

The Sabre logo is displayed in white, bold, sans-serif font on a red rectangular background. The background of the entire slide is a blurred city street scene with tall buildings and a bright light source creating a lens flare effect.

**Sabre**

# Q3 '17 Earnings Report

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October 31, 2017

# 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 “expect,” “outlook,” “guidance,” “estimate,” “will,” “target,” “on track,” “believe,” “continue,” “objective,” “goal,” “forecast,” “preliminary,” “position,” “plan,” “anticipate,” “opportunity,” “may,” “should,” “would,” 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, exposure to pricing pressure in the Travel Network business, the implementation and effects of new or renewed agreements, the effects of the implementation of new accounting standards, travel suppliers’ usage of alternative distribution models, maintenance of the integrity of our systems and infrastructure and the effect of any security breaches, competition in the travel distribution market and solutions markets, the implementation and results of our cost reduction and business alignment program, failure to adapt to technological developments, dependence on establishing, maintaining and renewing contracts with customers and other counterparties and collecting amounts due to us under these agreements, changes affecting travel supplier customers, use of third-party distributor partners, dependence on relationships with travel buyers, adverse global and regional economic and political conditions, including, but not limited to, economic conditions in countries or regions with traditionally high levels of exports to China or that have commodities-based economies and the effect of “Brexit” and uncertainty due to related negotiations, risks arising from global operations, reliance on third parties to provide information technology services, the financial and business effects of acquisitions, including integration of these acquisitions, our ability to recruit, train and retain employees, including our key executive officers and technical employees, and the effects of litigation. More information about potential risks and uncertainties that could affect our business and results of operations is included in the “Risk Factors” and “Forward-Looking Statements” sections in our Quarterly Report 10-Q filed with the SEC on August 1, 2017 and our Annual Report on Form 10-K filed with the SEC on February 17, 2017 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 EBITDA margin, Adjusted EPS, Adjusted Capital Expenditures, Free Cash Flow, and the ratios based on these financial measures. In addition, we provide certain forward guidance with respect to Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Free Cash Flow. We are unable to provide this forward guidance on a GAAP basis without unreasonable effort; however, see “2017 Business Outlook and Financial Guidance” in the appendix for additional information including estimates of certain components of the non-GAAP adjustments contained in the guidance.

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” in the appendix for a reconciliation of the non-GAAP financial measures to the comparable GAAP measures.

## Industry Data

This presentation and accompanying comments contain industry data, forecasts and other information that we obtained from industry publications and surveys, public filings and internal company sources, and there can be no assurance as to the accuracy or completeness of the included information. Statements as to our ranking, market position, bookings share and market estimates are based on independent industry publications, government publications, third-party forecasts and management’s estimates and assumptions about our markets and our internal research. We have not independently verified this third-party information nor have we ascertained the underlying economic assumptions relied upon in those sources, and we cannot assure you of the accuracy or completeness of this information.

# Today's presenters

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**Sean Menke**  
President & CEO



**Rick Simonson**  
EVP & CFO

# Q3 '17 Financial highlights

	Q3 2017	Growth
Revenue	\$901M	+7%
Adjusted EBITDA	\$263M	+11%
Adjusted Op Income	\$168M	+11%
Adjusted EPS	\$0.31	+15%



# Driving long-term value through focus & investment

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01

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Narrow and reinvigorate executive leadership team

02

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Transform mindset on data infrastructure, products, and services

03

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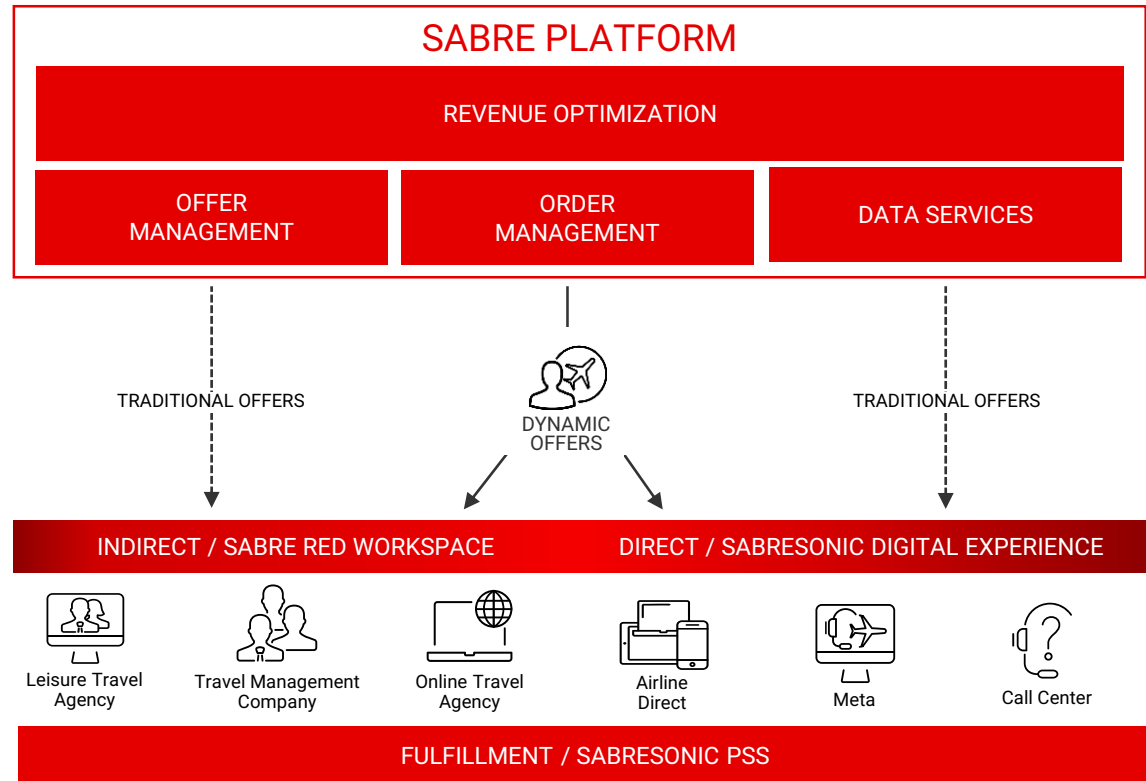
Focus on core platforms for agility and meeting future customer demands

04

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Result = disciplined organization to deliver for customers and increase ROIC

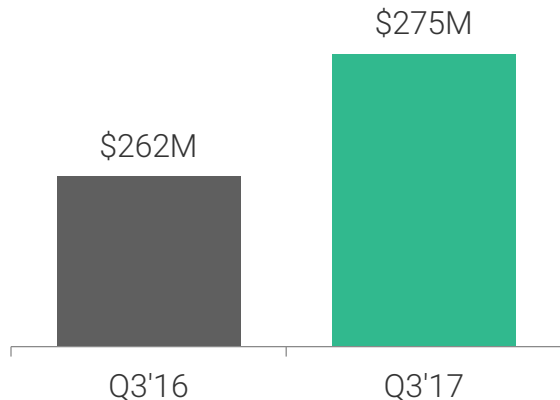
The Sabre platform is uniquely positioned to deliver the NDC-enabled evolution of airline retailing and product distribution



The future: NDC-enabled evolution of air distribution and fulfillment

# Q3 '17 Airline & Hospitality Solutions

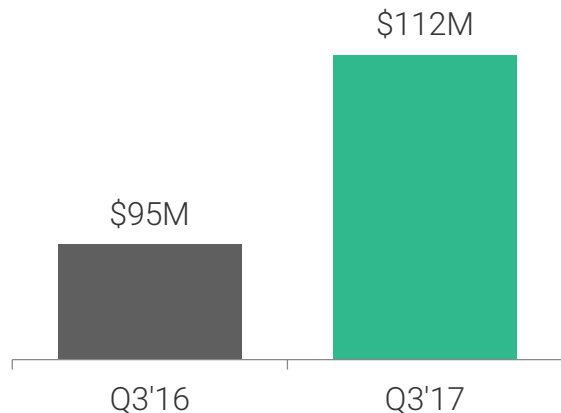
Revenue



**+4.8%**

Q3 2017  
YOY Growth

Adjusted EBITDA



**+17.4%**

Q3 2017  
YOY Growth

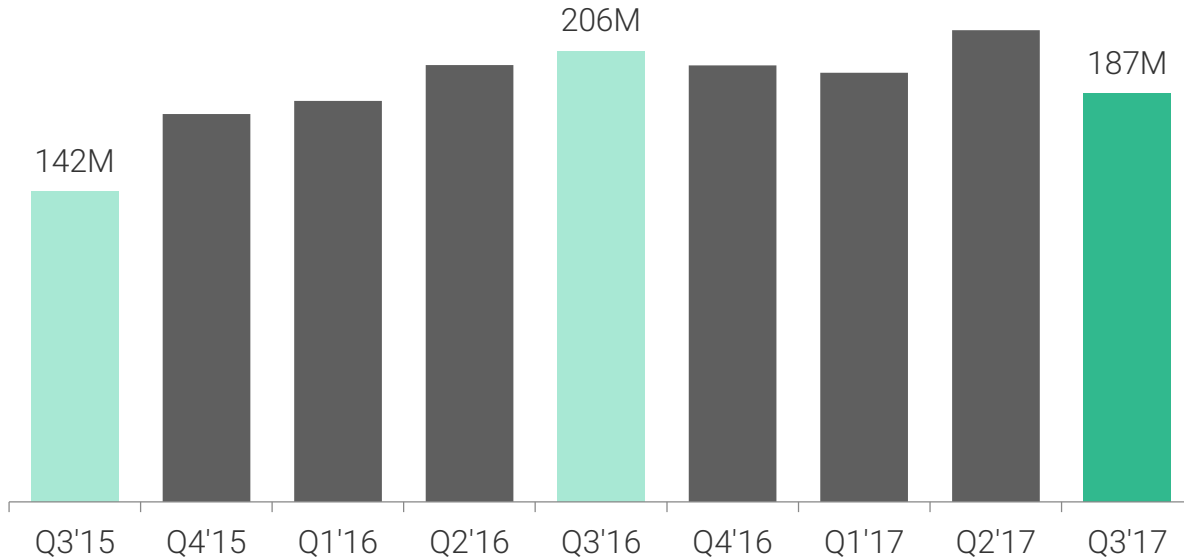
**40.6%**

EBITDA  
Margin





# Total quarterly passengers boarded



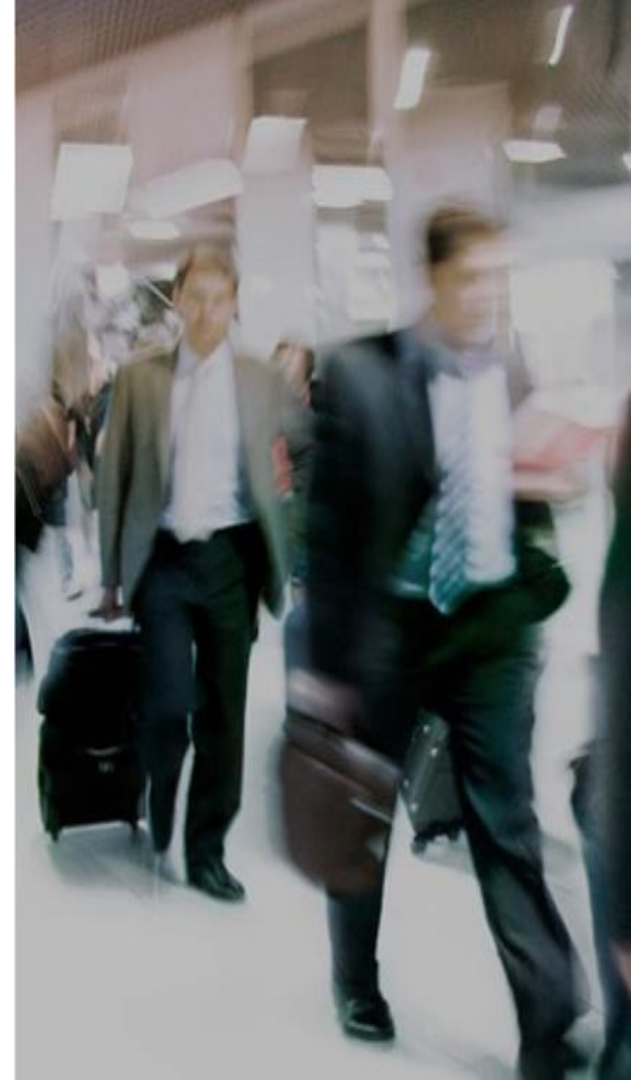
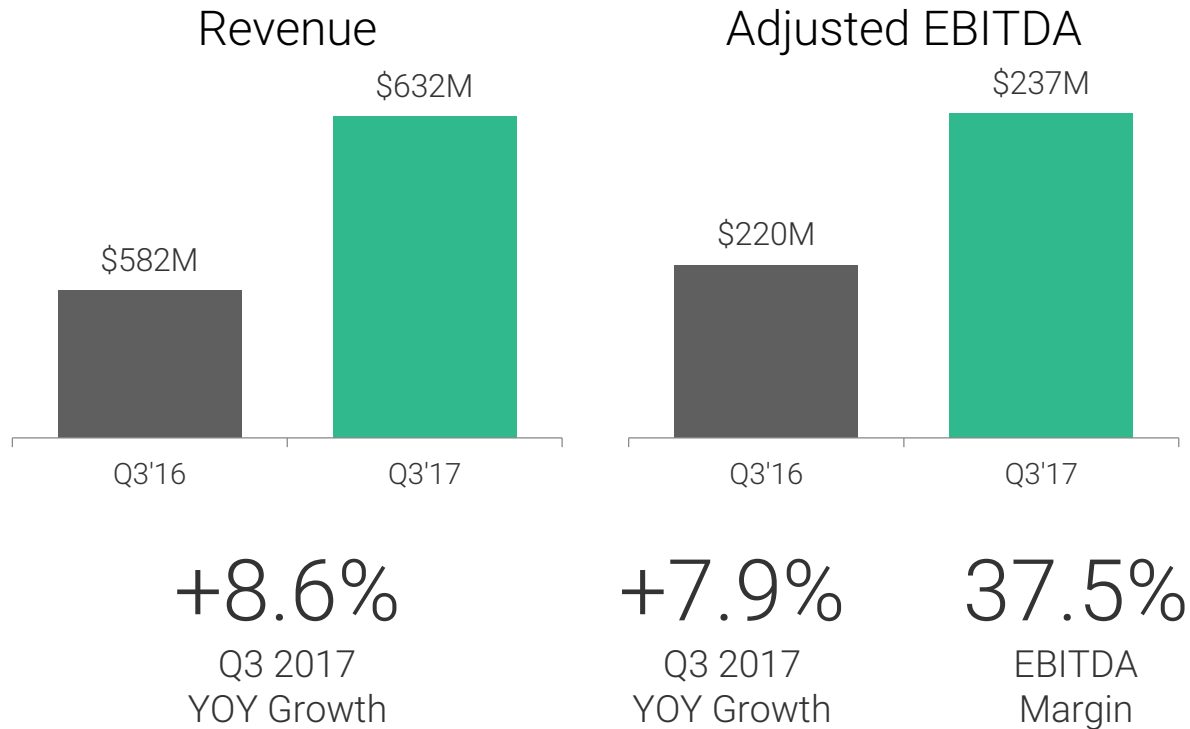
**(9.4%)**  
Q3 2017  
YOY Change

11.5% total passengers boarded growth excluding Southwest, driven by Alitalia migration in Q4'16 and consistent carrier growth of 7.7%

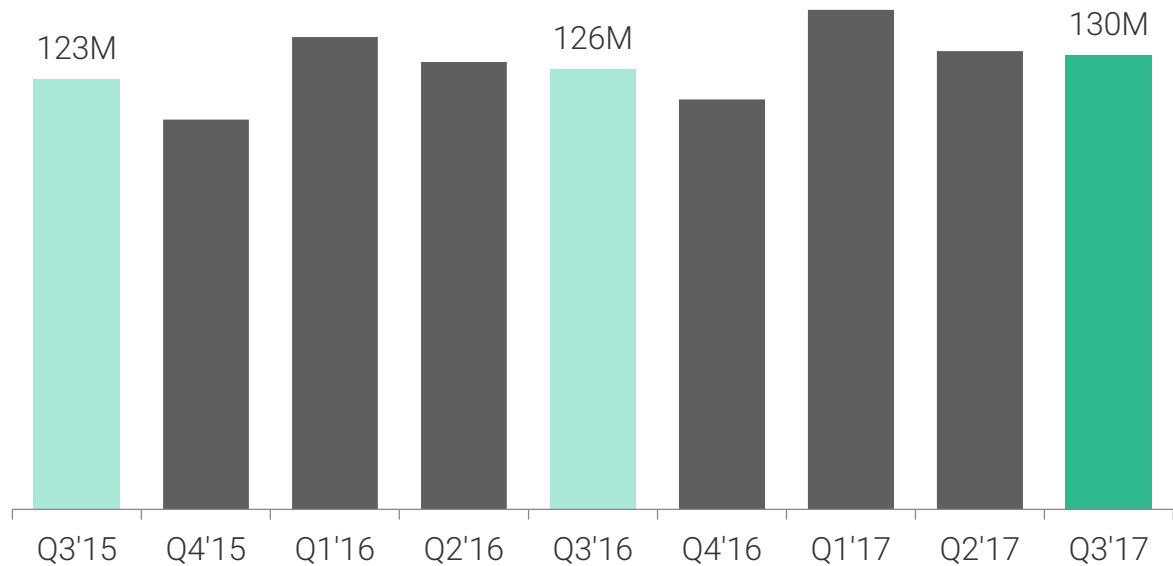




# Q3 '17 Travel Network



# Total quarterly bookings



+3.2%

Q3 2017  
YOY Growth



# Total Q3 '17 bookings growth by region

+16.0%

EMEA



+10.8

APAC



(1.9%)

NAM



(1.9%)

LAC



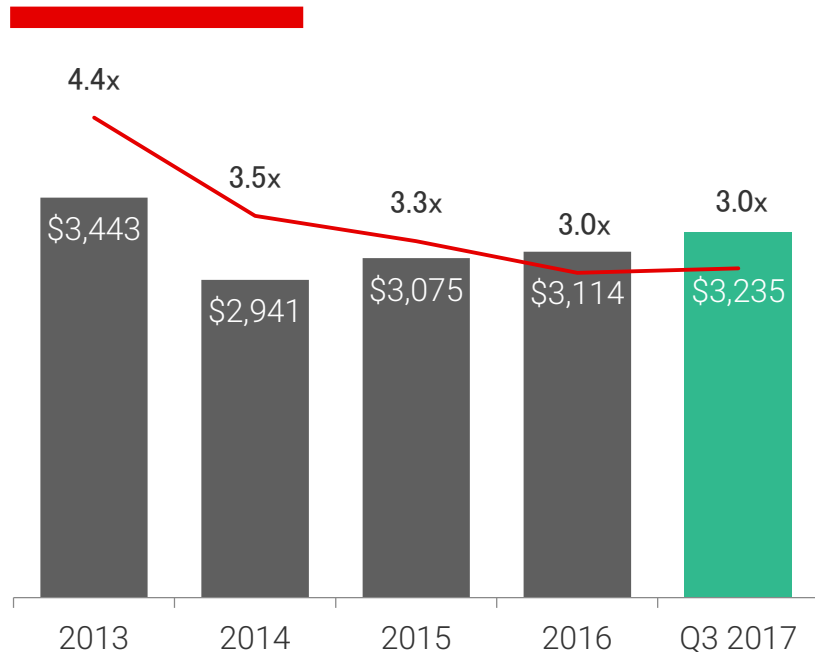
Impact of recent hurricanes in the U.S. and Caribbean dampened global bookings growth by ~1%

36.5%

Q3 2017

Global Air Bookings Share

# Net debt, leverage<sup>1</sup> and cash flow



**\$178M**  
Q3 2017  
Cash provided by  
operating activities  
**+5.5%**  
YOY Growth

**\$456M**  
YTD 2017  
Cash provided by  
operating activities  
**+5.4%**  
YOY Growth

**\$103M**  
Q3 2017  
Free Cash Flow  
**+29.7%**  
YOY Growth

**\$213M**  
YTD 2017  
Free Cash Flow  
**+19.5%**  
YOY Growth

Returned \$114M to shareholders in Q3; \$214M YTD through Q3

Successfully refinanced \$1.9B Term Loan B facility and \$970M Pro Rata facility on August 23, 2017 – reducing WACD from 4.3% to 4.0%

<sup>1</sup>Net Debt/LTM Adjusted EBITDA.

# FY '17 Guidance

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	Guidance	Growth
Revenue	\$3,540M - \$3,620M	5% - 7%
Adjusted EBITDA	\$1,055M - \$1,095M	1% - 5%
Adjusted Net Income	\$370M - \$410M	0% - 11%
Adjusted EPS	\$1.31 - \$1.45	0% - 11%
Free Cash Flow	Approximately \$350M	
GAAP Capital Expenditures	\$335M - \$355M	
Capitalized Implementation Costs	\$60M - \$70M	

The information presented here represents forward-looking statements and reflects expectations as of October 31, 2017. 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 second quarter 2017 Form 10-Q and 2016 Form 10-K.

# 606 accounting standard drives future revenue changes

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASC 606”), a comprehensive update to revenue recognition guidance

- Intended purpose is to better align the P&L with expected cash or consideration to be received in exchange for goods or services transferred

**Effective Jan 1, 2018, Sabre will adopt ASC 606 using the Modified Retrospective Transition method**

- Not restating prior years; will report 2018 under both the new and old revenue guidance

**How will new guidance impact Sabre?**

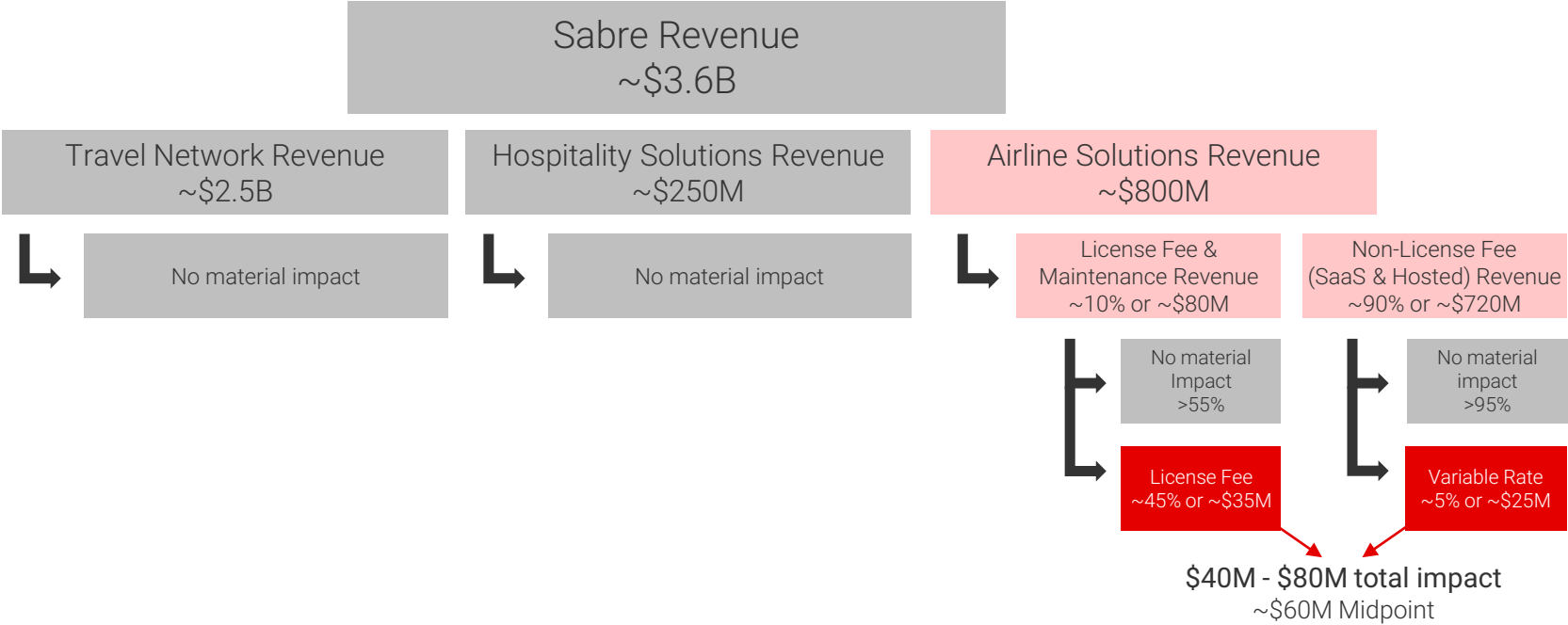
- No material impact expected for Travel Network or Hospitality Solutions
- Airline Solutions expected to be impacted by agreements sold under the license fee and maintenance structure and certain agreements with tiered pricing/variable rate structures
- Additional guidance enabling capitalization and amortization of sales commissions not expected to have material impact

**Preliminary estimate of new guidance impact on current contracts is projected to reduce Sabre revenue by \$40M - \$80M in 2018<sup>1</sup>**

- New license fee sales in 2018 could lessen impact
- New guidelines not expected to have material impact on expenses – expect full flow-through of revenue reduction to EBITDA
- No expected impact to Free Cash Flow
- Will provide a more refined view of this impact on our Q4'17 earnings call when we provide 2018 annual guidance, and a clear bridge between the new and prior revenue recognition guidelines

<sup>1</sup>Our quantification of the impacts of 606 is ongoing and will not be finalized until the period of adoption.

# Estimated impact of 606 based on current Sabre revenue



Preliminary estimate of new revenue guidance impact is expected to reduce Airline Solutions revenue by \$40M - \$80M in 2018<sup>1</sup>

<sup>1</sup>Our quantification of the impacts of 606 is ongoing and will not be finalized until the period of adoption.



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**Sabre.**

Thank you

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# 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to common stockholders	\$ 90,989	\$ 40,815	\$ 160,441	\$ 218,001
Loss (income) from discontinued operations, net of tax	529	394	2,228	(10,858)
Net income attributable to noncontrolling interests <sup>(1)</sup>	1,307	1,047	3,726	3,227
Income from continuing operations	92,825	42,256	166,395	210,370
Adjustments:				
Acquisition-related amortization <sup>(2a)</sup>	20,226	39,430	75,666	107,578
Impairment and related charges <sup>(8)</sup>	—	—	92,022	—
Loss on extinguishment of debt	1,012	3,683	1,012	3,683
Other, net <sup>(4)</sup>	3,802	(281)	19,788	(4,517)
Restructuring and other costs <sup>(5)</sup>	—	583	25,304	1,823
Acquisition-related costs <sup>(6)</sup>	—	90	—	714
Litigation (reimbursements) costs, net <sup>(7)</sup>	(40,929)	7,034	(36,470)	5,089
Stock-based compensation	11,655	12,913	34,413	36,012
Tax impact of net income adjustments	(1,670)	(30,349)	(75,973)	(66,698)
Adjusted Net Income from continuing operations	\$ 86,921	\$ 75,359	\$ 302,157	\$ 294,054
Adjusted Net Income from continuing operations per share	\$ 0.31	\$ 0.27	\$ 1.08	\$ 1.04
Diluted weighted-average common shares outstanding	278,369	283,462	279,648	282,919
Adjusted Net Income from continuing operations	\$ 86,921	\$ 75,359	\$ 302,157	\$ 294,054
Adjustments:				
Depreciation and amortization of property and equipment <sup>(2b)</sup>	66,332	58,271	191,442	168,150
Amortization of capitalized implementation costs <sup>(2c)</sup>	10,484	11,529	28,621	28,228
Amortization of upfront incentive consideration <sup>(3)</sup>	18,005	17,139	50,298	43,372
Interest expense, net	38,919	38,002	116,577	116,414
Remaining provision for income taxes	42,265	37,557	132,809	146,603
Adjusted EBITDA	\$ 262,926	\$ 237,857	\$ 821,904	\$ 796,821

# Reconciliation of Operating Income to Adjusted Operating Income

(in thousands; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating income	\$ 176,796	\$ 90,150	\$ 358,840	\$ 403,611
Adjustments:				
Impairment and related charges	—	—	92,022	—
Joint venture equity income	357	718	1,768	2,244
Acquisition-related amortization <sup>(2a)</sup>	20,226	39,430	75,666	107,578
Restructuring and other costs <sup>(5)</sup>	—	583	25,304	1,823
Acquisition-related costs <sup>(6)</sup>	—	90	—	714
Litigation (reimbursements) costs, net <sup>(7)</sup>	(40,929)	7,034	(36,470)	5,089
Stock-based compensation	11,655	12,913	34,413	36,012
Adjusted Operating Income	\$ 168,105	\$ 150,918	\$ 551,543	\$ 557,071

# Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin by segment

(in thousands; unaudited)

	Three Months Ended September 30, 2017			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 198,422	\$ 68,448	\$ (90,074)	\$ 176,796
Add back:				
Selling, general and administrative	34,494	21,292	36,054	91,840
Cost of revenue adjustments:				
Depreciation and amortization <sup>(2)</sup>	19,219	42,329	18,428	79,976
Amortization of upfront incentive consideration <sup>(3)</sup>	18,005	—	—	18,005
Stock-based compensation	—	—	4,615	4,615
Adjusted Gross Profit	270,140	132,069	(30,977)	371,232
Selling, general and administrative	(34,494)	(21,292)	(36,054)	(91,840)
Joint venture equity income	357	—	—	357
Selling, general and administrative adjustments:				
Depreciation and amortization <sup>(2)</sup>	1,292	876	14,898	17,066
Litigation reimbursements <sup>(7)</sup>	—	—	(40,929)	(40,929)
Stock-based compensation	—	—	7,040	7,040
Adjusted EBITDA	\$ 237,295	\$ 111,653	\$ (86,022)	\$ 262,926
Operating income margin	31.4%	24.9%	NM	19.6%
Adjusted EBITDA margin	37.5%	40.6%	NM	29.2%

# Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin by segment

(in thousands; unaudited)

	Three Months Ended September 30, 2016			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 182,489	\$ 53,340	\$ (145,679)	\$ 90,150
Add back:				
Selling, general and administrative	37,583	19,405	98,194	155,182
Cost of revenue adjustments:				
Depreciation and amortization <sup>(2)</sup>	18,446	41,391	17,560	77,397
Amortization of upfront incentive consideration <sup>(3)</sup>	17,139	—	—	17,139
Stock-based compensation	—	—	5,113	5,113
Adjusted Gross Profit	255,657	114,136	(24,812)	344,981
Selling, general and administrative	(37,583)	(19,405)	(98,194)	(155,182)
Joint venture equity income	718	—	—	718
Selling, general and administrative adjustments:				
Depreciation and amortization <sup>(2)</sup>	1,073	341	30,419	31,833
Restructuring and other costs <sup>(5)</sup>	—	—	583	583
Acquisition-related costs <sup>(6)</sup>	—	—	90	90
Litigation costs <sup>(7)</sup>	—	—	7,034	7,034
Stock-based compensation	—	—	7,800	7,800
Adjusted EBITDA	\$ 219,865	\$ 95,072	\$ (77,080)	\$ 237,857
Operating income margin	31.3%	20.3%	NM	10.7%
Adjusted EBITDA margin	37.8%	36.2%	NM	28.4%

# Reconciliation of Adjusted EBITDA by segment

(in thousands; unaudited)

	Nine Months Ended September 30, 2017			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 659,722	\$ 177,056	\$ (477,938)	\$ 358,840
Add back:				
Selling, general and administrative	95,676	63,871	223,590	383,137
Impairment and related charges <sup>(8)</sup>	—	—	92,022	92,022
Cost of revenue adjustments:				
Depreciation and amortization <sup>(2)</sup>	57,611	119,332	52,745	229,688
Restructuring and other costs <sup>(5)</sup>	—	—	12,976	12,976
Amortization of upfront incentive consideration <sup>(3)</sup>	50,298	—	—	50,298
Stock-based compensation	—	—	13,626	13,626
Adjusted Gross Profit	863,307	360,259	(82,979)	1,140,587
Selling, general and administrative	(95,676)	(63,871)	(223,590)	(383,137)
Joint venture equity income	1,768	—	—	1,768
Selling, general and administrative adjustments:				
Depreciation and amortization <sup>(2)</sup>	4,009	2,507	59,525	66,041
Restructuring and other costs <sup>(5)</sup>	—	—	12,328	12,328
Litigation reimbursements <sup>(7)</sup>	—	—	(36,470)	(36,470)
Stock-based compensation	—	—	20,787	20,787
Adjusted EBITDA	\$ 773,408	\$ 298,895	\$ (250,399)	\$ 821,904



# Reconciliation of Adjusted EBITDA by segment

(in thousands; unaudited)

	Nine Months Ended September 30, 2016			
	Travel Network	Airline and Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 641,285	\$ 155,875	\$ (393,549)	\$ 403,611
Add back:				
Selling, general and administrative	103,701	54,408	277,815	435,924
Cost of revenue adjustments:				
Depreciation and amortization <sup>(2)</sup>	54,199	113,198	41,879	209,276
Amortization of upfront incentive consideration <sup>(3)</sup>	43,372	—	—	43,372
Stock-based compensation	—	—	14,259	14,259
Adjusted Gross Profit	842,557	323,481	(59,596)	1,106,442
Selling, general and administrative	(103,701)	(54,408)	(277,815)	(435,924)
Joint venture equity income	2,244	—	—	2,244
Selling, general and administrative adjustments:				
Depreciation and amortization <sup>(2)</sup>	3,526	882	90,272	94,680
Restructuring and other costs <sup>(5)</sup>	—	—	1,823	1,823
Acquisition-related costs <sup>(6)</sup>	—	—	714	714
Litigation costs <sup>(7)</sup>	—	—	5,089	5,089
Stock-based compensation	—	—	21,753	21,753
Adjusted EBITDA	\$ 744,626	\$ 269,955	\$ (217,760)	\$ 796,821

# 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				
	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	LTM
Net income attributable to common stockholders	\$ 24,561	\$ 75,939	\$ (6,487)	\$ 90,989	\$ 185,002
(Income) loss from discontinued operations, net of tax	5,309	477	1,222	529	7,537
Net income attributable to noncontrolling interests <sup>(1)</sup>	1,150	1,306	1,113	1,307	4,876
Income from continuing operations	31,020	77,722	(4,152)	92,825	197,415
Adjustments:					
Acquisition-related amortization <sup>(2a)</sup>	35,847	35,181	20,259	20,226	111,513
Impairment and related charges <sup>(8)</sup>	—	—	92,022	—	92,022
Loss on extinguishment of debt	—	—	—	1,012	1,012
Other, net <sup>(4)</sup>	(23,100)	15,234	752	3,802	(3,312)
Restructuring and other costs <sup>(5)</sup>	16,463	—	25,304	—	41,767
Acquisition-related costs <sup>(6)</sup>	65	—	—	—	65
Litigation costs, net <sup>(7)</sup>	41,906	3,501	958	(40,929)	5,436
Stock-based compensation	12,512	8,034	14,724	11,655	46,925
Depreciation and amortization of property and equipment <sup>(2b)</sup>	65,153	61,300	63,810	66,332	256,595
Amortization of capitalized implementation costs <sup>(2c)</sup>	9,030	9,189	8,948	10,484	37,651
Amortization of upfront incentive consideration <sup>(3)</sup>	12,352	16,132	16,161	18,005	62,650
Interest expense, net	41,837	39,561	38,097	38,919	158,414
Provision for income taxes	6,740	31,707	(15,466)	40,595	63,576
Adjusted EBITDA	\$ 249,825	\$ 297,561	\$ 261,417	\$ 262,926	\$ 1,071,729
Net Debt (total debt, less cash)				\$	3,234,865
Net Debt / LTM Adjusted EBITDA					3.0x

Please reference SABR HISTORICAL Excel spreadsheet at [investors.sabre.com](http://investors.sabre.com) for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2016, 12/31/2015, 12/31/2014, and 12/31/2013.

# 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				
	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	LTM
Net income attributable to common stockholders	\$ 129,441	\$ 105,167	\$ 72,019	\$ 40,815	\$ 347,442
(Income) loss from discontinued operations, net of tax	(100,909)	(13,350)	2,098	394	(111,767)
Net income attributable to noncontrolling interests <sup>(1)</sup>	980	1,102	1,078	1,047	4,207
Income from continuing operations	29,512	92,919	75,195	42,256	239,882
Adjustments:					
Acquisition-related amortization <sup>(2a)</sup>	31,851	34,130	34,018	39,430	139,429
Loss on extinguishment of debt	5,548	—	—	3,683	9,231
Other, net <sup>(4)</sup>	(3,057)	(3,360)	(876)	(281)	(7,574)
Restructuring and other costs <sup>(5)</sup>	368	124	1,116	583	2,191
Acquisition-related costs <sup>(6)</sup>	1,223	108	516	90	1,937
Litigation costs, net <sup>(7)</sup>	1,912	(3,846)	1,901	7,034	7,001
Stock-based compensation	6,643	10,289	12,810	12,913	42,655
Depreciation and amortization of property and equipment <sup>(2b)</sup>	56,366	53,665	56,214	58,271	224,516
Amortization of capitalized implementation costs <sup>(2c)</sup>	8,409	8,488	8,211	11,529	36,637
Amortization of upfront incentive consideration <sup>(3)</sup>	11,946	12,337	13,896	17,139	55,318
Interest expense, net	43,655	41,202	37,210	38,002	160,069
Provision for income taxes	34,386	41,424	31,273	7,208	114,291
Adjusted EBITDA	\$ 228,762	\$ 287,480	\$ 271,484	\$ 237,857	\$ 1,025,583

Net Debt (total debt, less cash)

\$ 3,192,653

Net Debt / LTM Adjusted EBITDA

3.1x

Please reference SABR HISTORICAL Excel spreadsheet at [investors.sabre.com](http://investors.sabre.com) for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2016, 12/31/2015, 12/31/2014, and 12/31/2013.

# Reconciliation of Adjusted Capital Expenditures and Free Cash Flow

(in thousands; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Additions to property and equipment	\$ 75,401	\$ 89,639	\$ 242,811	\$ 254,232
Capitalized implementation costs	16,524	21,309	47,968	64,577
Adjusted Capital Expenditures	<u>\$ 91,925</u>	<u>\$ 110,948</u>	<u>\$ 290,779</u>	<u>\$ 318,809</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 178,030	\$ 168,750	\$ 455,906	\$ 432,534
Cash used in investing activities	(75,542)	(89,143)	(242,952)	(418,713)
Cash used in financing activities	(138,624)	127,687	(300,936)	(46,647)

	Three Months Ended March 31,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 178,030	\$ 168,750	\$ 455,906	\$ 432,534
Additions to property and equipment	(75,401)	(89,639)	(242,811)	(254,232)
Free Cash Flow	<u>\$ 102,629</u>	<u>\$ 79,111</u>	<u>\$ 213,095</u>	<u>\$ 178,302</u>

# 2017 Business outlook and financial guidance



With respect to the guidance, full-year Adjusted Net Income guidance consists of full-year expected net income attributable to common stockholders less the estimated impact of loss from discontinued operations, net of tax, of approximately \$5 million; net income attributable to noncontrolling interests of approximately \$5 million; acquisition-related amortization of approximately \$100 million; impairment and related charges of \$92 million; stock-based compensation expense of approximately \$50 million; restructuring and other costs of \$25 million; litigation reimbursements, net of \$36 million; other items of approximately \$20 million; and the tax benefit of these adjustments of approximately \$90 million. Full-year Adjusted EPS guidance consists of Adjusted Net Income divided by the projected weighted-average diluted common share count for the full year of approximately 279 million.

Full-year Adjusted EBITDA guidance consists of expected 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 \$365 million; interest expense, net of approximately \$155 million; and provision for income taxes less tax impact of net income adjustments of approximately \$170 million.

Full-year Free Cash Flow guidance consists of expected full-year cash provided by operating activities of \$685 million to \$705 million less additions to property and equipment of \$335 million to \$355 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, impairment and related charges, amortization of upfront incentive consideration, and the cost of revenue portion of depreciation and amortization, restructuring and other costs, litigation costs, net, and stock-based compensation included in cost of revenue.

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, impairment and related charges, 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 Net Income from continuing operations per share (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

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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 EPS, Adjusted Capital Expenditures 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%.
- 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 nine months ended 2017, we recognized a \$15 million loss related to debt modification costs associated with our debt refinancing. In the first quarter of 2016, we recognized a gain of \$6 million associated with the receipt of an earn-out payment from the sale of a business in 2013. 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. In the second quarter of 2017, we recorded \$25 million charge associated with an announced action to reduce our workforce. This reduction aligns our operations with business needs and implements an ongoing cost and organizational structure consistent with our expected growth needs and opportunities.
- 6) Acquisition-related costs represent fees and expenses incurred associated with the acquisition of the Trust Group and Airpas Aviation.
- 7) Litigation costs (reimbursements), net represent charges and legal fee reimbursements associated with antitrust litigation. In the third quarter of 2017, we recorded a \$43 million reimbursement, net of accrued legal and related expenses, from a settlement with our insurance carriers with respect to the American Airlines litigation.
- 8) In the three months ended June 30, 2017, we recorded an impairment charge of \$92 million associated with net capitalized contract costs related to an Airline Solutions' customer based on our analysis of the recoverability of such amounts. A formal contract dispute resolution process was commenced and due to the uncertainty of the ultimate outcome, we recorded this estimated charge. In the third quarter of 2017, the customer entered insolvency proceedings and our assessment of the impairment charge recorded in the second quarter did not change.