircraft and cargo handling, sort operations, MHE and GSE service</li> </ul>	<ul style="list-style-type: none"> <li>Solid balance sheet and conservative financial policy</li> <li>Significant revenue and cash flow visibility through long-term leases and operating contracts with blue-chip customer base</li> <li>Business significantly immunized against trade disruptions or GDP cycles</li> <li>No payload or fuel risk</li> </ul>

# BUNDLED SERVICES FOR TURNKEY SOLUTIONS



	ATSG	CAM	ABX AIR	AIR TRANSPORT INTERNATIONAL	OMNI AIR INTERNATIONAL	AIRBORNE	PEMCO CONVERSIONS
Amazon	+	+	+	+	+		
DHL	+	+	+	+	+		
Amerijet	+	+			+		
Cargojet	+				+		
UPS	+	+	+	+	+		
Northern Aviation Services	+	+	+	+			
DoD			+	+			+

# ATSG GLOBAL GROWTH

## SUPPORTED BY E-COMMERCE AND EXPRESS NETWORKS

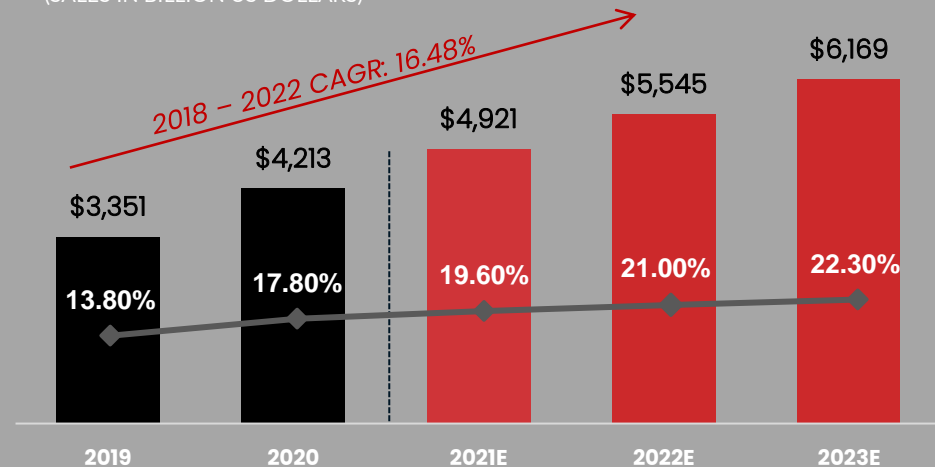


### We Are Worldwide

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

### GLOBAL RETAIL E-COMMERCE SALES WITH U.S. E-COMMERCE AS % OF TOTAL

(SALES IN BILLION US DOLLARS)



### Global E-commerce Growth

The pandemic has accelerated the shift to e-commerce by 5 years.

(Source: IBM U.S. Retail Index, 8/20, emarketer 5/21)

# BOEING 767-300 FREIGHTER MARKET

1

767 is currently the preferred in-service freighter  
This is an established airframe for the regional  
express and e-commerce operator

2

CAM dominates the leasing market for the 767

3

Five of the top ten 767-300 leased freighter  
operators are CAM customers

## 767-300 FREIGHTER LESSORS

61

21

5

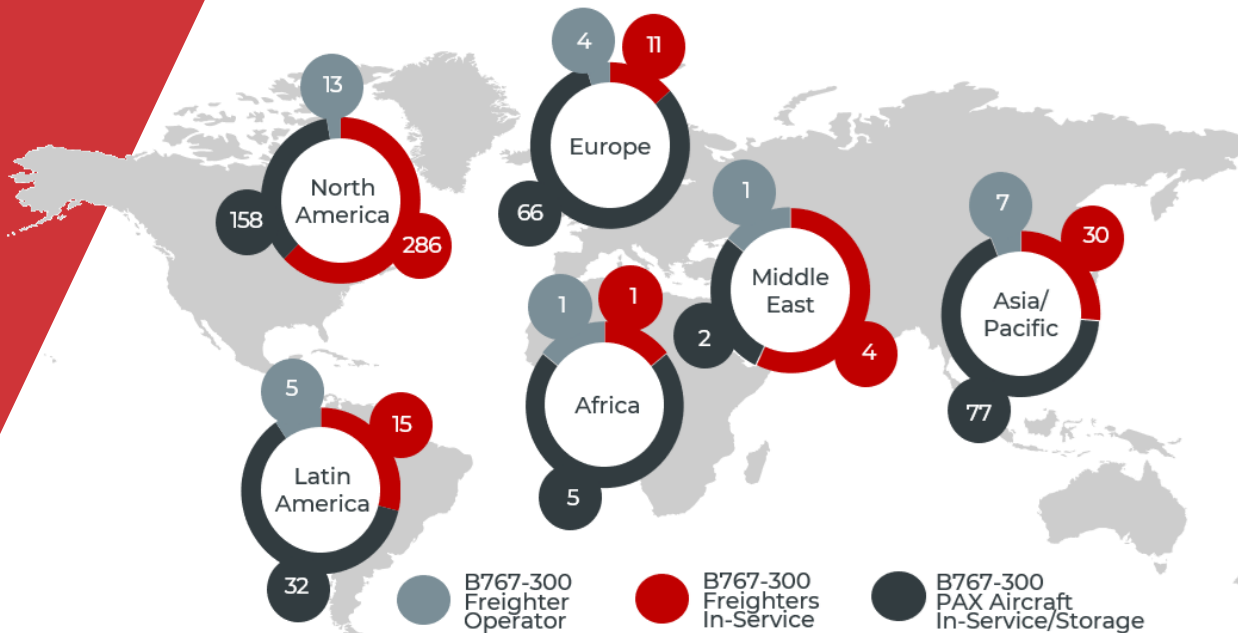
2

CAM

TITAN AVIATION  
LEASING

GECAS

BBAM



Sources: CIRIUM, Cargo Facts



# AIRBUS A330-300 FREIGHTER MARKET

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

1

Currently 641 aircraft in PAX configuration for feedstock with an average age of 10.3 years

2

Provides flexibility with 141" clear width & 101" clear height, hydraulically operated and range up to 3,600 nm

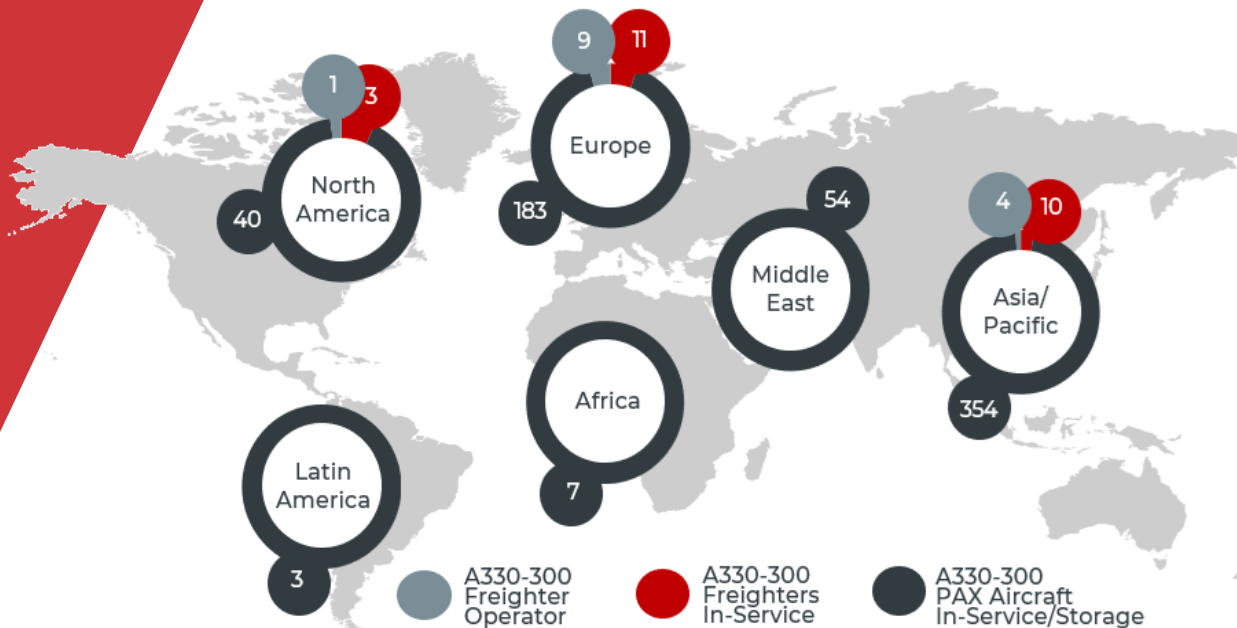
3

Target Operators – 767,777 operators, European and Pacific markets for medium range air cargo delivery

4

Currently twenty-four A330-300 Freighters in service with an average age of 13 years

Sources: CIRIUM, Cargo Facts



# AIRBUS A321-200 FREIGHTER MARKET

CAM will enter the A321 leasing market in 2022 with up to three aircraft.

1

Affordable and available feedstock allowing ATSG to enter the narrowbody freighter leasing market

2

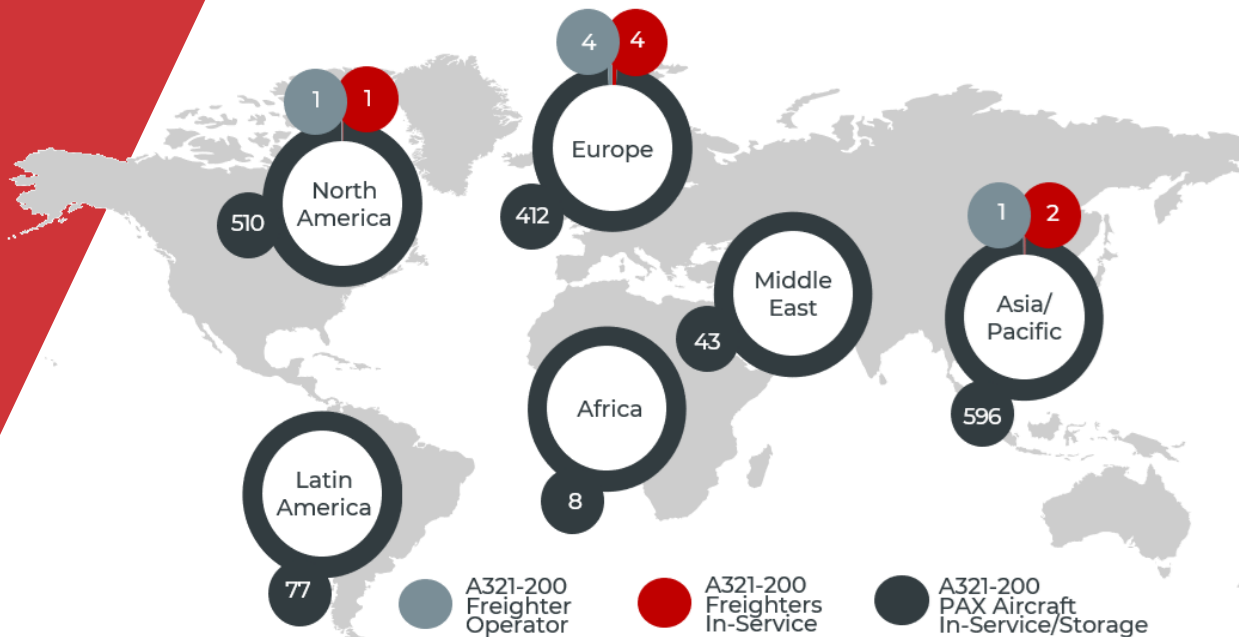
Alternative for 737F conversion, provides higher volume and similar efficiencies

3

Target operators –B737F, B757F and Airbus PAX carriers

4

Through JV, ATSG earns income on the conversion, MRO touch labor, component and kit development



Sources: CIRIUM, Cargo Facts

# LONG-TERM RELATIONSHIPS

## KEY CUSTOMERS



- 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



- Began with ACMI agreement for five Boeing 767 aircraft in 2015
- Through May 7, 2021, Amazon exercised 14.9 million warrants for 14.4 million shares of ATSG representing 19.5% ownership. ATSG received \$132M for the warrants exercised for cash in May 2021
- Amazon additionally holds 21.8 million warrants with an expiration in December 2025; if all 21.8M are exercised for cash of ~\$462M, Amazon's equity stake could total ~38%
- For all unexercised warrants, Amazon may elect a cashless option resulting in fewer shares and a lower equity stake



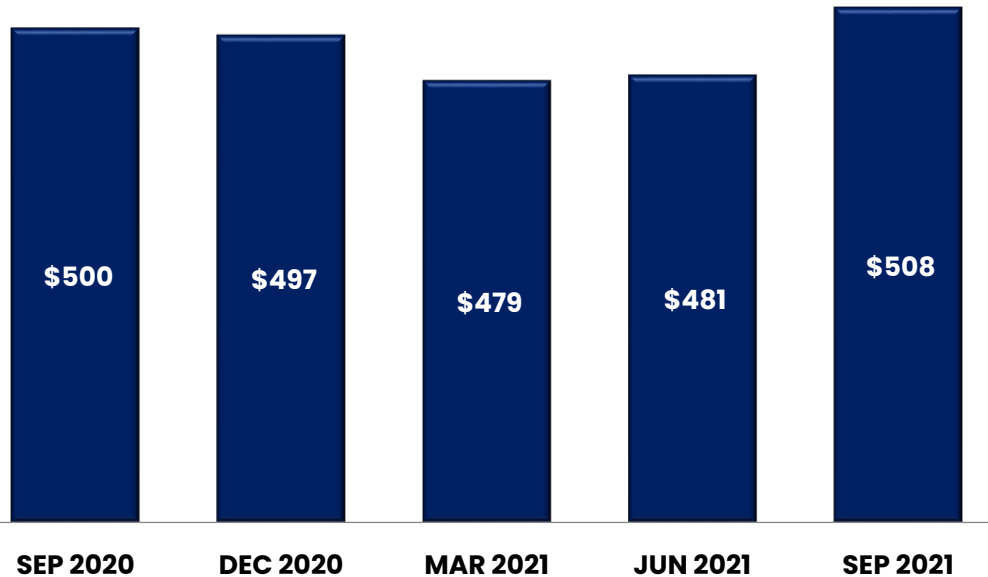
- Long-term contracts since August 2003; three-year extensions signed through April 30, 2022
- Eight 767 freighter aircraft leases extended to 2022, three additional leased into 2023/24, and one leased to 2028
- In May 2021, DHL committed to lease four additional 767-300 freighters with one delivered in 2021 and three to deliver in 1H2022
- CMI agreements to operate 767 freighter aircraft

# ADJUSTED EBITDA\*

## –TRAILING TWELVE MONTH TREND

\*Non-GAAP measure, please see the company's 8K and accompanying earnings release for GAAP reconciliation furnished and dated 11/04/2021

(\$ in millions)

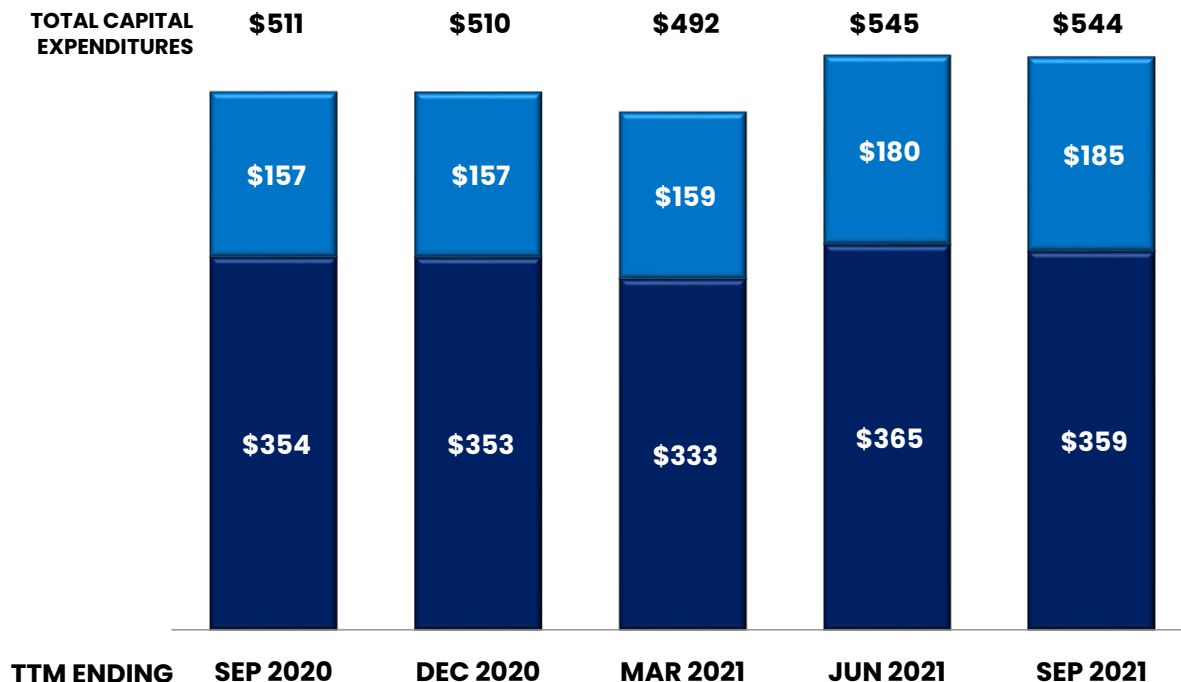


- **Adjusted EBITDA growth driven by thirteen additional Boeing 767 leases over last year**
- **ATSG airlines operated fourteen additional 767 CMI freighters since 3Q 2020**
- **3Q 2021 passenger revenues driven by Afghanistan evacuation operations**

# 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.

# ADJUSTED FREE CASH FLOW\*\*

-TRAILING TWELVE MONTH TREND

(\$ in millions)

OPERATING CASH  
FLOWS (GAAP)

\$513

\$512

\$538

\$570

\$519

SUSTAINING  
CAPITAL  
EXPENDITURES

\$157

\$157

\$159

\$180

\$185

ADJUSTED FREE  
CASH FLOW  
(NON-GAAP)

\$356

\$355

\$379

\$390

\$333

TTM ENDING

SEP 2020

DEC 2020

MAR 2021

JUN 2021

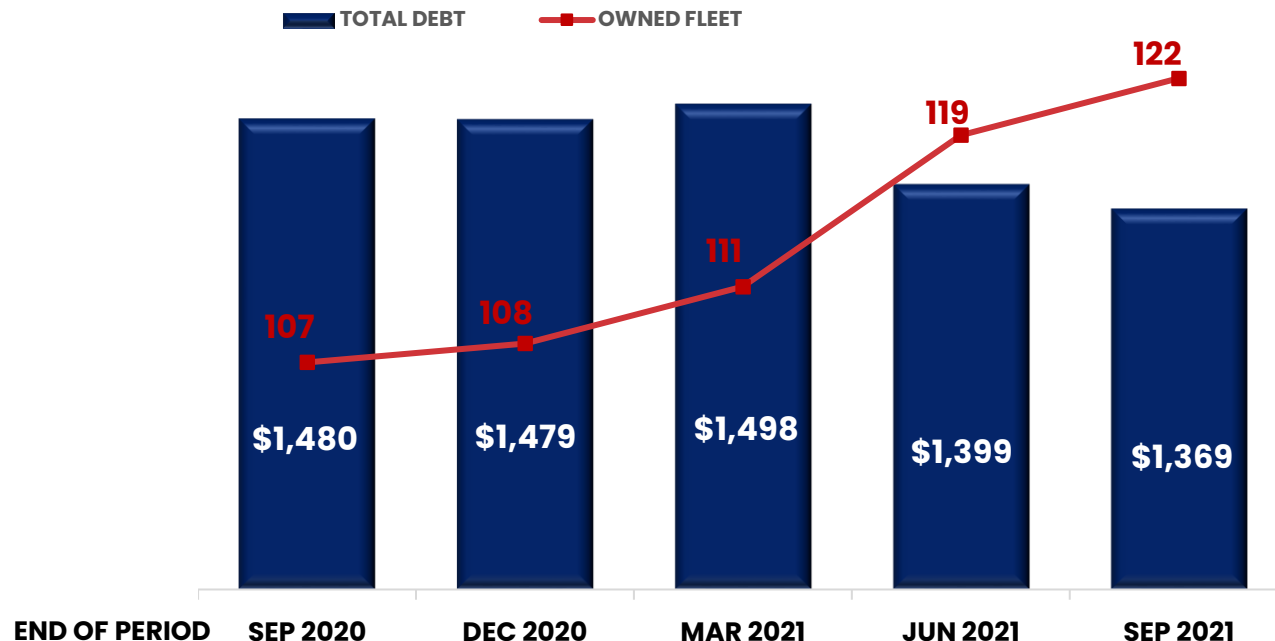
SEP 2021

- No PSP cash receipts related to COVID in 3Q 2021 compared to \$45 million and \$37 million in 2Q and 1Q 2021, respectively

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

# FLEET GROWS WITHOUT ADDITIONAL DEBT

(\$ in millions)



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

- CAM owned 122 aircraft at 9/30/2021 including sixteen being converted to freighter
- Eighty-two CAM owned freighters were leased to external customers, thirteen more than end of 3Q 2020
- Debt leverage under bank agreement, which includes government grant proceeds, declined from 2.9x in September 2020 to 2.2x in September 2021

# 2021 OUTLOOK

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- **Adjusted EBITDA for 2021 to at least \$535 million**
- **Fifteen 767-300 leases and four 767-200 aircraft re-leases**
- **ATSG's airlines expect to operate forty-six 767 freighters for Amazon, thirteen more than at the end of 2020**
- **2021 capital spending projected approximately \$530 million including \$335M growth + \$195M sustaining**
- **Access to at least seventy conversion slots inducting 2022 or later for 767-300F, A321-200F, A330F**



# THANK YOU!



# APPENDIX

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# NON-GAAP RECONCILIATION

## -STATEMENT

Reconciliation Stmt. (\$ in 000s)	2019	2020	9M2021
<b>GAAP Pre-Tax Earnings (Loss) from Cont. Oper.</b>	<b>\$ 71,572</b>	<b>\$ 41,393</b>	<b>\$ 240,569</b>
Non-service components retiree benefit costs, net	9,404	(12,032)	(13,370)
Non-consolidating affiliate losses	17,445	13,587	1,365
Customer Incentive Amortization	17,178	20,671	17,295
Less government grants	-	(47,231)	(96,626)
Add impairment of aircraft	-	39,075	-
Transaction fees	373	-	-
Less debt issuance costs	-	-	6,505
Financial Instruments Loss (Gain)	12,302	100,771	(37,797)
<b>Adjusted Pre-tax Earnings from Cont. Oper.</b>	<b>128,274</b>	<b>156,234</b>	<b>117,941</b>
Interest Income	(370)	(222)	(36)
Interest Expense	66,644	62,893	44,002
Depreciation and Amortization	257,532	278,067	224,435
<b>Adjusted EBITDA from Cont. Oper.</b>	<b>\$ 452,080</b>	<b>\$ 496,972</b>	<b>\$ 386,342</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 Pre-Tax Earnings from Continuing Operations also excludes impairment charges for aircraft valuations and related assets and the effects of government grants received through the CARES Act.

**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 also excludes impairment charges for aircraft valuations and related assets and the effects of government grants received under payroll support programs.

**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.

# EPS ADJUSTMENTS

## -NON-GAAP RECONCILIATION

	NINE MONTHS ENDED		YEAR ENDED			
	September 30, 2021		December 31, 2020		December 31, 2019	
	\$	\$/Share	\$	\$/Share	\$	\$/Share
Earnings from Continuing Operations - basic (GAAP)	\$ 184,522		\$ 25,079		\$ 59,983	
Gain from warrant revaluation, net tax	\$ (23,776)		\$ -		\$ (6,219)	
Earnings from Continuing Operations - diluted (GAAP)	\$ 160,746	\$ 2.14	\$ 25,079	\$ 0.42	\$ 53,764	\$ 0.78
Adjustments, net of tax						
Loss from warrant revaluation	\$ -	\$ -	\$ 81,784	\$ 0.92	\$ 6,594	\$ -
Customer incentive amortization	\$ 13,348	\$ 0.18	\$ 15,953	\$ 0.27	\$ 13,258	\$ 0.19
Remove effects of government grants	\$ (74,574)	\$ (0.99)	\$ (36,451)	\$ (0.61)	\$ -	\$ -
Remove effects of aircraft impairments	\$ -	\$ -	\$ 30,157	\$ 0.50	\$ -	\$ -
Non-service component of retiree benefits	\$ (10,319)	\$ (0.14)	\$ (9,287)	\$ (0.16)	\$ 7,258	\$ 0.10
Loss from affiliates	\$ 1,053	\$ 0.01	\$ 11,337	\$ 0.19	\$ 16,176	\$ 0.23
Omni acquisition fee	\$ -	\$ -	\$ -	\$ -	\$ 285	\$ -
Derivative and warrant revaluation	\$ (5,395)	\$ (0.13)	\$ 4,081	\$ 0.07	\$ 7,687	\$ 0.11
Debt issuance costs	\$ 5,020	\$ 0.07	\$ -	\$ -	\$ -	\$ -
Adjusted Earnings from Continuing Operations (non-GAAP)	\$ 89,879	\$ 1.14	\$ 122,653	\$ 1.60	\$ 105,022	\$ 1.41
	SHARES		SHARES		SHARES	
Weighted Average Shares - diluted	75,277		59,931		69,348	
Additional weighted average shares	3,583		16,806		5,337	
Adjusted Shares (non-GAAP)	78,860		76,737		74,685	

**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. Additional weighted shares includes 14.4 million shares as if Amazon's publicly announced warrant conversion plan was completed plus additional weighted shares assuming that Amazon net settled its remaining warrants during each period.

# NON-GAAP RECONCILIATION

-ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Trailing twelve months ended (\$ in 000's)	3Q2020	4Q2020	1Q2021	2Q2021
GAAP Pre-Tax earnings (Loss) from Contg Ops	\$ (3)	\$ 41	\$ (44)	\$ 166
Interest Income	\$ -	\$ -	\$ -	\$ -
Interest Expense	\$ 63	\$ 63	\$ 61	\$ 60
Depreciation and Amortization	\$ 273	\$ 278	\$ 280	\$ 287
Add customer incentive amortization	\$ 20	\$ 21	\$ 22	\$ 22
Less government grants recognized	\$ (32)	\$ (47)	\$ (75)	\$ (104)
Add impairment of aircraft and related assets	\$ 39	\$ 39	\$ 39	\$ -
Add non-service components of retiree benefit	\$ (6)	\$ (12)	\$ (14)	\$ (15)
Less debt issuance costs	\$ -	\$ -	\$ -	\$ 7
Less net (gain) loss on financial instruments	\$ 129	\$ 101	\$ 198	\$ 53
Add loss from non-consolidated affiliates	\$ 17	\$ 13	\$ 12	\$ 5
	-	-	-	-
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 500</b>	<b>\$ 497</b>	<b>\$ 479</b>	<b>\$ 481</b>



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