**Full Year and Q4 2020 Earnings Call Prepared Remarks**

*February 16, 2021*

### *Slide 1 – Title Slide*

Good morning and welcome to the Sabre full year and fourth quarter 2020 earnings conference call. As a reminder, please note today's call is being recorded.

I will now turn the call over to the Vice President of Investor Relations, Kevin Crissey. Please go ahead, sir.

### *Slide 2 – Forward-looking statements*

**Kevin Crissey, VP of Investor Relations:**

Thanks, and good morning everyone. Thank you for joining us for our full year and fourth quarter 2020 earnings call.

This morning we issued an earnings press release, which is available on our website at investors.sabre.com. A slide presentation, which accompanies today's prepared remarks, is also available during this call on the Sabre Investor Relations web page. A replay of today's call will be available on our website later this morning.

We would like to advise you that our comments contain forward-looking statements that represent our beliefs or expectations about future events, including the duration and effects of COVID-19, industry trends, expected advancements, cost savings and liquidity, among others. All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made on today's conference call. More information on these risks and uncertainties is contained in our earnings release issued this morning and our SEC filings, including our Form 10-Q filed on November 6, 2020 and our 2019 Form 10-K.

Throughout today's call, we will also be presenting certain non-GAAP financial measures. All references during today's call to EBITDA, Operating Loss and EPS have been adjusted to exclude certain items. The most directly comparable GAAP measures and reconciliations for non-GAAP measures are available in the earnings release and other documents posted on our website at investors.sabre.com.

### *Slide 3 – Today's presenters*

Participating with me are Sean Menke, our Chief Executive Officer, and Doug Barnett, our Chief Financial Officer. Dave Shirk, our President of Travel Solutions, and Scott Wilson, our President of Hospitality Solutions, will be available for Q&A after the prepared remarks.

With that, I will turn the call over to Sean.

### *Slide 4 – Key 2020 achievements*

**Sean Menke, President & CEO:**

Thanks, Kevin. Good morning everyone and thank you for joining us today.

Before we get into the details of the fourth quarter, I'd like to reflect briefly on what was an extraordinary year. In light of the COVID-19 pandemic, 2020 presented the greatest challenges ever faced by the travel industry, with global air and hotel bookings down more than we have seen in any prior year. Against that backdrop, I couldn't be prouder of how my Sabre team members around the world responded. They provided exceptional service for our customers and advanced our technology transformation while managing the personal challenges of the pandemic, including operating in a remote work environment. I thank them sincerely for their dedication.

As the impact of the COVID-19 virus spread, we took quick and decisive actions to improve our financial position. We reduced our go-forward annual costs by approximately $200 million. This represents a five-percentage point improvement in EBITDA margin versus 2019, all else equal. Our cost-savings actions include a labor expense reduction of about $175 million per year. We also renegotiated our DXC contract to lower our fixed costs and are consolidating our real estate footprint as we moved to our more flexible, "Work from Anywhere" program. Finally, we added liquidity, extended our debt maturities and ended the year with a cash balance of $1.5 billion.

Despite the challenges that 2020 presented, the year also included major advancements in our technology transformation and modernization. We migrated over 250 applications to the cloud and reduced our legacy technology infrastructure. We announced our strategic Google partnership, built our air shopping environment in Google Cloud and executed on the innovation framework we have in place with the announcement of Sabre Travel AI ™. We are confidently moving ahead with our technology transformation journey and expect the move to Google Cloud plus our renegotiated DXC contract to reduce our operating costs by more than $100 million per year starting in 2024. Inclusive of our labor reduction, this results in expectations for total cost savings of $275 million starting in 2024, representing a seven-percentage point improvement in EBITDA margin versus 2019, all else equal.

We also signed key commercial wins and renewals in 2020 for our airline and hotel IT and distribution capabilities. We extended distribution agreements with some of our largest airline customers and recently announced important new distribution agreements with Southwest Airlines and Lufthansa Group. We also announced new competitive wins in IT Solutions for reservations and expanded into the low-cost carrier space. And today, I am pleased to announce we signed two, new enterprise-level hospitality wins with Louvre Hotel Group and All-Inclusive by Marriott International.

We believe that after the effects of the COVID-19 pandemic recede, we will be ready with a more profitable cost structure, strong customer engagement and innovations that advance the future of travel.

### *Slide 5 – Bookings environment improved but has flattened*

Turning to slide 5, industry air net bookings saw a sequential improvement in the fourth quarter compared to the third quarter. In October, GDS industry net air bookings were down 81%, November was down 79% and December down 77%.

Every region showed improvement quarter-over-quarter. Latin America led the way with an 18-percentage point sequential improvement. Our largest region, North America, improved eight percentage points quarter-over-quarter.

In the month of January, the pace of improvement slowed due to a resurgence in COVID-19 cases, lockdowns and increased travel restrictions. However, daily average booking trends through mid-February are tracking higher than January results and are back in line with 2020 exit levels. North America specifically is tracking better than January and ahead of booking levels at the end of 2020.

### *Slide 6 – Air bookings recovery by region*

On slide 6, you can see this effect more clearly using weekly data by region. Slight positive trends in North America are reflected, whereas we have seen declines in EMEA and Latin America. The Latin American decline is on the heels of strong recovery through November.

### *Slide 7 – Recovery trends reflect COVID-19 cases and lockdowns*

On slide 7, we show Sabre volume metrics for air gross bookings, passengers boarded and hotel gross CRS transactions. You can see the hotel CRS transactions have trended in a positive direction since the beginning of the year.

### *Slide 8 – Hospitality recovery by region*

Turning to slide 8. Hotel transactions are showing pronounced regional differences. This effect started late in the third quarter and has increased. Similar to trends we have seen in airline bookings, the EMEA region has been hardest hit, but Latin America continues to show steady improvement.

### *Slide 9 – Travel trends in response to COVID-19 cases*

Turning to Slide 9. Let me give you some insight into how we view the travel recovery.

Although we believe it is prudent to plan our business conservatively given the current bookings environment, we firmly believe there is pent-up demand for travel. As travelers gain confidence, we expect they will return to the skies. We saw this play out during the summer last year in the US, when booking trends improved as domestic leisure demand picked up. As new COVID-19 cases spiked in the winter, we saw a corresponding decline in travel volumes, albeit not to the same magnitude. With the rate of new COVID-19 beginning to drop again in late January, we have seen bookings recently start to tick back up.

Also as seen during the summer last year in the US, hotel bookings were the first to recover. We believe this demonstrates that although some travelers may not be ready yet to board a flight, they are willing to drive to their destinations.

We expect further increases in traveler confidence to come from COVID-19 vaccination and testing. As of last week, roughly 10% of the US population has received at least one dose of a COVID-19 vaccine. The US is administering about 1.5 million shots per day, and at this current pace, it is projected that roughly half of the US population would have received at least one dose by mid-June. This appears consistent with what we are hearing from some US airline executives, who expect domestic demand may begin to pick up by the second half of 2021.

We expect Europe to recover more slowly due to greater fragmentation and tighter travel restrictions. Fortunately, North America is our biggest footprint. In 2019, 55% of our GDS bookings were North America-based and we have renewed deals with our largest customers in the region and recently signed a new distribution agreement with Southwest. We believe that business travel recovery will be slower than leisure. And when it does, we believe domestic business will precede long-haul international. Our strong relationships with TMCs, and our 80% share of their North American business, should help us be an early beneficiary when business travel resumes.

On the IT Solutions side, we have long-term reservations deals with many of the largest North American airlines. Although business travel may be relatively slower to recover, we believe these carriers will do well on the leisure side in the second half of 2021.

In Hospitality Solutions, 45% of our 2019 bookings were North America-based. Therefore, we also expect our Hospitality business to benefit should North America lead the recovery.

### *Slide 10 – Signed over 2,100 commercial deals in the quarter*

Turning to Slide 10. From a commercial standpoint, we also feel well-poised for a travel recovery. We have reached new or extended Distribution agreements with airlines around the world to support their recovery, including notable new GDS agreements with Southwest and Lufthansa Group. As a result, with the exception of Air India, we have successfully completed Distribution deals with all of the outstanding significant carriers.

On the IT Solutions side, we have taken steps to secure our book of business and recently signed large reservations renewals with carriers like WestJet and Lion Air, and we feel confident in our current pursuits of new business.

This was all capped with new enterprise Central Reservations deals with Louvre Hotel Group and All-Inclusive by Marriott International in Hospitality Solutions. These are data points that support the increased level of activity associated with third-party providers in the hospitality space.

In total, we signed over 2,100 deals in the fourth quarter with airlines, hoteliers and agencies. This includes key new wins and renewals with some of our largest customers, as depicted by the logos on this slide. As we look at 2021, in spite of the impact of COVID-19, we believe we have a healthy pipeline and ability to capture new opportunities.

### *Slide 11 – Revisiting Sabre's five strategic initiatives*

Turning to slide 11. I'd like to revisit a slide we first presented last year at this time, before the impact of COVID-19 had fully globalized. We outlined five strategic initiatives that are enabling Sabre to seize opportunities created by emerging travel trends and increase shareholder value. Let me take a few minutes to update you on the commercial activity that demonstrates our progress against these initiatives.

**First, personalized offers.** We've already started conversations with key customers regarding our Sabre Smart Retail Engine ™ and Dynamic Availability products. The recently announced SabreSonic renewal with WestJet also includes an expansion into our Dynamic Availability, Digital Connect and Intelligence Exchange solutions. Additionally, we are currently deploying an ancillary dynamic pricing engine using machine learning for Etihad and implemented Intelligence Exchange, ancillaries at check-in and auto check-in with them. Finally, we are growing share in the Revenue Optimizer space, with recent go-lives at several carriers including JetBlue and Gulf Air.

**Second, the future of distribution and NDC.** Our GDS is attracting new content and functionality with carriers seeking to penetrate the TMC market. In December, we extended and expanded our GDS distribution partnership with Southwest Airlines to a new full participation agreement. We also reached a groundbreaking agreement with Lufthansa Group that not only includes their content through traditional GDS connectivity, but also enables content via NDC. This flexible agreement fits a post-pandemic world and shows the progress we have made with NDC. We achieved IATA Level 4 certification as an NDC aggregator and have four NDC partners now in production. This is all in addition to extending our GDS agreements with some of our largest customers, including American Airlines and United Airlines.

**Third, low cost carrier growth.** Our acquisition of Radixx has helped us specifically target the faster growing, low cost carrier space. In addition to the new LCC reservations customer wins discussed on prior calls, this quarter we added another competitive win with Air Moldova. We've been investing in Radixx to expand its capabilities, including the development of outbound interlining and codesharing, and we believe we can continue to expand our sales opportunities with an even more competitive offering. This is particularly important as we navigate through COVID-19, as we expect the leisure segment to lead the recovery.

**Fourth, a full-service hotel property management.** This initiative is the one that has been most directly impacted by COVID-19, since our plans to develop a full-service PMS with Accor have been put on hold in response to the pandemic. However, in addition to addressing the full-service property management needs of hoteliers, we remain focused on growing our CRS business. In 2020, we stayed engaged with several enterprise hotelier pursuits. As mentioned, we have signed not one, but two, new enterprise wins: Louvre Hotels, Europe's second largest enterprise hotel group, and All-Inclusive by Marriott International. Together, they represent over 1,600 hotel properties across 54 countries, with the majority coming from Louvre. More hoteliers are turning to Sabre to broaden their distribution and reach with our SynXis CRS and to drive incremental revenue opportunities by delivering personalized offers with our SynXis intelligent retailing capabilities.

**Finally, our technology transformation.** In 2020, as mentioned, we migrated over 250 production applications to the public cloud, eliminated over 2,500 legacy servers and decommissioned all Sabre-managed datacenters outside of the United States. We completed mainframe offloads and successfully migrated clients across security, inventory, reservations, ticketing and payment solutions capabilities. This includes our new agency session management and security product that we talked about last year. We implemented our first Google Cloud Platform development and certification environments in multiple regions across the United States and Europe, including one with incredibly low latency to our current infrastructure in Tulsa, Oklahoma. We also built out development, certification and production environments in the Google Cloud Platform for air shopping.

We have three key tech transformation milestones for 2021. First, we plan to move at least 15% of our mid-range workloads to the Google Cloud Platform. Second, our first production application, Travel Solutions Air Shopping, is planned to go live in production in the Google Cloud Platform in the first part of 2021. We believe running our future air shopping growth on GCP is important in a post-COVID-19 recovery because of its scalability and cost-efficiency. And third, we expect Hospitality Solutions' CRS to also go live in production in Google Cloud this year with a global, multi-location footprint.

In summary, we believe the progress with our strategic initiatives and our commercial successes position us well for the other side of the current crisis. We strengthened our financial position, which enabled us to continue to make critical technology investments, including our strategic partnership with Google. We believe we are entering an era of competitive strength, with our product and commercial teams working together to create innovative, new products more efficiently.

In 2021, we will continue this important work. As the travel environment rebounds, we will be ready.

With that, I'll turn it over to Doug.

### *Slide 12 – Significant & negative impact from COVID-19 in Q4*

**Doug Barnett, CFO:**

Thanks Sean, and good morning everyone.

As expected, the impact of the COVID-19 pandemic significantly and negatively impacted our results in Q4. Revenue was down 67% in the quarter, totaling $314 million versus $941 million last year. We've described how 15% of our revenue, or approximately $150M per quarter, is not tied to travel volumes. This remains the case. Because our net bookings have remained positive and continued to improve versus the second and third quarter, our revenue surpassed this figure and has continued to sequentially improve.

Our Distribution bookings were down 79% in the quarter, with air bookings down 80% and lodging, ground and sea bookings down 79%. Gross air bookings were down 80%, 78%, and 77% in October, November and December, respectively. We report bookings on a net basis, meaning net of cancellations. Net air bookings were down 81%, 80% and 78% in those same months. Consequently, our Distribution revenue in the quarter was down 79%, to $131 million. When we report Q1 2021 results next quarter, we plan to provide detail regarding bookings trends versus both 2020 and 2019.

Our IT Solutions revenue fared better again this quarter, down 40% year-over-year, due to a higher percentage of revenue not tied to travel volumes. Passengers Boarded were down 58% in the quarter.

Hospitality Solutions revenue was down 42%, with a 40% decline in CRS transactions. Because our property mix, particularly in the enterprise segment, is less dependent on city centers and conference venues, we have seen relative outperformance in our Central Reservation System Transactions versus Distribution bookings and passengers boarded.

EBITDA and operating income were negative in Q4, reflecting the impact of the COVID-19 pandemic. The year-over-year decline in revenue was partially offset by declines in Travel Solutions incentives expense and Hospitality Solutions transaction fees due to lower volumes, headcount expenses due to cost savings initiatives we have already executed, and technology expenses due to the lower transaction volume environment.

Net income and EPS were also negative in the quarter, driven by the decline in operating results and increased interest. Tax expense was higher than expected in the quarter.

In addition, Free Cash Flow was negative $200 million in the quarter. As expected, our Free Cash Flow was reduced by approximately $15 million related to severance payments. Excluding this, our monthly Free Cash Flow was negative $62 million.

Looking ahead to 2021, we have approximately $20 million of severance payments remaining from our 2020 cost-savings actions. We expect the first quarter to be the lowest Free Cash Flow quarter, primarily due to timing of large working capital items that will have offsetting benefits over the rest of the year, as well as paying out the majority of the remaining severance balance. We expect our cash burn rate to improve sequentially throughout the rest of 2021.

### *Slide 13 – Strengthened liquidity position with $2.1B in 2020*

In 2020, as discussed, we took swift and decisive actions early in the crisis to reduce costs, increase liquidity and extend our debt maturities.

In total, we strengthened our liquidity position with over $2.1 billion of additional capital in 2020. Through our capital market transactions:

- We raised $1.1 billion from the issuance of senior secured and exchangeable notes,
- We raised $598 million in net proceeds from our common stock and mandatory convertible preferred stock offerings,
- We drew down on our revolver in the amount of $375 million,
- And finally, in the fourth quarter, we reduced our real estate footprint with the sale and leaseback of our headquarters buildings, resulting in net proceeds of $69 million. This is in line with our new, "Work from Anywhere" program as we work to right-size our global real estate footprint.

In addition to securing capital, we took several other actions to further strengthen our liquidity position:

- We implemented cost-savings actions, with $200 million expected savings on an annual run-rate basis,
- We refinanced over $2 billion of debt,
- We extended our debt maturities to 2024 and beyond, and
- We suspended common stock dividends and share repurchases.

We ended the year with a cash balance of $1.5 billion and have no significant near-term uses of cash.

### *Slide 14 – Unlocking larger revenue opportunity & lower costs*

In 2020, the actions taken to improve our cost structure and balance sheet enabled us to continue our important IT investments. As Sean mentioned, we made considerable progress with our five strategic initiatives. This includes our technology transformation and modernization, which is expected to result in over $100 million of annual savings starting in 2024.

We believe our strategic initiatives will strengthen our financial model, resulting in:

- Larger addressable opportunities,
- More advanced product innovations,
- Faster and more efficient sales cycles and product deployments,
- Efficient infrastructure and unit economics, and
- Incremental revenue growth and higher margins.

We aren't pursuing these initiatives alone. This is all supported by our strategic partnership with Google. Ultimately, we believe our investments will unlock the ability for us to come out on the other side of this crisis with a larger revenue opportunity and lower costs.

Sean, back to you.

### *Slide 15 – Thank you*

**<u>Sean Menke, President & CEO:</u>**

Thanks Doug.

I hope you have found our remarks helpful in understanding how we have managed the global pandemic thus far, and what we see for the future. The road to recovery will be bumpy. We are a global company with global customers, and recovery in each region of the world may be a little different. Through our data, we believe there is pent up demand to travel again. However, we have also seen increases in reported COVID-19 cases lead to more travel restrictions and put downward pressure on the travel recovery. We are hopeful that with the rollout of vaccines and continued vigilance, confidence will be restored, and travel will rebound.

In summary, we remain focused and confident in the future, and feel competitively well-positioned post-COVID-19.

I want to once again thank my Sabre teammates around the world for their dedication to serving our customers, shareholders and each other during this difficult time.

Operator, please open for Q&A.