Sabre Q3 2019 Earnings Call Script

October 31, 2019

Slide 1 – Title Slide

Good morning and welcome to the Sabre third quarter 2019 earnings conference call. Please note that today's call is being recorded and is also being broadcast live on the Sabre corporate website. This broadcast is the property of Sabre. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of the company is strictly prohibited.

I will now turn the call over to the Director of Investor Relations, Jennifer Thorington.

Please go ahead.

Slide 2 – Forward-looking statements

Jennifer Thorington, Director of Investor Relations:

Thank you, and good morning everyone. Thanks for joining us for our third quarter 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 IR web page. A replay of today's call will be available on our website later this morning.

Throughout today's call, we will be presenting certain non-GAAP financial measures, which have been adjusted to exclude certain items. All references during today's call to EBITDA, EBITDA Less Capitalized Software Development, Operating Income, EPS and Net Income have been adjusted for these 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.

We would like to advise you that our comments contain forward-looking statements. These statements include, among others, disclosure of our guidance, including revenue, EBITDA, EBITDA Less Capitalized Software Development, operating income, net income, EPS, cash flow and CapEx; our medium term outlook; our expected segment results; the amount and effects of changes in capitalization mix and depreciation and amortization; the effects of customer financial conditions, and new or renewed agreements, products and implementations; our expectations of industry trends; the financial and business results and effects of acquisitions; and various other forward-looking statements regarding our business.

These statements involve risks and uncertainties that may cause actual results to differ materially from the statements made on today's conference call.

Information concerning the risks and uncertainties that could affect our financial results is contained in our SEC filings, including our second quarter 2019 Form 10-Q and 2018 Form 10-K.

Slide 3 – Today's presenters

Participating with me on today's call are Sean Menke, our President and Chief Executive Officer, and Doug Barnett, Executive Vice President and Chief Financial Officer. Dave Shirk, our Executive Vice President and President, Travel Solutions, and Clinton Anderson, Executive Vice President and President, Hospitality Solutions, are also with us today and will be available for Q&A after the prepared remarks.

Sean will start us off and provide a review of our strategic and commercial performance and business outlook. Doug will offer additional perspective on our financial results and forward outlook. We will then open the call to your questions.

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

Slide 4 – Q3'19 Highlights

Sean Menke, President and CEO:

Thanks Jennifer.

Good morning everyone and thank you for joining us today.

Before we get into the details of the call, I want to take moment and thank my Sabre team members. I continue to see a team that has embraced the challenges and opportunities within the global travel ecosystem which we reside. I am very proud of what we have accomplished over the past three years and what we will accomplish moving forward. This wouldn't have happened without the hard work, sacrifice and dedication of my team members around the world.

Sabre continues to be a global retailing, distribution and fulfillment technology leader within the $1.7 trillion global travel marketplace. We are at the forefront of the industry's digital transformation. Our new management team is driving changes that are resonating with customers, and our technology solutions are gaining commercial momentum, winning new customers, and increasing share-of-wallet with existing customers.

Today, I'm pleased to announce third quarter results that demonstrate our continued solid execution and the strength of our business model and geographic and customer footprint.

- Travel Network, our largest business segment, continues to prove its resiliency despite uncertain macro and geopolitical conditions. The third quarter marked the seventh consecutive quarter of strong gains in our GDS position. Our global share increased 100 basis points year-over-year to 39.6% in the third quarter. We grew bookings 6% in our home region of North America, the fastest-growing region for the overall GDS industry. And, for the first time in three years, our booking contribution margin expanded.

- In Airline Solutions, our focus over the past two years on product health and securing renewals has allowed us to shift attention to new innovations and sales, and we announced a number of customer wins during the quarter for our retailing and operations solutions.

- Hospitality Solutions revenue growth remains solid, up 7% year-over-year in the third quarter.

- Our business continues to generate strong Free Cash Flow, with growth of 18% in the quarter.

Additionally, we have entered into the low-cost carrier space with our recent acquisition of Radixx, a leader in low-cost carrier PSS solutions. This acquisition will allow Sabre to offer products to an audience that continues to see the fastest growth and expansion in the industry.

As we reflect on the third quarter, we believe we are making strong progress against our strategy and delivering on our commitments to shareholders:

- We gained share in Travel Network while expanding contribution margin.
- We restored product health and stability in Airline Solutions, enabling us to shift focus to new sales pursuits.
- Our technology spend is being managed well as we progress on

our cloud migration, and
- We delivered 18% growth in Free Cash Flow.

We expect our expansion into the low-cost carrier PSS market, along with investments in our cloud migration and new innovations, will provide continued growth and industry leadership as we fulfill our commitment to providing best-in-class services to our customers in a dynamic and evolving marketplace.

Slide 5 – Q3’19 Commercial update: Travel Network

Taking a closer look at Travel Network, as mentioned, we have been winning share over the past seven quarters and reported 39.6% share in the quarter.

We continue to expect durable revenue growth in line with or above growth in global travel over the coming years. Our customers have high fixed costs, a perishable commodity and sometimes need to use price to stimulate demand. This is why travel volumes have proven resilient over economic cycles and have grown at roughly 1.5 times global GDP over many decades.

The geographic and customer mix that makes up the majority of our book of business has already absorbed the impact of channel shift, and Travel Network bookings grew 1% in the quarter. Despite solid industry growth in North America, overall global GDS industry bookings decreased 3% in the quarter due to declines in all other regions from continued channel shift, geopolitical events, regional economic uncertainty and the insolvency of a large Indian carrier.

In North America, the price of indirect and direct distribution has largely converged. We have over 80% share of the large travel management companies in the region, which represent airlines’ most valuable travelers. As a reminder, we are relatively less exposed to channel shift occurring in Europe because over 50% of our bookings at the European legacy carriers are international and therefore less likely to be booked directly. In addition, we have a relatively small footprint in India.

Our hotel bookings were up high single digits in the quarter, despite a deceleration in industry growth. This increased attach rate of hotel bookings, which are more profitable bookings, contributed to solid growth in average booking fee in the quarter.

As we have historically outlined, we are leading with technology. For the second quarter in a row, incentive fee growth moderated to low single digits.

Our ability to win recent major deals like Flight Centre and Carlson Wagonlit Travel is anchored by our technology investments. Our technology investments create network effects that scale across 420 airlines. We are differentiated with our Sabre Red 360 agency desktop, full deployment of our shopping complex in the cloud, NDC leadership and vision for next-generation retailing. Our investment and focus on what our customers need provides us with confidence that we can continue to win share over the medium term.

Although North America represents our largest regional footprint, we are focused on expanding our international book of business. Our third quarter wins and renewals demonstrate our focus on international markets:

- We announced a collaboration with Singapore Airlines for expansion of their NDC program. Now agents in Singapore can book unique NDC content from Singapore Airlines, and we will continue this rollout across all regions.
- We signed a long-term renewal with Despegar, the leading online travel agency in Latin America.
- We are increasing our footprint in Spain with a new deal with Grupo CDV, the fastest growing travel agency consolidator in the country.
- We announced a renewal and expanded partnership with Magnum Travel Services, one of the leading travel companies in Bahrain.
- We expanded our partnership with Eirad International Tours and Travels to meet the high expectations of the tech savvy Saudi traveler.
- And, we announced a Virtual Payments partnership with Apiso to promote virtual payments adoption in the Middle East.

Slide 6 – Q3'19 Commercial update: Airline Solutions

At Airline Solutions, our confidence continues to grow as we feel good about the progress we have made on restoring product health and stability and securing renewals. This has allowed us to switch gears and focus on rolling out new innovations, winning new business, and expanding our addressable market into the low-cost carrier space.

We recently announced our acquisition of Radixx, a leading airline retailing software provider whose signature product is a best-in-class low-cost carrier passenger service system. This is an important, strategic acquisition for Sabre. Low-cost carriers have grown twice as fast as full-service carriers over the past five years and now total nearly 30 percent of global passengers boarded annually. SabreSonic, our full-service PSS, is better suited for network carriers that require a full range of capabilities, including meeting the needs of a global alliance, significant international operations or global distribution. While some low-cost carriers require some of these elements, most simply need a solid solution to meet their foundational retailing needs. The passengers boarded that Radixx could address with its platform represent an incremental opportunity for Sabre.

The Radixx PSS platform is an entirely cloud-based platform on a SaaS-oriented model. We expect to make incremental investments in the fast-growing LCC space and to assist the Radixx team with technology, improved stability, and sales and support efforts. Backed by our leading technology team, we expect Radixx to achieve scale and accelerated growth over the medium term.

In the third quarter,

- We are continuing to see traction and evolution of intelligent retailing with Sabre Commercial Platform, and have recent customer go-lives for Fares Optimizer and Revenue Optimizer.
- We are driving a digital transformation for the airline industry, and this includes transforming the airport experience. We have advanced personalization with Digital Workspace Airports now in production at several airlines including Aeroflot and Kulula.
- Intelligence Exchange continues to gain traction with new sales at WestJet, expansions at Southwest and Aeroflot, and a cutover at Air Europa. Intelligence Exchange is a real-time data integration platform that gathers, analyzes and can take action on disparate data from across airline systems.
- We announced a long-term renewal with Aeromexico, one of our key customers, who will be expanding its footprint by utilizing our Commercial Platform solutions.

In addition, we recently announced that on the operations side, we are transforming Spirit Airlines' operations. Spirit will be one of the first carriers to use the industry's first end-to-end operations solutions. They are a current user of several of Sabre's operations solutions and will soon implement AirCentre Movement Manager, Crew Manager and Recovery Manager that help airlines recover from disruptive situations quickly and efficiently. Mobile tools will also enable seamless communication between operations managers, crew schedulers and crew members.

Slide 7 – Q3'19 Commercial update: Hospitality Solutions

Hospitality Solutions continues to generate solid revenue growth. We are the global leader in central reservations, and expect continued expansion into a relatively underpenetrated market to drive growth.

In the third quarter,

- We announced a deal with Space Hotels for our SynXis Booking Engine to power their direct website.
- And, we closed multiple renewals with key customers including Mandarin Oriental, Le Hotels and Frasers, proving our hotel partners continue to view us as an essential technology partner.

Slide 8 – Q3'19 Technology Update

We expect to invest over $1 billion this year in technology.

- Our cloud migration continues to progress well, and we now have nearly 60% of our total compute footprint in the cloud. As announced last quarter, this includes our entire Travel Network shopping complex. We are the first GDS to achieve full cloud deployment of shopping.
- In the third quarter, we decommissioned the DXC servers for shopping in our legacy Tulsa data center. By year end, we expect this to result in a 25% reduction in our Tulsa open systems footprint since the end of last year.
- We also completed the rollout of two new Microsoft Azure cloud landing zones, one in central Europe and one North America, establishing the capability to begin moving applications to Azure.
- We implemented Distributed Availability in the cloud closer to our customers for three hosted carriers. This lowered latency and improved accuracy and shopping conversions while reducing messaging fees for our hosted carriers.
- Finally, we developed our first autoscaling capabilities for Airline Solutions applications running in Amazon Web Services that will allow us to optimize our cloud footprint to align with elastic demand and lower overall operating costs as we go forward. This demonstrates cost savings we can achieve even on workloads that are already in the cloud.

Before I turn it over to Doug, I want to take a moment to address our agreement to acquire Farelogix. The DOJ has filed a lawsuit seeking to block our acquisition of Farelogix. We strongly disagree with the DOJ's position.

The DOJ's decision reflects a fundamental misunderstanding of the industry. The DOJ claims that Sabre and Farelogix compete head-to-head for airline bookings in the United States, and that Farelogix is an alternative to the GDS. That claim misstates Farelogix's role in the industry.

Farelogix's portfolio of airline-controlled retailing, merchandising and distribution capabilities complements Sabre's existing IT solutions and future product roadmap. With the combined Sabre and Farelogix technology, we expect airlines will have more flexibility to create personalized offers or bundle flights with bags, Wi-Fi, lounge passes, and other ancillaries to ultimately give consumers more choices, the ability to attribute shop and more competitive options – in any distribution channel. Furthermore, we have committed to continue investing in Farelogix's direct connect capabilities.

We are confident that we will succeed in court, and that the transaction will ultimately be completed. The trial will begin in January 2020, and we have extended the termination date of our acquisition agreement to April 30, 2020 to allow time to resolve the lawsuit.

Turning back to our results, we produced solid third quarter numbers, including 18% growth in Free Cash Flow. We are narrowing the gap versus our largest GDS competitor and expect to be a continued strategic share winner. In Airline Solutions, we are widening our addressable market with our expansion into the low-cost carrier space and expect to continue to benefit from increased customer spending as we lead the industry through a digital revolution. We are supported by our transaction-based business model and the strength of our geographic and customer mix that has enabled us to remain resilient in a more challenging macro environment. This gives us confidence to narrow our full year 2019 guidance.

With that, I'll turn the call over to Doug to get into more of the details of our third quarter results and forward outlook. Doug……

Slide 9 – Q3'19 Performance

Doug Barnett, Chief Financial Officer:

Thank you, Sean.

In the third quarter, we generated durable, stable revenue growth and strong Free Cash Flow growth despite a more uncertain geopolitical and macroeconomic environment.

Let me remind you of the many attractive benefits of our business model:

- We have long-term contracts and customer renewal rates well over 90%.
- Our transaction-based business model has 94% recurring revenue.
- Our revenue streams are tied to travel volumes, which have proven resilient across economic cycles, even during the Great Recession.
- We expect to invest over $1 billion in technology annually.

- And, we expect to continue to benefit from increased share of wallet from airlines and hoteliers as we drive a digital transformation for the travel industry.

Looking more closely at our Q3 results, revenue was up 1% year-over-year, totaling $984 million. In the third quarter, recurring revenue totaled 94%, and our mix of recurring revenue increased by 1 point year-over-year.

Across each of our businesses:

- Travel Network revenue was up 2%,
- Airline Solutions revenue was down 1%, as expected, and
- Hospitality Solutions revenue was up 7% in the quarter.

EBITDA Less Capitalized Software Development, which reflects our total R&D spend, grew 4% in the quarter, faster than revenue. As expected, for the second quarter in a row, incentive fee growth moderated and was up low-single digits. Additionally, the quarter benefitted from a reduction in benefits and other labor-related costs.

We continue to make good progress on our cloud migration, and our total technology spend increased 5% in the quarter. As previously discussed, the costs associated with our cloud migration and related technology transformation efforts are expensed as incurred, instead of capitalized. This shift in our capitalization mix caused technology operating expenses to increase materially in the quarter, with an equal and offsetting decrease in CapEx.

Accordingly, operating income totaled $133 million in the quarter, representing an operating margin of 14%. The year-over-year decline in operating income reflects the near-term impact to our income statement from the change in technology expense recognition. Excluding the increase in technology operating expenses, operating income increased 10%, and operating margin increased 150 basis points in the quarter.

As a reminder, we are taking a double hit to our income statement this year related to this capitalization mix shift – from the increased technology operating expenses due to a lower capitalization rate, as well as increased D&A from previous capitalization. As D&A rolls off due to expected lower capitalization, we expect approximately $140 million in D&A savings from 2019 through 2022.

EPS totaled $0.27 in the third quarter, up 10% year-over-year excluding the increase in technology operating expenses.

As a reminder, the capitalization shift has no impact on Free Cash Flow. Our business continues to generate strong Free Cash Flow. Free Cash Flow grew 18% in the quarter, totaling $142 million.

We returned $38 million to shareholders in the third quarter via our quarterly dividend.

Slide 10 – Q3'19 Performance: Travel Network

At Travel Network, revenue grew 2% in the quarter, totaling $711 million. Consistent with the second quarter, growth has decelerated due to a softer GDS environment and as we anniversary favorable European carrier pricing and the completion of the Flight Centre migrations.

The third quarter represented our 7th quarter in a row of strong GDS share gain. Our global booking share increased by 100 basis points in the quarter, representing 39.6% share. We continue to gain share at large, global travel management companies, including our expanded strategic agreement with CWT.

GDS industry bookings declined in the quarter due to relatively more challenging macroeconomic and geopolitical factors, as well as the insolvency of Jet Airways and channel shift driven by the three legacy European carrier families. GDS industry bookings declined 3% in the third quarter, and growth was flat excluding Jet and the three legacy European carriers.

The maturity and balance of our global customer footprint and new business wins continued to allow us to grow faster than the overall GDS industry. Our largest book of business is in North America. We have already lived through an era of channel shift and convergence of the cost of direct versus indirect distribution. As a result, we believe a relatively steady equilibrium between channels has been established in the region.

Our total bookings in the quarter grew 1%, largely driven by strength in our North American bookings.

Our air bookings increased 0.3% in the quarter. Excluding Jet Airways and the three legacy European carriers, our air bookings increased 1% in the quarter.

In the quarter, Lodging, Ground and Sea bookings grew 4%. Hotel bookings grew high single digits in the quarter, and car bookings also grew high single digits. Consistent with the previous three quarters, lower margin rail bookings declined. We will fully anniversary the rail impact in Q4'19.

Looking at the regional level, the health of our home region is strong. North America is the only region that posted GDS industry growth in the third quarter, with year-over-year growth of 2%. We have over 80% share within large travel management companies in this region, representing airlines' most valued customers. Our North American bookings grew 6% in the quarter, three times as fast as the GDS industry.

GDS industry bookings declined across all other regions. In Latin America, our bookings declined due to macro-economic weakness and volatility. On a volume basis, Latin America is the smallest of the four regions we report and makes up less than 10% of our total worldwide bookings.

As mentioned, GDS industry bookings in Asia-Pacific in the third quarter were impacted by the insolvency of Jet Airways, and our bookings declined accordingly. GDS bookings in India declined over 20% in the third quarter, versus approximately 20% growth in the prior year quarter. As a reminder, we are relatively less exposed to the Indian market.

In EMEA, channel shift by the three legacy European carrier groups, as well as faster growth in the LCC segment, is driving GDS industry softness. In addition, the decline in lower margin rail bookings had a 2-point impact on our bookings growth in the EMEA region.

We believe our exposure to the impact of the three legacy European carrier groups is less than the other GDSs due to the fact that over 50% of our bookings from those carriers are made outside of Europe and are typically for longer haul, higher yielding traffic. Jet Airways and the three legacy European carriers had a combined 3-point negative impact to global GDS industry growth in the quarter, versus a 1-point negative impact on Sabre bookings growth.

Our average booking fee increased 110 basis points in the quarter. This was largely driven by the positive mix impact of Lodging, Ground and Sea bookings, specifically from strong growth in hotel bookings, which have a higher booking fee than air bookings. Remember that we have anniversaried the favorable European carrier pricing and the beneficial mix impact from the completion of the Flight Center migrations.

For the first time in three years, our contribution margin per booking expanded. Meaning, booking fee growth outpaced incentive fee growth. As expected, incentive fee normalized to the low single digit growth in the quarter.

This is the second quarter in a row of moderated incentive fee growth versus the high level of inflation over the previous two years, which was driven by large, strategic deals, including renewals at 5 out of 6 of our top agencies through 2023 and beyond and recent major wins at Flight Centre and CWT.
We are confident in our expectations for normal inflationary incentive fee growth to remain in the low-to-mid single digits over the medium term.

Travel Network operating income totaled $159 million in the third quarter, representing an operating margin of 22.4%. Margin decline versus the prior year quarter was primarily driven by the impact of the shift in capitalization mix. Excluding the increase in technology operating expenses driven by the capitalization shift, operating income increased 2%, and operating margin was flat.

Slide 11 – Q3'19 Performance: Airline Solutions

At Airline Solutions, after successfully navigating a heavy renewal cycle over the past two years, we now have locked in approximately 75% of our revenue through 2023, with a high renewal rate of 94% based on total contract value. This is the second quarter in a row we have announced a number of commercial wins and implementations that demonstrate the traction our products are gaining in the industry. We feel good about our competitive position, especially as we believe a large competitor is entering a heavy renewal cycle with a significant number of passengers boarded up for renewal over the next three years. Furthermore, as I will discuss in more detail later, we have expanded our addressable market with the acquisition of Radixx.

Airline Solutions revenue totaled $208 million in the third quarter, down 1% year-over-year and in line with our expectations. As previously discussed, there are factors outside of our control that impacted our performance. These include the insolvency of Jet Airways and significant volume reductions at a certain Asian carrier due to an unfortunate 737 MAX incident. Additionally, the quarter was impacted by the de-migrations of Philippine Airlines, Pakistan International Airlines and Bangkok Airlines. Excluding these certain carriers, Airline Solutions revenue grew 5% in the quarter.

SabreSonic revenue increased 2% in the quarter, primarily due to a favorable rate mix. Passengers boarded declined 5% in the quarter due to the certain carrier impacts I just mentioned. Excluding the certain carriers, passengers boarded increased 4% in the quarter.

AirVision and AirCentre revenue decreased 4% in the quarter. This was largely driven by a decline in upfront revenue recognition for local installs. Excluding local installs, AirVision and AirCentre revenue increased 8%.

Airline Solutions operating income was down versus the prior year, primarily driven by the shift in capitalization mix. Excluding the increase in technology operating expenses, operating income growth was 43%, and operating margin increased 6 points. This was driven by a reduction in benefits and other labor-related costs.

Slide 12 – Q3'19 Performance: Hospitality Solutions

Hospitality Solutions is the global leader in hotel central reservations. We have over 42,000 properties live on our solutions. This includes the industry's first and largest enterprise hotel implementation with Wyndham Hotels & Resorts, including their 2018 acquisition of La Quinta Inns & Suites, which we fully implemented at the start of the second quarter of this year.

Hospitality Solutions revenue grew 7% in the quarter, supported by 6% growth in SynXis Software and Services revenue.

Hospitality Solutions central reservation system transactions increased 14% in the quarter, which includes the benefit of migrating La Quinta in the second quarter of 2019.

The shift in capitalization mix resulted in a modest operating loss for Hospitality Solutions in the quarter. Excluding the increase in technology operating expenses, we had positive operating income generation.

Slide 13 – Q3'19 Technology expenditures

In the third quarter, total technology spend was $259 million. As a reminder, this includes the costs that we incur, whether capitalized or expensed, for hosting, third-party software and R&D.

Total technology spend increased 5% in the quarter, reflecting investments we are making in our cloud migration and other technology initiatives. As Sean mentioned, we now have nearly 60% of our total compute footprint in the cloud. Additionally, we had a $4 million headwind in the quarter related to a third-party hosting vendor credit we received last year that went away this year.

As discussed on our past several earnings calls and today, the costs supporting our cloud migration and other technology transformation efforts are not capitalized. This resulted in a 19-point decline in capitalization mix, from 26% in the third quarter last year to 8% in the third quarter this year. Although neutral to Free Cash Flow, this shift significantly impacts operating income and EBITDA. As a reminder, Free Cash Flow grew 18% in the quarter.

As a result of the capitalization shift and a $1 million increase in amortization of previous capitalization, the amount of total technology expense running through our income statement in the quarter increased by $58 million, or 23%. Remember, this refers to our total technology spend less capitalized software development, plus amortization of previous capitalization.

Slide 14 – Q3’19 Net debt, leverage and cash flow

As I mentioned, our business has generated strong Free Cash Flow. Third quarter Free Cash Flow totaled $142 million, representing growth of 18% year-over-year.

We ended the quarter with approximately $3 billion in net debt and a leverage ratio of 2.9x. We expect our leverage ratio to continue to naturally increase in the short term due to the change in capitalization mix. As a reminder, our target leverage ratio is 2.5 – 3.5x, with a preference toward the lower end of that range.

Our uses of excess Free Cash Flow are:

- dividends,
- strategic M&A, and
- share repurchases to offset natural dilution at a minimum.

In the third quarter, we returned $38 million to shareholders via our quarterly dividend.

Year-to-date, we have returned $193 million to shareholders via the repurchase of 3.7 million shares for $78 million and through our regular quarterly dividends.

Earlier this October, we purchased Radixx for approximately $110 million, including payments to debtholders, using cash on hand. Our acquisition of Radixx expands our footprint in the LCC space, which has grown twice as fast as full-service carriers over the past 5 years and now accounts for nearly 30% of global passengers boarded. Radixx is expected to generate approximately $20 million of revenue for the full year 2019. Since we closed the acquisition mid-October, please keep in mind that we expect only 2.5 months, or approximately $4 million, of Radixx revenue will be consolidated in Sabre’s 2019 financial results. The acquisition is expected to be accretive over the medium term, but slightly dilutive to Sabre’s Adjusted EPS in 2020 due to expected incremental investment in the fast-growing LCC space. We will provide our 2020 financial outlook, inclusive of the impact of Radixx, as usual in February on our Q4 earnings call.

Slide 15 – FY 2019 Guidance

We believe the business is performing well and in line with our expectations. Therefore, we have the confidence to narrow our full year 2019 earnings guidance.

We now expect total Sabre revenue growth of 3% to 4%, to $3.965 to $4.005 billion.

- At Travel Network, we now expect full year revenue growth of 3% to 3.5%. We expect continued share gain to drive bookings growth that outpaces the industry as new agency conversions and share of wallet increases that have already been won are implemented. However, the overall GDS market has declined the past three quarters. We now expect full year bookings growth of approximately 1.5% to 2%. We continue to expect full year average booking fee growth of approximately 1.5%. The GDS market continues to be sluggish, and we expect this trend to persist into 2020.
- At Airline Solutions, we are raising our guidance and now expect roughly 1% full year revenue growth. This is higher than our previous expectations primarily due to two and a half months, or approximately $4 million, of incremental revenue contribution from Radixx.
- At Hospitality Solutions, our sales team continues to make record sales. However, we are also beginning to see a softening of hotel industry bookings driven by a weaker macro environment. We expect revenue to come in at the lower end or a bit below our previously expected 7% to 9% revenue growth range.

We continue to expect the midpoint of our earnings guidance metrics and have the confidence to narrow our guidance ranges. This means we expect stronger margins and can successfully control costs in a softer revenue environment. Accordingly, we expect:

- EBITDA of $955 million to $975 million,
- EBITDA less Capitalized Software Development of $860 million to $880 million,
- Operating income of $505 million to $525 million,
- Net income of $260 million to $280 million,
- EPS of $0.95 to $1.02.

As mentioned, our business generates strong Free Cash Flow. We continue to expect Free Cash Flow generation of approximately $455 million, or year-over-year growth of 3%. Remember this represents growth of 11% excluding the impact of a $29 million insurance settlement payment received last year. For CapEx, we expect $135 million to $145 million. Remember, our business has typical working capital seasonality that benefits the fourth quarter compared to the first three quarters of the year.

In closing, we believe our business is solid as we look at the rest of 2019 and beyond. I have confidence in our outlook and remain confident in the underlying performance of the business.

Back to you, Sean.

Slide 16– Thank you

Sean Menke, President and CEO:

Thanks Doug,

I'm pleased with how the year has progressed and would like to once again thank my colleagues all around the world for their hard work and dedication.

We believe the third quarter was clear indication we are progressing against our strategies – 7th quarter in a row of share gain, moderation in incentive fee growth, 18% growth in free cash flow, and our new innovations are gaining commercial traction. We continue to benefit from the resiliency of our business model and strength of our geographic and customer footprint. I'm confident we will have a solid finish to the year.

I want to once again thank you for joining our call today and for your continued interest in Sabre. With that I will ask the operator to open the call for your questions.