Q2 2016 Earnings Report

Sabre Corporation

August 2, 2016

Sabre®

Forward-looking statements

Forward Looking Statements

Certain statements herein are forward-looking statements about trends, future events, uncertainties and our plans and expectations of what may happen in the future. Any statements that are not historical or current facts are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as "outlook," "guidance," “expect,” "will," "estimate," "positions," "momentum," “may,” “should,” “would,” “intend,” “believe,” “potential” or the negative of these terms or other comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sabre’s actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. The potential risks and uncertainties include, among others, dependency on transaction volumes in the global travel industry, particularly air travel transaction volumes, adverse global and regional economic and political conditions, including, but not limited to, the approval by voters in the U.K. for that country to exit the E.U., economic uncertainty over related negotiations and economic conditions in countries or regions with traditionally high levels of exports to China or that have commodities-based economies, risks arising from global operations, exposure to pricing pressure in the Travel Network business, the implementation and effects of new or renewed agreements, the financial and business effects of acquisitions, including integration of these acquisitions, dependence on maintaining and renewing contracts with customers and other counterparties, our ability to recruit, train and retain employees, including our key executive officers and technical employees, and the effort to identify a successor to our president and chief executive officer due to his intended resignation, dependence on relationships with travel buyers, changes affecting travel supplier customers, travel suppliers’ usage of alternative distribution models, and competition in the travel distribution market and solutions markets. More information about potential risks and uncertainties that could affect our business and results of operations is included in the “Risk Factors” section in our Quarterly Report on Form 10-Q filed with the SEC on April 28, 2016, in the "Risk Factors" and “Forward-Looking Statements” sections in our Annual Report on Form 10-K filed with the SEC on February 19, 2016 and in our other filings with the SEC. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, outlook, guidance, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. Unless required by law, Sabre undertakes no obligation to publicly update or revise any forward-looking statements to reflect circumstances or events after the date they are made.

Non-GAAP Financial Measures

This presentation includes unaudited non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, Adjusted EPS, Adjusted Capital Expenditures, Free Cash Flow, and the ratios based on these financial measures. We present non-GAAP measures when our management believes that the additional information provides useful information about our operating performance. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See “Non-GAAP Financial Measures” below for an explanation of the non-GAAP measures and “Tabular Reconciliations for Non-GAAP Measures” below for a reconciliation of the non-GAAP financial measures to the comparable GAAP measures.

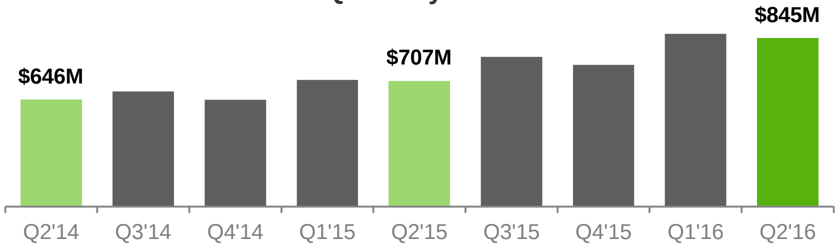
Today's presenters

Tom Klein
President & CEO

Rick Simonson
EVP & CFO

Q2 2016 highlights

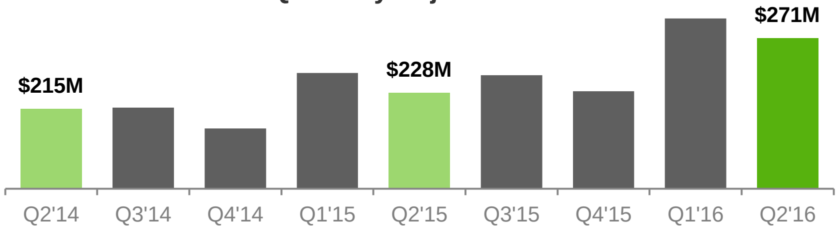
Total Quarterly Revenue



+20%

Q2 2016
YOY GROWTH

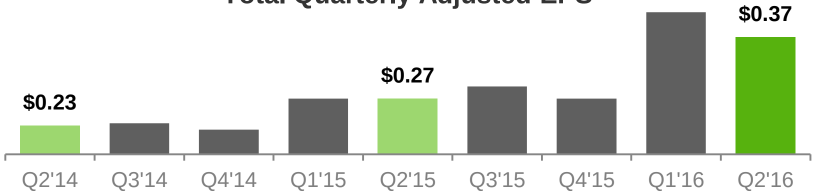
Total Quarterly Adjusted EBITDA



+19%

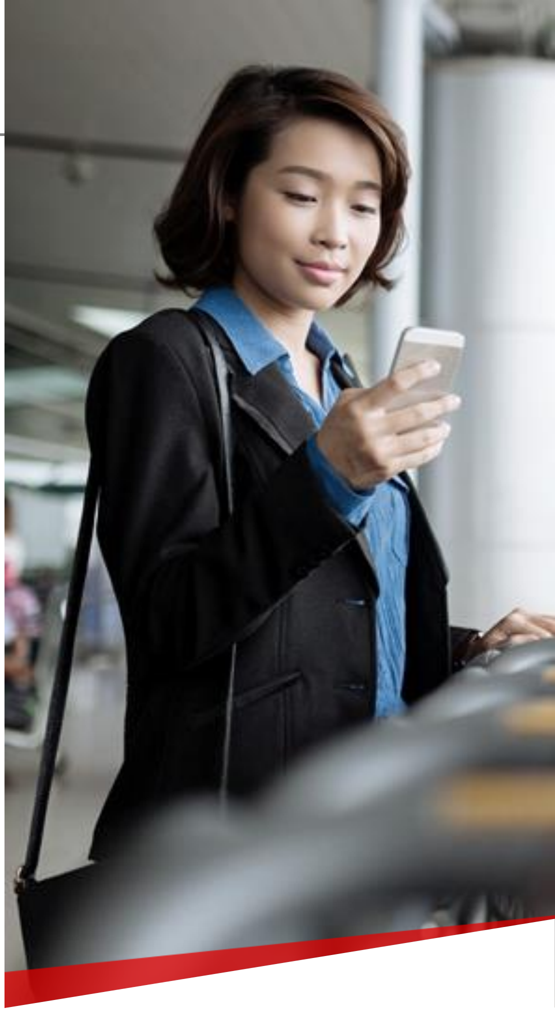
Q2 2016
YOY GROWTH

Total Quarterly Adjusted EPS



+37%

Q2 2016
YOY GROWTH



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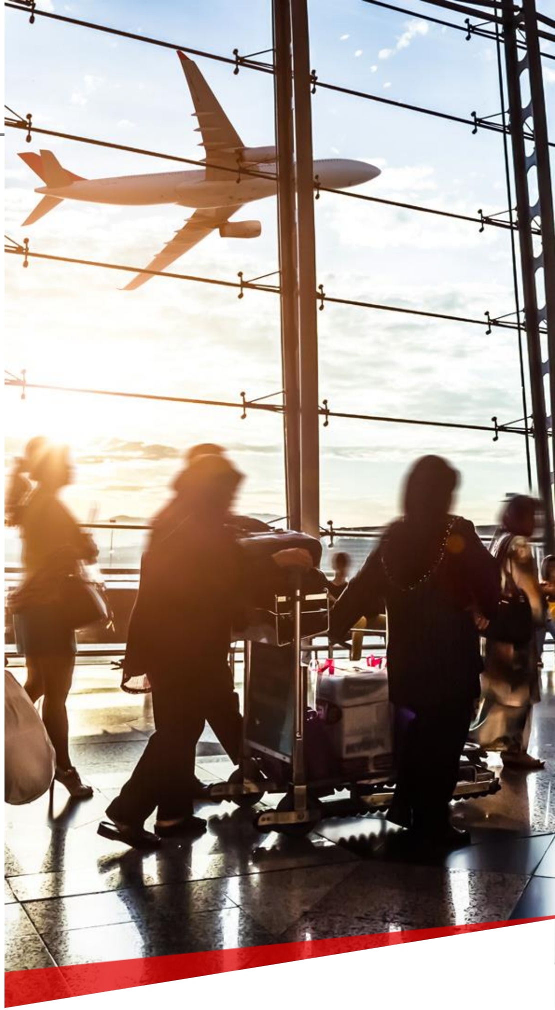
Continued growth across Airline Solutions

Excellent customer growth

New solution adoption by current customers

New customer implementations



New innovation bolsters growth

Recently debuted four new or upgraded solutions:

Digital Experience

Commercial Analytics

Revenue Optimizer

Crew Manager

Sabre AirCentre® Crew Manager

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Hospitality Solutions growth continues

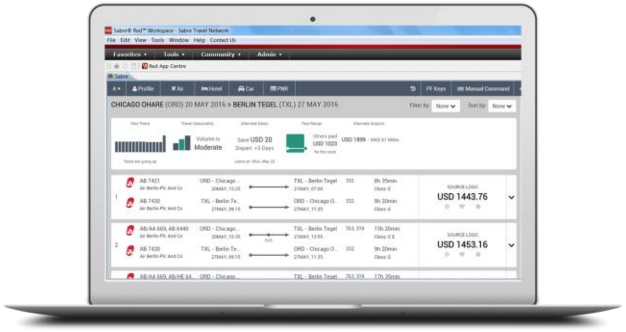
- Hoteliers of all sizes attracted to our growing portfolio of innovative solutions and great service
- Nearly 1,600 Wyndham properties running our SynXis property management platform and migrating Wyndham brands to SynXis central reservations platform with good results
- Building on our gap versus competitors as new brands take advantage of more and more of our hospitality solutions

Travel Network bookings growth

- 24% total bookings growth
  - Growth driven by Asia-Pacific acquisition
  - Bookings growth across all regions
  - Modest increase in North America and EMEA bookings despite tough year-over-year comparisons
  - Latin America bookings returned to growth
  - Strong growth in Asia-Pacific bookings with operational integration work largely complete

Confidence in future performance

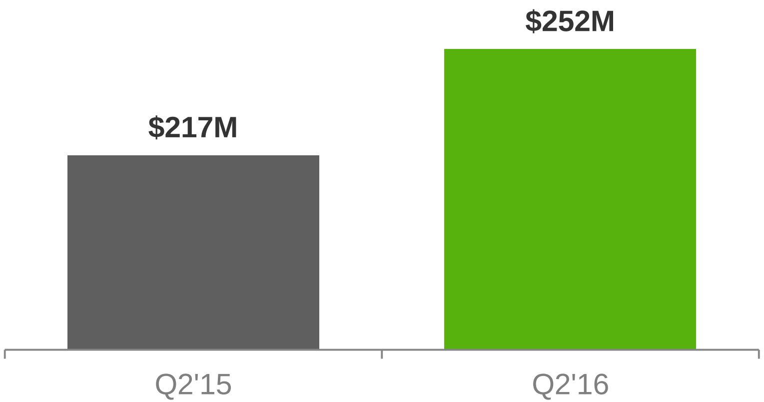
Several recent wins and renewals at some of our largest travel agency customers will have a meaningful positive impact over the coming years



New Sabre Red Workspace

2Q 2016 Airline and Hospitality Solutions highlights

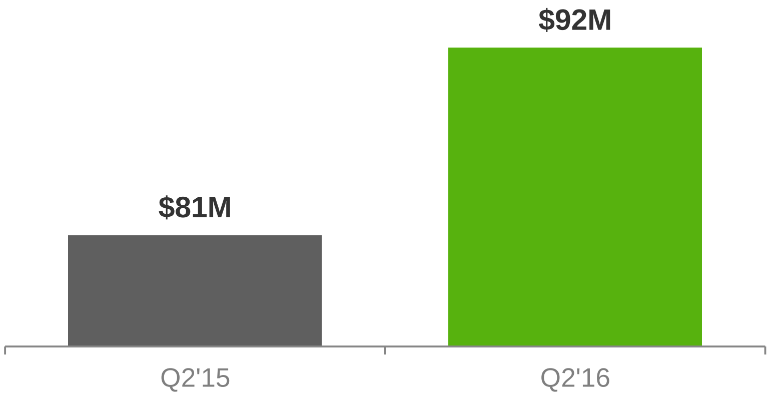
Revenue



+16%

Q2 2016
YOY GROWTH

Adjusted EBITDA



+14%

Q2 2016
YOY GROWTH

36.5%

Q2 2016
MARGIN

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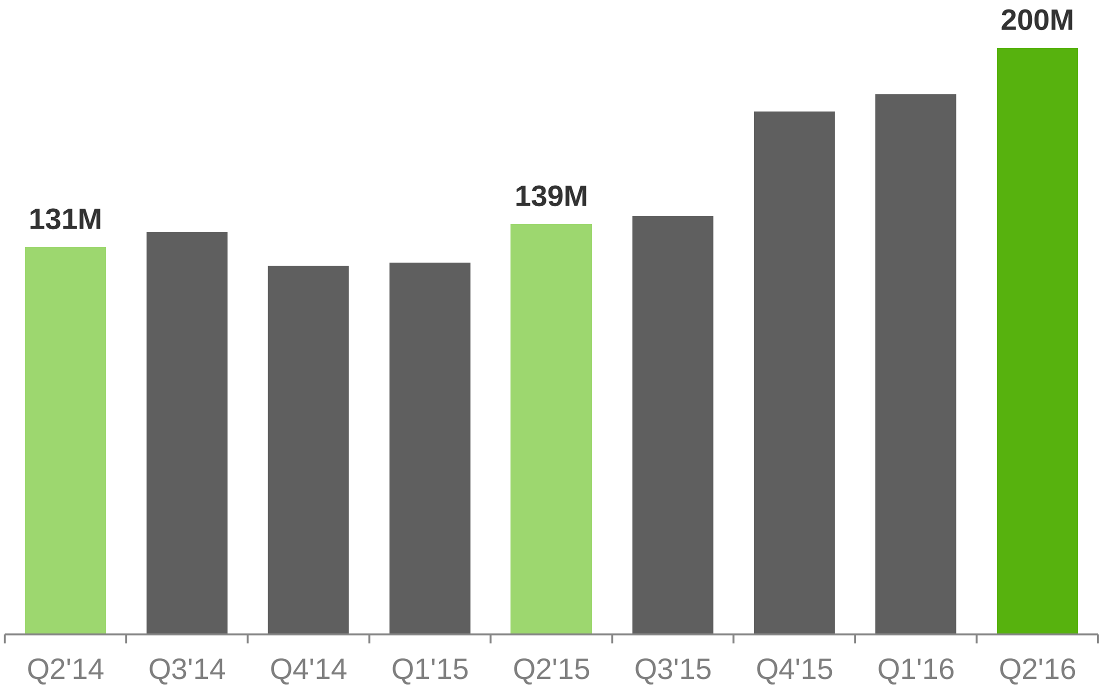
Total quarterly passengers boarded



+43%

Q2 2016
YOY GROWTH

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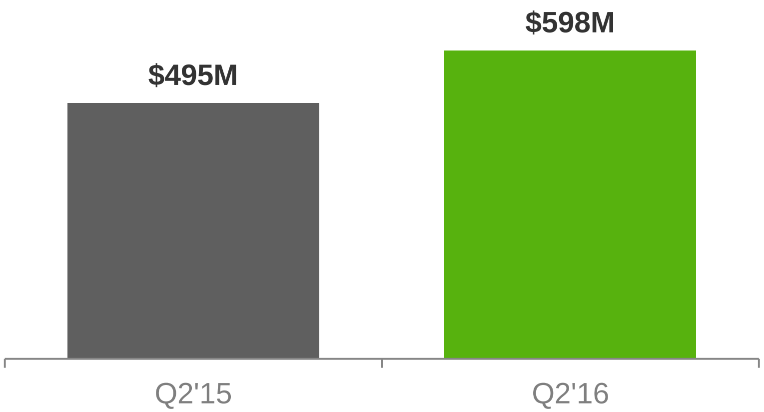
2Q 2016 Travel Network highlights

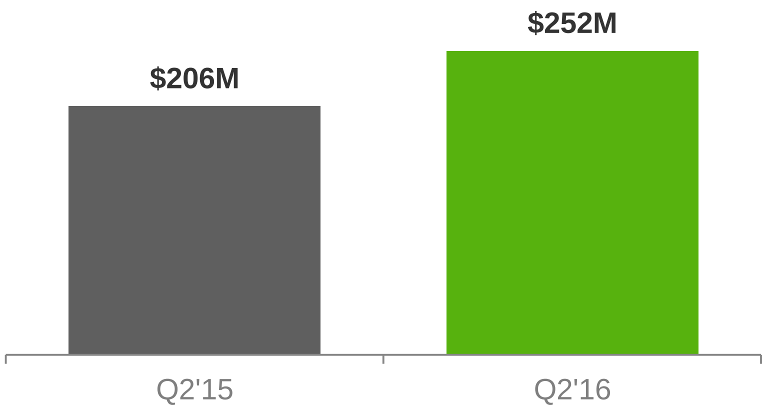
Revenue



+21%

Q2 2016
YOY GROWTH

Adjusted EBITDA



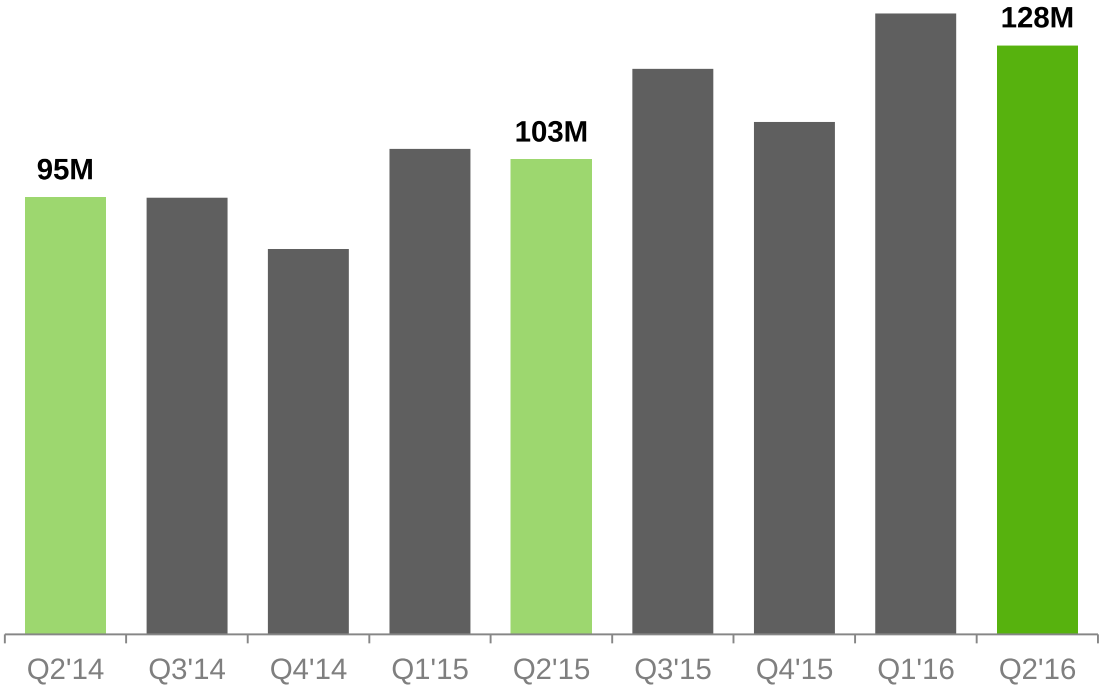
+22%

Q2 2016
YOY GROWTH

42.1%

Q2 2016
MARGIN

Total Travel Network quarterly bookings



+24%

Q2 2016
YOY GROWTH

Q2 2016 bookings by region

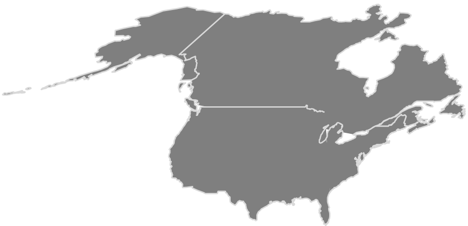
+24%[1]

Q2 2016
YOY BOOKINGS GROWTH

36.7%	**37.1%**
Q2 2016	YTD 2016

GLOBAL BOOKING SHARE

NAM	EMEA	LAC
+1.3%	**+3.2%**	**+1.5%**



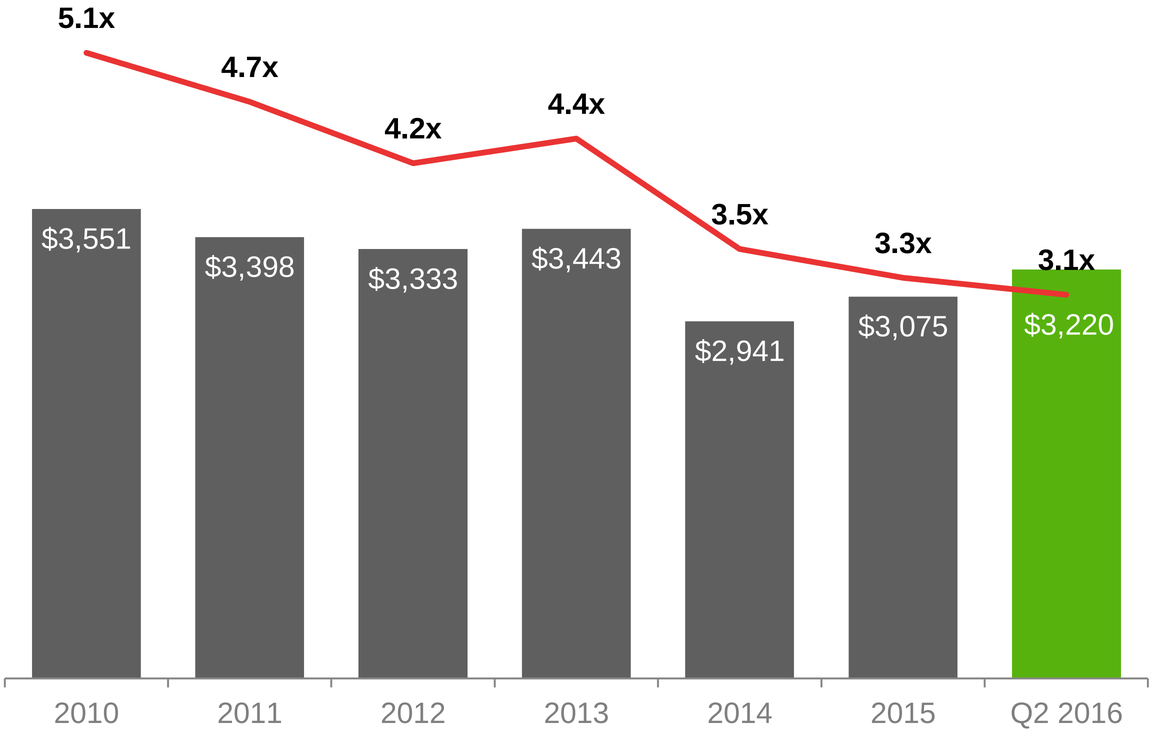
[1] 1.7% ex-APAC.

Q2 2016 Income Statement[1]

	(in $ millions, except EPS)		
	Q2 '16	$ B/(W)	% B/(W)
Revenue	**$845**	**$138**	**+20%**
Cost of Revenue	($472)	($78)	(20%)
Gross Profit	**$373**	**$60**	**+19%**
SG&A	($103)	($11)	(12%)
JV Equity Income	$1	($5)	(88%)
EBITDA	**$271**	**$44**	**+19%**
Operating Income	**$193**	**$31**	**+19%**
Net Income	**$104**	**$28**	**+37%**
Earnings per Share	**$0.37**	**$0.10**	**+37%**

[1]All amounts adjusted, other than Revenue.

Net Debt and Leverage[1]



$34M

Q2 2016
FREE CASH FLOW

$99M

H1 2016
FREE CASH FLOW

[1]Net Debt/LTM Adjusted EBITDA.

FY 2016 Guidance

	Guidance	Growth
Revenue	**$3,390M - $3,430M**	*14.5% - 15.8%*
Adjusted EBITDA	**$1,080M - $1,100M**	*14.7% - 16.8%*
Adjusted Net Income	**$395M - $415M**	*28.2% - 34.7%*
Adjusted EPS	**$1.40 - $1.47**	*27.3% - 33.6%*
Free Cash Flow	**Approaching $375M**	
GAAP Capital Expenditures	**~$325M**	
Capitalized Implementation Costs	**~$95M**	

The information presented here represents forward-looking statements and reflects expectations as of August 2, 2016. Sabre assumes no obligation to update these statements. Results may be materially different and are affected by many factors detailed in the accompanying release and in Sabre's first quarter 2016 10-Q and 2015 Form 10-K.

Summary

Second quarter results reflect continued strength and stability

Strong first-half performance

Continued momentum across the business drives an enviable algorithm

Expect solid results for the year

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Thank you

Appendix

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to Adjusted Net Income and Adjusted EBITDA (in thousands, except per share amounts; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income attributable to common stockholders	$ 72,019	$ 32,207	$ 177,186	$ 239,701
Loss (income) from discontinued operations, net of tax	2,098	(696)	(11,252)	(159,607)
Net income attributable to noncontrolling interests[1]	1,078	1,078	2,180	1,825
Income from continuing operations	75,195	32,589		
Adjustments:			68148	44886
Acquisition-related amortization[2a]	34,018	23,211	68,148	44,886
Loss on extinguishment of debt	—	33,235	—	33,235
Other, net [4]	(876)	(197)	(4,236)	4,248
Restructuring and other costs [5]	1,116	—	1,240	—
Acquisition-related costs[6]	516	2,053	624	3,864
Litigation costs (reimbursements), net[7]	1,901	2,043	(1,945)	5,479
Stock-based compensation	12,810	7,330	23,099	16,124
Tax impact of net income adjustments	(20,633)	(24,210)	(36,349)	(38,767)
Adjusted Net Income from continuing operations	$ 104,047	$ 76,054	$ 218,695	$ 150,988
Adjusted Net Income from continuing operations per share	$ 0.37	$ 0.27	$ 0.77	$ 0.54
Diluted weighted-average common shares outstanding	283,001	279,101	282,648	278,082
Adjusted Net Income from continuing operations	$ 104,047	$ 76,054	$ 218,695	$ 150,988
Adjustments:				
Depreciation and amortization of property and equipment[2b]	56,214	46,244	109,879	107,907
Amortization of capitalized implementation costs[2c]	8,211	7,902	16,699	15,426
Amortization of upfront incentive consideration[3]	13,896	10,878	26,233	22,050
Interest expense, net	37,210	42,609	78,412	89,062
Remaining provision for income taxes	51,906	43,886	109,046	85,726
Adjusted EBITDA	$ 271,484	$ 227,573	$ 558,964	$ 471,159

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to Adjusted Net Income and Adjusted EBITDA (in thousands, except per share amounts; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss) attributable to common shareholders	$ 32,207	$ (13,132)	$ 239,701	$ (25,121)
(Income) loss from discontinued operations, net of tax	(696)	16,650	(159,607)	40,706
Net income attributable to noncontrolling interests (1)	1,078	702	1,825	1,448
Preferred stock dividends	—	2,235	—	11,381
Income from continuing operations	32,589	6,455	81,919	28,414
Adjustments:				
Acquisition-related amortization (2a)	23,211	21,953	44,886	54,842
Loss on extinguishment of debt	33,235	30,558	33,235	33,538
Other, net (4)	(197)	(391)	4,248	1,963
Restructuring and other costs (5)	—	2,128	—	3,684
Acquisition-related costs (6)	2,053	—	3,864	—
Litigation costs (7)	2,043	2,572	5,479	7,118
Stock-based compensation	7,330	4,885	16,124	8,484
Management fees (8)	—	21,576	—	23,508
Tax impact of net income adjustments	(24,210)	(32,481)	(38,767)	(51,924)
Adjusted Net Income from continuing operations	$ 76,054	$ 57,255	$ 150,988	$ 109,627
Adjusted Net Income from continuing operations per share	$ 0.27	$ 0.23	$ 0.54	$ 0.50
Diluted weighted-average common shares outstanding	279,101	252,336	278,082	219,969
Adjusted Net Income from continuing operations	$ 76,054	$ 57,255	$ 150,988	$ 109,627
Adjustments:				
Depreciation and amortization of property	46,244	40,661	107,907	81,110
Amortization of capitalized implementation costs (2c)	7,902	8,890	15,426	17,987
Amortization of upfront incentive consideration (3)	10,878	11,742	22,050	22,789
Interest expense, net	42,609	53,235	89,062	117,179
Remaining provision for income taxes	43,886	42,765	85,726	77,119
Adjusted EBITDA	$ 227,573	$ 214,548	$ 471,159	$ 425,811

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Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to Adjusted Net Income and Adjusted EBITDA (in thousands, except per share amounts; unaudited)

	Three Months Ended				
	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	LTM
Net income attributable to common stockholders	$ 176,340	$ 129,441	$ 105,167	$ 72,019	$ 482,967
(Income) loss from discontinued operations, net of tax	(53,892)	(100,909)	(13,350)	2,098	(166,053)
Net income attributable to noncontrolling interests[1]	676	980	1,102	1,078	3,836
Income from continuing operations	123,124	29,512	92,919	75,195	320,750
Adjustments:					
Acquisition-related amortization[2a]	31,384	31,851	34,130	34,018	131,383
Loss on extinguishment of debt	—	5,548	—	—	5,548
Other, net [4]	(92,568)	(3,057)	(3,360)	(876)	(99,861)
Restructuring and other costs [5]	8,888	368	124	1,116	10,496
Acquisition-related costs[6]	9,350	1,223	108	516	11,197
Litigation costs (reimbursements), net[7]	9,318	1,912	(3,846)	1,901	9,285
Stock-based compensation	7,204	6,643	10,289	12,810	36,946
Depreciation and amortization of property and equipment[2b]	49,247	56,366	53,665	56,214	215,492
Amortization of capitalized implementation costs[2c]	7,606	8,409	8,488	8,211	32,714
Amortization of upfront incentive consideration[3]	9,525	11,946	12,337	13,896	47,704
Interest expense, net	40,581	43,655	41,202	37,210	162,648
Provision for income taxes	38,007	34,386	41,424	31,273	145,090
Adjusted EBITDA	$ 241,666	$ 228,762	$ 287,480	$ 271,484	$ 1,029,392
Net Debt (total debt, less cash)					$ 3,219,566
Net Debt / LTM Adjusted EBITDA					3.1

Reconciliation of Operating Income to Adjusted Operating Income

(in thousands; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating income	$ 142,039	$ 122,605	$ 313,461	$ 241,597
Adjustments:				
Joint venture equity income	763	5,307	1,526	13,826
Acquisition-related amortization[(2a)]	34,018	23,211	68,148	44,886
Restructuring and other costs [(5)]	1,116	—	1,240	—
Acquisition-related costs[(6)]	516	2,053	624	3,864
Litigation costs (reimbursements), net[(7)]	1,901	2,043	(1,945)	5,479
Stock-based compensation	12,810	7,330	23,099	16,124
Adjusted Operating Income	$ 193,163	$ 162,549	$ 406,153	$ 325,776

Reconciliation of Adjusted Capitalized Expenditures and Free Cash Flow

(in thousands; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Additions to property and equipment	$ 89,121	$ 66,051	$ 164,593	$ 127,963
Capitalized implementation costs	23,311	15,234	43,268	29,561
Adjusted Capital Expenditures	$ 112,432	$ 81,285	$ 207,861	$ 157,524

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cash provided by operating activities	$ 123,619	$ 136,226	$ 263,784	$ 267,999
Cash used in investing activities	(95,430)	(66,051)	(329,570)	(127,815)
Cash used in financing activities	(63,432)	56,514	(174,334)	34,233

	Three Months Ended March 31,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cash provided by operating activities	$ 123,619	$ 136,226	$ 263,784	$ 267,999
Additions to property and equipment	(89,121)	(66,051)	(164,593)	(127,963)
Free Cash Flow	$ 34,498	$ 70,175	$ 99,191	$ 140,036

Reconciliation of Adjusted Gross Profit and Adjusted EBITDA by segment

(in thousands; unaudited)

	Three Months Ended June 30, 2016			
	Travel Network	**Airline and Hospitality Solutions**	**Corporate**	**Total**
Operating income (loss)	$ 217,252	$ 55,390	$ (130,603)	$ 142,039
Add back:				
Selling, general and administrative	32,745	16,762	97,379	146,886
Cost of revenue adjustments:				
Depreciation and amortization[2]	18,093	36,317	10,962	65,372
Amortization of upfront incentive consideration[3]	13,896	—	—	13,896
Stock-based compensation	—	—	5,072	5,072
Adjusted Gross Profit	281,986	108,469	(17,190)	373,265
Selling, general and administrative	(32,745)	(16,762)	(97,379)	(146,886)
Joint venture equity income	763	—	—	763
Selling, general and administrative adjustments:				
Depreciation and amortization[2]	1,583	238	31,250	33,071
Restructuring and other costs [5]	—	—	1,116	1,116
Acquisition-related costs[6]	—	—	516	516
Litigation reimbursements, net[7]	—	—	1,901	1,901
Stock-based compensation	—	—	7,738	7,738
Adjusted EBITDA	$ 251,587	$ 91,945	$ (72,048)	$ 271,484

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Reconciliation of Adjusted Gross Profit and Adjusted EBITDA by segment

(in thousands; unaudited)

	Three Months Ended June 30, 2015			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 173,691	$ 49,075	$ (100,161)	$ 122,605
Add back:				
Selling, general and administrative	26,600	15,036	81,724	123,360
Cost of revenue adjustments:				
Depreciation and amortization(2)	14,758	31,671	6,650	53,079
Amortization of upfront incentive consideration(3)	10,878	—	—	10,878
Stock-based compensation	—	—	2,902	2,902
Adjusted Gross Profit	225,927	95,782	(8,885)	312,824
Selling, general and administrative	(26,600)	(15,036)	(81,724)	(123,360)
Joint venture equity income	5,307	—	—	5,307
Joint venture intangible amortization(2a)	801	—	—	801
Selling, general and administrative adjustments:				
Depreciation and amortization(2)	522	239	22,716	23,477
Acquisition-related costs(6)	—	—	2,053	2,053
Litigation costs(7)	—	—	2,043	2,043
Stock-based compensation	—	—	4,428	4,428
Adjusted EBITDA	$ 205,957	$ 80,985	$ (59,369)	$ 227,573

Reconciliation of Adjusted Gross Profit and Adjusted EBITDA by segment

(in thousands; unaudited)

	Six Months Ended June 30, 2016			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 458,796	$ 102,535	$ (247,870)	$ 313,461
Add back:				
Selling, general and administrative	66,118	35,003	179,621	280,742
Cost of revenue adjustments:				
Depreciation and amortization[2]	35,753	71,807	24,319	131,879
Amortization of upfront incentive consideration[3]	26,233	—	—	26,233
Stock-based compensation	—	—	9,146	9,146
Adjusted Gross Profit	586,900	209,345	(34,784)	761,461
Selling, general and administrative	(66,118)	(35,003)	(179,621)	(280,742)
Joint venture equity income	1,526	—	—	1,526
Joint venture intangible amortization[2a]	—	—	—	—
Selling, general and administrative adjustments:				
Depreciation and amortization[2]	2,453	541	59,853	62,847
Restructuring and other costs [5]	—	—	1,240	1,240
Acquisition-related costs[6]	—	—	624	624
Litigation reimbursements, net[7]	—	—	(1,945)	(1,945)
Stock-based compensation	—	—	13,953	13,953
Adjusted EBITDA	$ 524,761	$ 174,883	$ (140,680)	$ 558,964

Reconciliation of Adjusted Gross Profit and Adjusted EBITDA by segment

(in thousands; unaudited)

	Six Months Ended June 30, 2015			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 370,942	$ 77,566	$ (206,911)	$ 241,597
Add back:				
Selling, general and administrative	48,484	33,015	164,219	245,718
Cost of revenue adjustments:				
Depreciation and amortization(2)	28,570	74,400	14,776	117,746
Amortization of upfront incentive consideration(3)	22,050	—	—	22,050
Stock-based compensation	—	—	6,435	6,435
Adjusted Gross Profit	470,046	184,981	(21,481)	633,546
Selling, general and administrative	(48,484)	(33,015)	(164,219)	(245,718)
Joint venture equity income	13,826	—	—	13,826
Joint venture intangible amortization(2a)	1,602	—	—	1,602
Selling, general and administrative adjustments:	—	—	—	—
Depreciation and amortization(2)	1,054	507	47,310	48,871
Acquisition-related costs(6)	—	—	3,864	3,864
Litigation costs(7)	—	—	5,479	5,479
Stock-based compensation	—	—	9,689	9,689
Adjusted EBITDA	$ 438,044	$ 152,473	$ (119,358)	$ 471,159

Reconciliation of Adjusted Cost of Revenue, Adjusted SG&A, and Adjusted JV Equity Income

(in thousands; unaudited)

	Three Months Ended June 30,	
	2016	**2015**
Cost of revenue (1) (2)	$ 556,317	$ 461,126
Depreciation and amortization(2)	(65,372)	(53,079)
Amortization of upfront incentive consideration(3)	(13,896)	(10,878)
Stock-based compensation	(5,072)	(2,902)
Adjusted Cost of Revenue	$ 471,977	$ 394,267

	Three Months Ended June 30,	
	2016	**2015**
SG&A	$ 146,886	$ 123,360
Depreciation and amortization(2)	(33,071)	(23,477)
Restructuring and other costs (5)	(1,116)	—
Acquisition-related costs(6)	(516)	(2,053)
Litigation reimbursements (costs), net(7)	(1,901)	(2,043)
Stock-based compensation	(7,738)	(4,428)
Adjusted SG&A	$ 102,544	$ 91,359

	Three Months Ended June 30,	
	2016	**2015**
Joint venture equity income	$ 763	$ 5,307
Joint venture intangible amortization(2a)	—	801
Adjusted Joint Venture Equity Income	$ 763	$ 6,108

Business outlook and financial guidance

We are unable to provide forward guidance on a GAAP basis without unreasonable effort; however, the following information provides estimates of certain components of the non-GAAP adjustments contained in the guidance contained in this presentation. Full-year Adjusted Net Income guidance consists of full-year net income attributable to common stockholders less the estimated impact of income from discontinued operations, net of tax, of approximately $10 million; net income attributable to noncontrolling interests of approximately $5 million; acquisition-related amortization of approximately $140 million; stock-based compensation expense of approximately $50 million; other items (primarily consisting of litigation and restructuring costs) of approximately $20 million; and the tax benefit of these adjustments of approximately $80 million. Full-year Adjusted EPS guidance consists of Adjusted Net Income divided by our projected weighted-average diluted common share count for the full year of approximately 283 million.

Full-year Adjusted EBITDA guidance consists of Adjusted Net Income guidance less the impact of depreciation and amortization of property and equipment, amortization of capitalized implementation costs and amortization of upfront incentive consideration of approximately $325 million; interest expense, net of approximately $160 million; and provision for income taxes less tax impact of net income adjustments of approximately $200 million.

Full-year Free Cash Flow guidance consists of full-year cash provided by operating activities of approaching $700 million less additions to property and equipment of approximately $325 million.

Non-GAAP financial measures

We have included both financial measures compiled in accordance with GAAP and certain non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, Adjusted Net Income from continuing operations per share (Adjusted EPS), Adjusted Capital Expenditures, Free Cash Flow and ratios based on these financial measures.

We define Adjusted Gross Profit as operating income (loss) adjusted for selling, general and administrative expenses, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization and stock-based compensation.

We define Adjusted Operating Income as operating income adjusted for joint venture equity income, acquisition-related amortization, restructuring and other costs, acquisition-related costs, litigation (reimbursements) costs, net, and stock-based compensation.

We define Adjusted Net Income as net income attributable to common stockholders adjusted for income (loss) from discontinued operations, net of tax, net income attributable to noncontrolling interests, acquisition-related amortization, loss on extinguishment of debt, other, net, restructuring and other costs, acquisition-related costs, litigation costs (reimbursements), net, stock-based compensation and the tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net, and remaining provision (benefit) for income taxes.

We define Adjusted EPS as Adjusted Net Income divided by the applicable share count.

We define Adjusted Capital Expenditures as additions to property and equipment and capitalized implementation costs.

We define Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment.

Non-GAAP financial measures

These non-GAAP financial measures are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. Adjusted Capital Expenditures include cash flows used in investing activities, for property and equipment, and cash flows used in operating activities, for capitalized implementation costs. Our management uses this combined metric in making product investment decisions and determining development resource requirements. We also believe that Adjusted Gross Profit, Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, Adjusted EPS and Adjusted Capital Expenditures assist investors in company-to-company and period-to-period comparisons by excluding differences caused by variations in capital structures (affecting interest expense), tax positions and the impact of depreciation and amortization expense. In addition, amounts derived from Adjusted EBITDA are a primary component of certain covenants under our senior secured credit facilities.

Adjusted Gross Profit, Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, Adjusted EPS, Adjusted Capital Expenditures, Free Cash Flow, and ratios based on these financial measures are not recognized terms under GAAP. These non-GAAP financial measures and ratios based on them have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. These non-GAAP financial measures and ratios based on them exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of these measures has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

these non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Profit and Adjusted EBITDA do not reflect cash requirements for such replacements;

Adjusted Operating Income, Adjusted Net Income and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;

Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;

Free Cash Flow removes the impact of accrual-basis accounting on asset accounts and non-debt liability accounts, and does not reflect the cash requirements necessary to service the principal payments on our indebtedness; and

Other companies, including companies in our industry, may calculate Adjusted Gross Profit, Adjusted Operating Income, Adjusted Net Income, Adjusted EBITDA, Adjusted Capital Expenditures, Adjusted EPS or Free Cash Flow differently, which reduces their usefulness as comparative measures.

Non-GAAP footnotes

1) Net Income attributable to noncontrolling interests represents an adjustment to include earnings allocated to noncontrolling interests held in (i) Sabre Travel Network Middle East of 40%, (ii) Sabre Seyahat Dagitim Sistemleri A.S. of 40%, and (iii) Abacus International Lanka Pte Ltd of 40% beginning in July 2015.

2) Depreciation and amortization expenses:
   a) Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date and amortization of the excess basis in our underlying equity in joint ventures.
   b) Depreciation and amortization of property and equipment includes software developed for internal use.
   c) Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.

3) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided upfront. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.

4) In the first quarter of 2016, we recognized a gain of $6 million associated with the receipt of an earn-out payment related to the sale of a business in 2013. In the third quarter of 2015, we recognized a gain of $86 million associated with the remeasurement of our previously-held 35% investment in Abacus International Pte Ltd. In the fourth quarter of 2014, we recognized a charge of $66 million as a result of an increase to our tax receivable agreement liability. In addition, other, net includes foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.

5) Restructuring and other costs represent charges associated with business restructuring and associated changes implemented which resulted in severance benefits related to employee terminations, integration and facility opening or closing costs and other business reorganization costs.

6) Acquisition-related costs represent fees and expenses incurred associated with the acquisition of the Trust Group, Abacus and Airpas Aviation.

7) Litigation costs (reimbursements), net represent charges and legal fee reimbursements associated with antitrust litigation.

8) We paid an annual management fee, pursuant to a Management Services Agreement (“MSA”), to TPG Global, LLC (“TPG”) and Silver Lake Management Company (“Silver Lake”) in an amount between (i) $5 million and (ii) $7 million, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, earned by the company in such fiscal year up to a maximum of $7 million. In addition, the MSA provided for reimbursement of certain costs incurred by TPG and Silver Lake, which are included in this line item. The MSA was terminated in April 2014 in connection with our initial public offering.