Sabre

Q3 '18 Earnings Report

October 30, 2018

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 “guidance,” “outlook,” “progress,” “believe,” “expect,” “momentum,” “opportunity,” “will,” “plan,” “estimate,” “preliminary,” “anticipate,” “project,” “may,” “should,” “would,” “intend,” “potential,” or the negative of these terms or other comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sabre’s actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. The potential risks and uncertainties include, among others, dependency on transaction volumes in the global travel industry, particularly air travel transaction volumes, the recurring nature of revenue streams, maintenance of the integrity of our systems and infrastructure and the effect of any security breaches, reliances on third parties to provide information technology services, implementation of software solutions, 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, failure to adapt to technological advancements, competition in the travel distribution market and solutions markets, the implementation and results of our cost reduction and business alignment program, dependence on establishing, maintaining and renewing contracts with customers and other counterparties and collecting amounts due to us under these agreements, dependence on relationships with travel buyers, changes affecting travel supplier customers, our ability to recruit, train and retain employees, including our key executive officers and technical employees, our collection, processing, storage, use and transmission of personal data and risks associated with PCI compliance, 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 the value of our brands, the effects of litigation, failure to comply with regulations, use of third-party distributor partners, the financial and business effects of acquisitions, including integration of these acquisitions, and tax-related matters, including the effect of the Tax Cuts and Jobs Act. More information about potential risks and uncertainties that could affect our business and results of operations is included in the "Risk Factors" section in our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2018, in the “Risk Factors” and “Forward Looking Statements” sections in our Annual Report on Form 10-K filed with the SEC on February 16, 2018 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 (Loss), Adjusted Net Income, Adjusted Operating Income margin, Adjusted EBITDA, Adjusted EPS, Free Cash Flow, and the ratios based on these financial measures. In addition, we provide certain forward guidance with respect to Adjusted EBITDA, Adjusted Operating Income, 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 “2018 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/Certain Definitions

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.

This presentation and the related materials include references to “recurring revenue.” See the appendix for additional information.

Today’s presenters

Sean Menke
President & CEO

Doug Barnett
EVP & CFO

Solid third quarter results

A global technology leader serving the large and growing travel industry

- Transaction-driven business model
- High recurring revenues

Solid progress on all fronts:

- Platform development
- Cloud migration
- Innovation
- Customer engagement

Partnering closely with customers and winning in the marketplace

- Q3 booking share gain of over 2pts
- Q3 growth: 8% revenue, 26% Adjusted EPS, 17% Free Cash Flow

Q3’18 Business highlights

Travel Network

Bookings gains in NAM, APAC & EMEA

Lodging innovations and partnership with Booking.com

Designated NDC-Certified Level 3 and kicked off Beyond NDC partner program

Airline Solutions

Modest revenue growth ahead of expectations

Renewed long-term deal with second largest customer

Launched Sabre Commercial Platform

Hospitality Solutions

Lower than expected total revenue growth; solid recurring revenue growth driven by SynXis platform

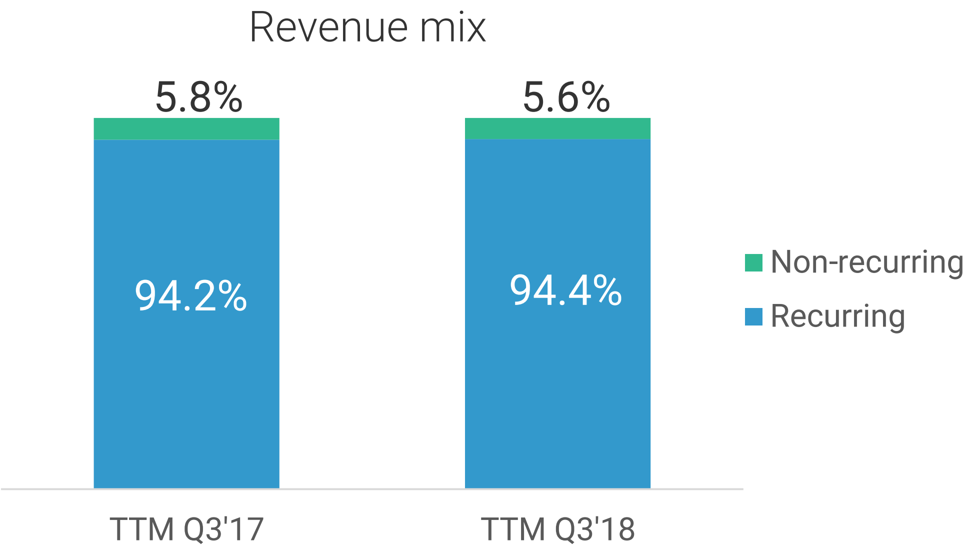
Strong sales quarter

Announced Business Travel Services Suite and partnership with IHG

CFO: initial impressions

Majority of our revenue is recurring

- Transaction-driven business model
- Expect long-term tailwind from large and growing travel industry
- Provides confidence in overall revenue outlook



+8.0%

TTM recurring revenue growth

Using data to evaluate and introduce new metrics and KPIs

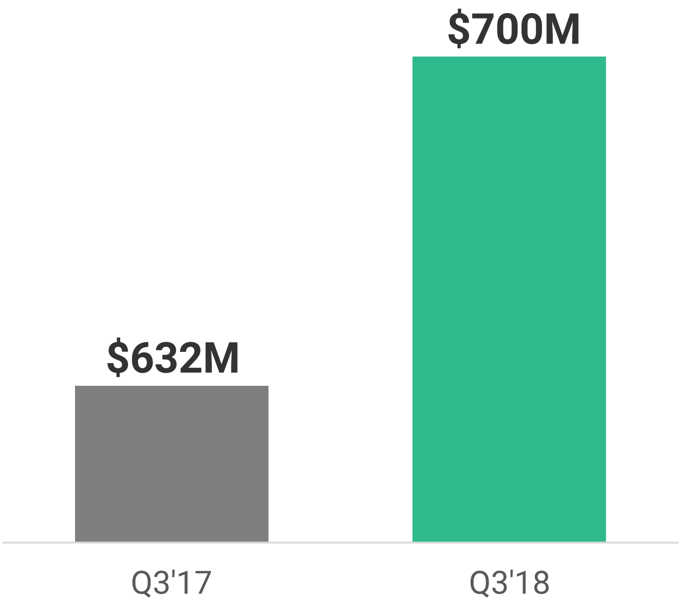
- Recurring revenue mix
- Increased technology spend visibility

Q3 '18 Financial highlights

	Q3 2018	Growth
Revenue	**$970M**	**+8%**
Adjusted EBITDA	**$279M**	**+6%**
Adjusted Op Income	**$174M**	**+3%**
Adjusted EPS	**$0.39**	**+26%**
Free Cash Flow	**$121M**	**+17%**

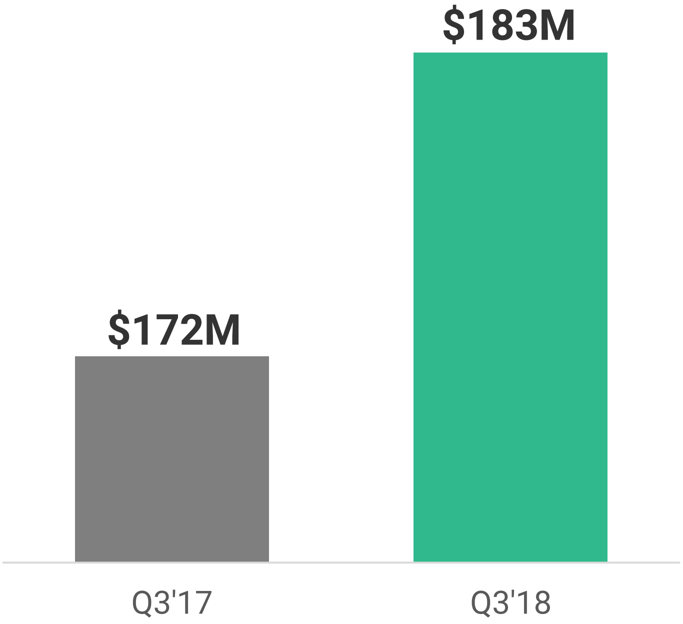
Q3 ‘18 Travel Network

Revenue



+10.7%
YOY Growth

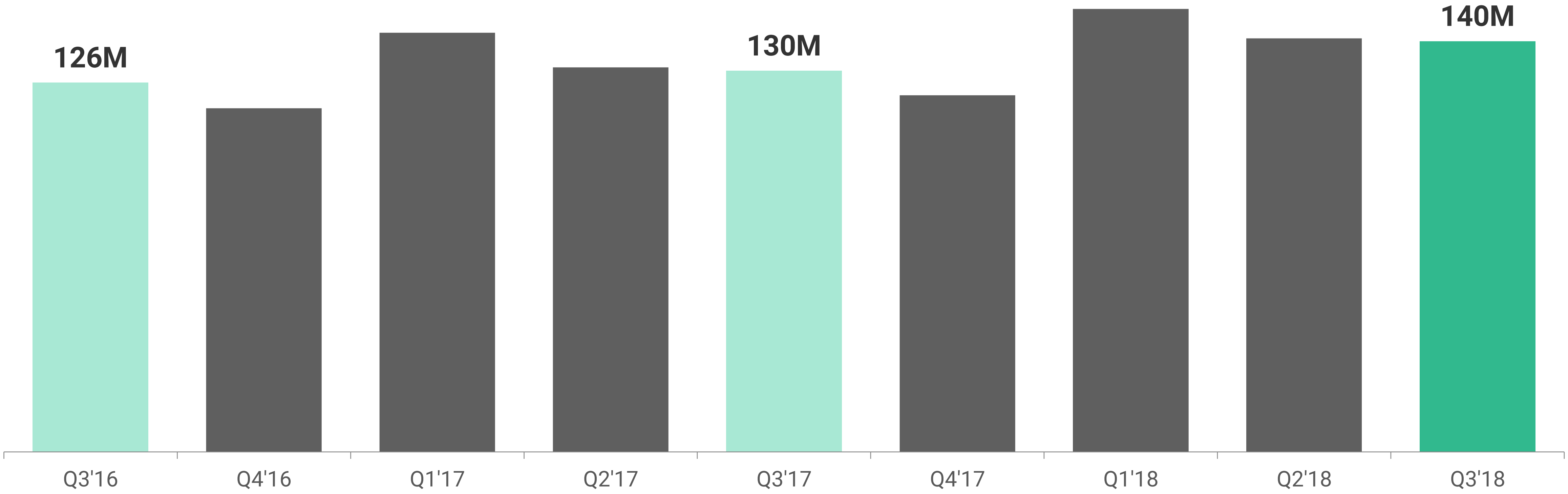
Adjusted Operating Income



+6.1%
YOY Growth

26.1%
Adjusted Operating Income Margin

Total quarterly bookings



+7.7%
Q3 2018
YOY Growth

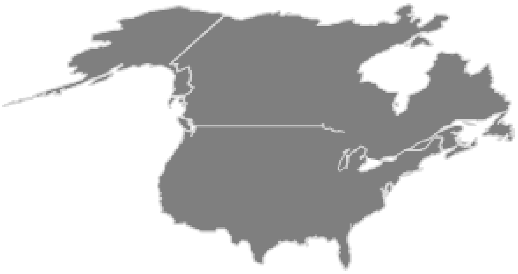
Total Q3 ‘18 bookings growth by region

+17.8%

APAC

+8.0%

NAM



+3.7%

EMEA

(6.3%)

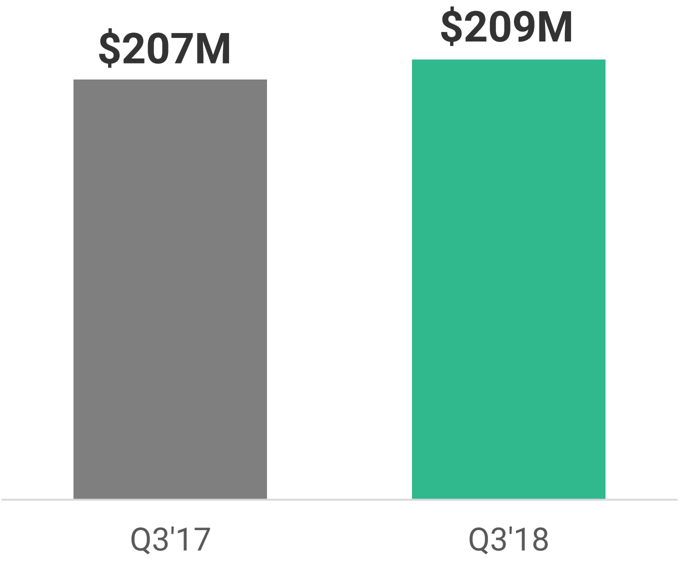
LAC

38.6%

Global Air Bookings Share

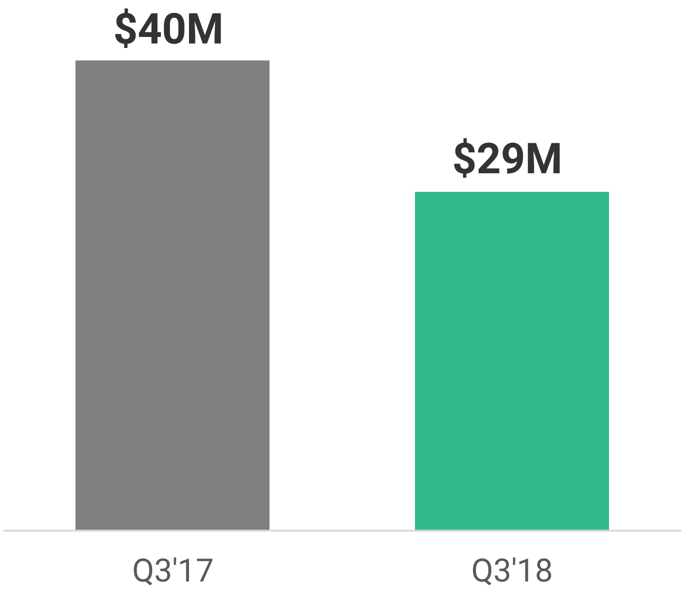
Q3 ‘18 Airline Solutions

Revenue



+1.1%
YOY Growth

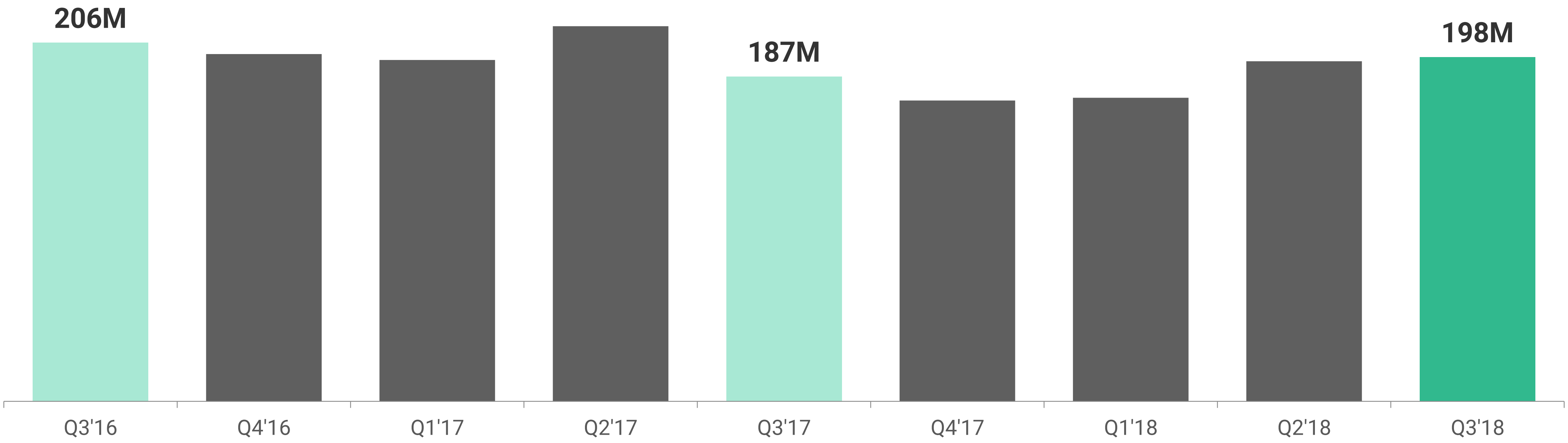
Adjusted Operating Income



(28.0%)
YOY Change

13.6%
Adjusted Operating Income Margin

Total quarterly passengers boarded



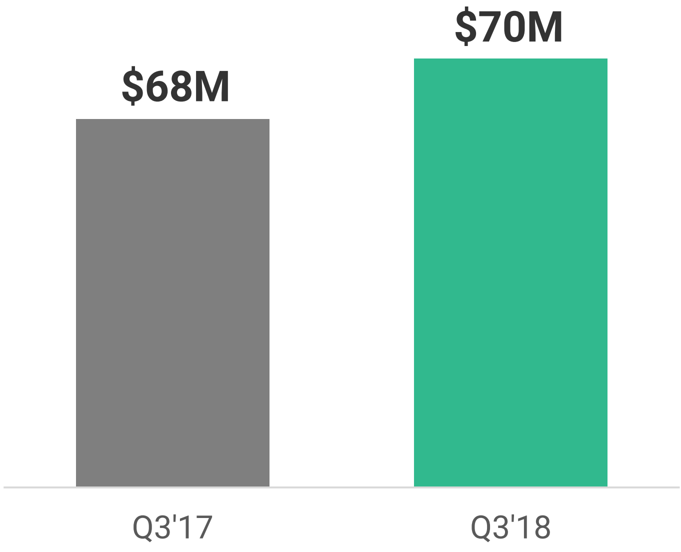
+6.0%

Q3 2018
YOY Growth

Q3 ‘18 Hospitality Solutions

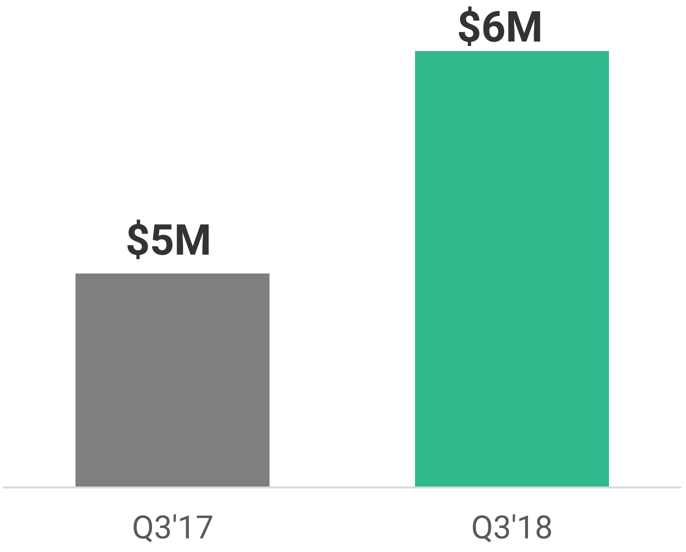
9% SynXis software & services revenue growth

Revenue



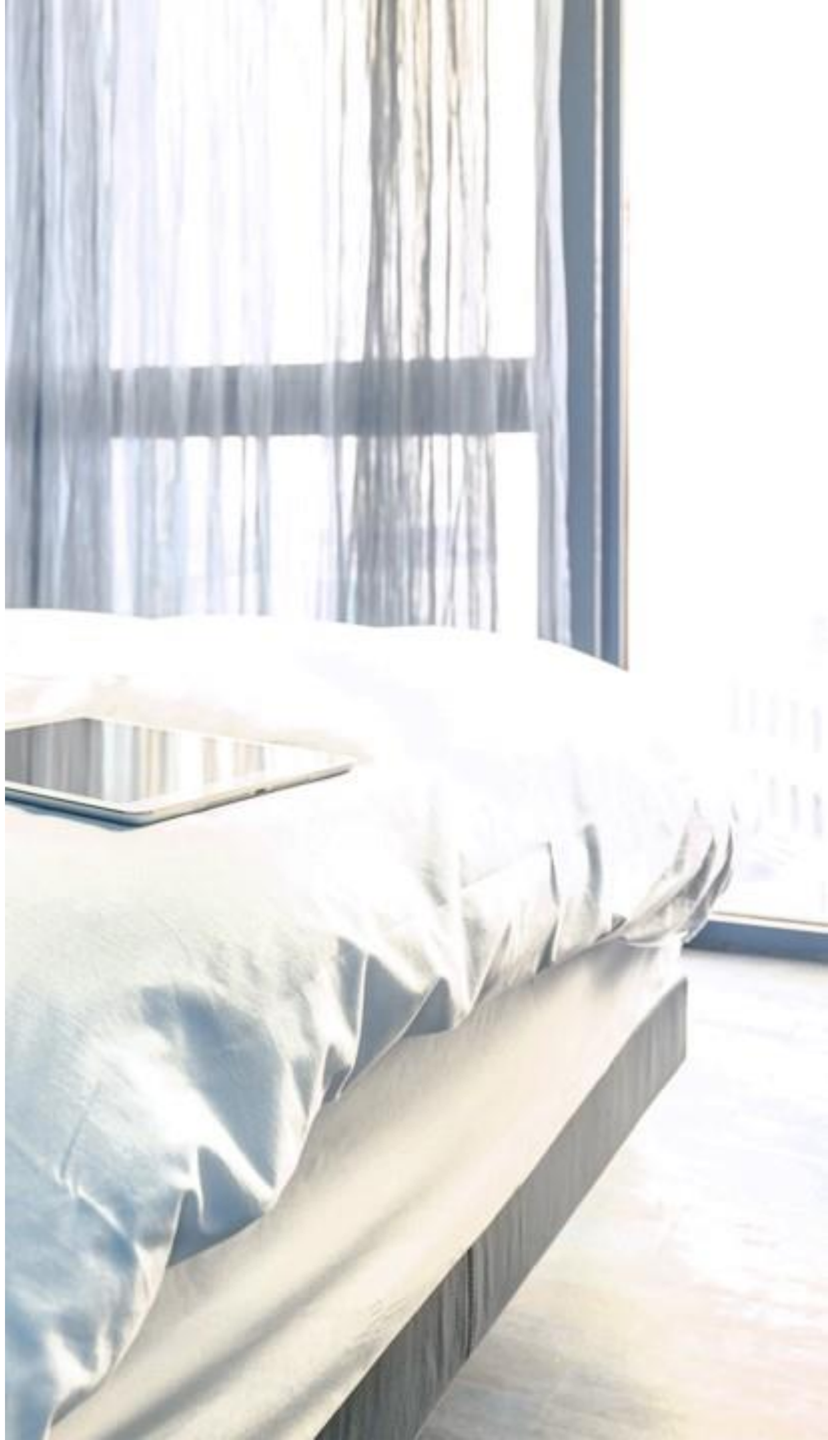
+3.1%
YOY Growth

Adjusted Operating Income



+13.1%
YOY Growth

8.3%
Adjusted Operating Income Margin



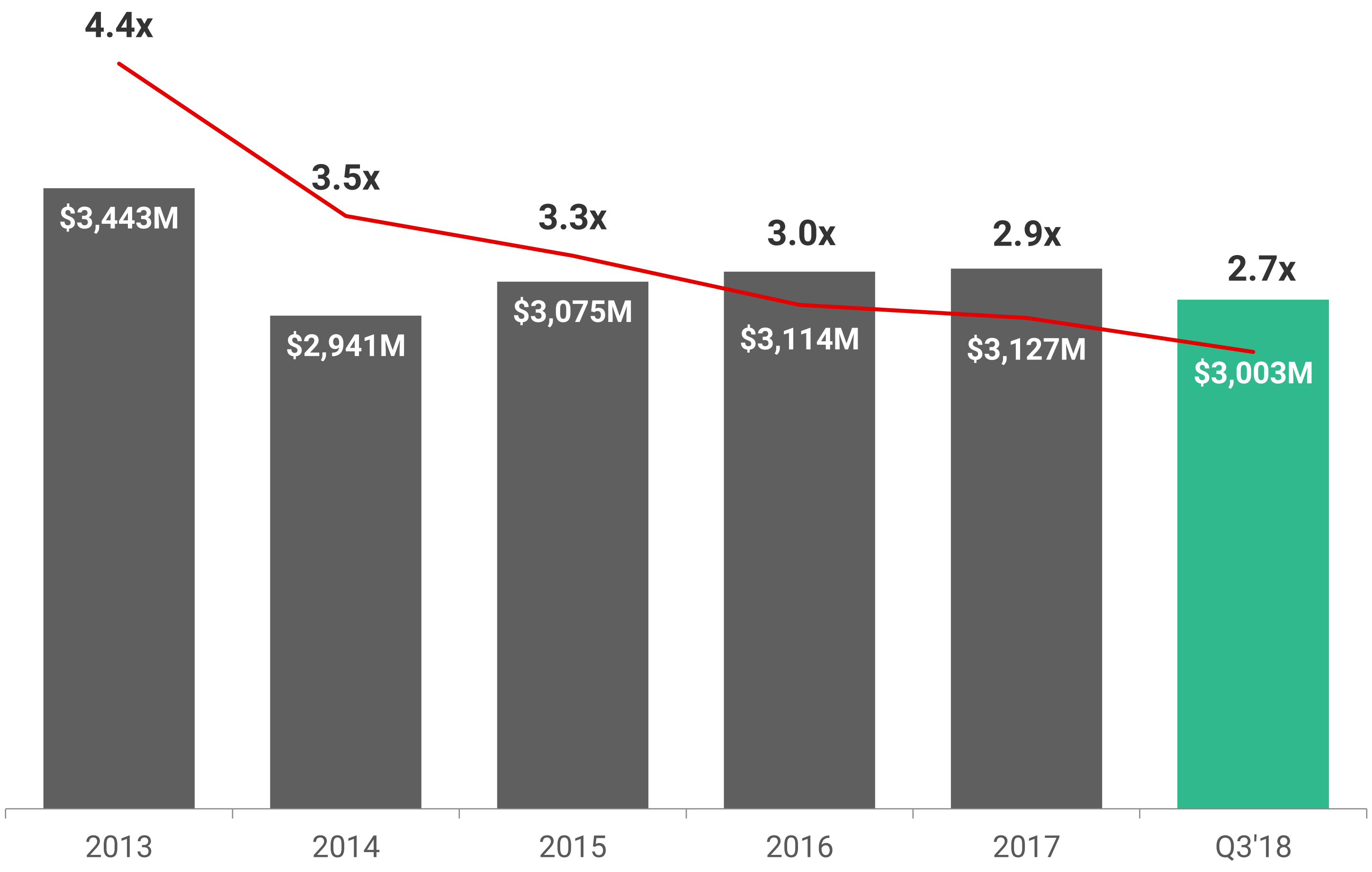
Q3 '18 Technology expenditures

	Q3 2018	Q3 2017	YOY Change
Total technology spend	**$254**	**$241**	**($13)**
Technology spend - capitalized	($73)	($72)	$0
% Capitalized	*29%*	*30%*	
Amortization of previous capitalization	$73	$63	($9)
Net technology operating expense impacting operating results	**$254**	**$232**	**($22)**

YTD '18 Technology expenditures

	YTD 2018	YTD 2017	YOY Change
Total technology spend	**$772**	**$728**	**($45)**
Technology spend - capitalized	($204)	($231)	($27)
% Capitalized	*26%*	*32%*	
Amortization of previous capitalization	$214	$182	($32)
Net technology operating expense impacting operating results	**$782**	**$679**	**($104)**

Q3 '18 Net debt, leverage[1] and cash flow



$194M
Cash provided by operating activities

$121M
Free Cash Flow

$38M
Returned to Shareholders

[1]Net Debt/LTM Adjusted EBITDA.

Raising FY ‘18 Guidance

	Initial Guidance	Q1’18 Update	Updated FY 2018 Guidance	
	$	$	$	% Growth
Revenue	$3,685M - $3,765M	$3,760M - $3,840M	**$3,850M - $3,880M**	**7% - 8%**
Adjusted EBITDA	$1,055M - $1,095M	$1,075M - $1,115M	**$1,110M - $1,130M**	**3% - 5%**
Adjusted Operating Income	$650M - $690M	$665M - $705M	**$695M - $705M**	**(2%) – 0%**
Adjusted Net Income	$375M - $415M	$385M - $425M	**$415M - $425M**	**6% - 9%**
Adjusted EPS	$1.34 - $1.48	$1.39 - $1.53	**$1.49 - $1.54**	**6% - 10%**
Free Cash Flow	~$390M	~$425M	**~$425M**	**~18%**
GAAP Capital Expenditures	$305M - $325M	$290M - $310M	**$290M - $310M**	**(8%) – (2%)**

The information presented here represents forward-looking statements and reflects expectations as of October 30, 2018. 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 Q2 2018 Form 10-Q and 2017 Form 10-K.

Continuing momentum

- **Solid quarter**
- **Momentum continuing to build**
- **Expect a strong finish to the year**

Thank you

APPENDIX

Tabular reconciliations for Non-GAAP measures

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income attributable to common stockholders	$ 73,005	$ 90,989	$ 253,131	$ 160,441
(Income) loss from discontinued operations, net of tax	(3,664)	529	(3,217)	2,228
Net income attributable to noncontrolling interests[1]	1,538	1,307	3,979	3,726
Income from continuing operations	70,879	92,825	253,893	166,395
Adjustments:				
Acquisition-related amortization[2a]	16,407	20,226	51,585	75,666
Impairment and related charges[6]	—	—	—	92,022
Loss on extinguishment of debt	—	1,012	633	1,012
Other, net[4]	1,905	3,802	10,746	19,788
Restructuring and other costs[7]	—	—	—	25,304
Litigation costs (reimbursements), net[5]	5,225	(40,929)	7,073	(36,470)
Stock-based compensation	15,245	11,655	41,445	34,413
Tax impact of net income adjustments	(689)	(1,670)	(32,850)	(75,973)
Adjusted Net Income from continuing operations	$ 108,972	$ 86,921	$ 332,525	$ 302,157
Adjusted Net Income from continuing operations per share	$ 0.39	$ 0.31	$ 1.20	$ 1.08
Diluted weighted-average common shares outstanding	277,528	278,369	276,819	279,648
Adjusted Net Income from continuing operations	$ 108,972	$ 86,921	$ 332,525	$ 302,157
Adjustments:				
Depreciation and amortization of property and equipment[2b]	76,226	66,332	225,649	191,442
Amortization of capitalized implementation costs[2c]	10,099	10,484	30,317	28,621
Amortization of upfront incentive consideration[3]	18,207	18,005	57,324	50,298
Interest expense, net	39,291	38,919	116,809	116,577
Remaining provision for income taxes	25,710	42,265	94,221	132,809
Adjusted EBITDA	$ 278,505	$ 262,926	$ 856,845	$ 821,904
Less:				
Depreciation and amortization[2]	102,732	97,042	$ 307,551	$ 295,729
Amortization of upfront incentive consideration[3]	18,207	18,005	$ 57,324	$ 50,298
Acquisition-related amortization[2a]	(16,407)	(20,226)	$ (51,585)	$ (75,666)
Adjusted Operating Income	$ 173,973	$ 168,105	$ 543,555	$ 551,543

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Three Months Ended September 30, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 182,200	$ 28,505	$ 5,826	$ (79,768)	$ 136,763
Add back:					
Selling, general and administrative	41,633	18,710	7,844	61,965	130,152
Cost of revenue adjustments:					
Depreciation and amortization(2)	26,564	43,213	9,399	6,376	85,552
Amortization of upfront incentive consideration(3)	18,207	—	—	—	18,207
Stock-based compensation	—	—	—	7,112	7,112
Adjusted Gross Profit	268,604	90,428	23,069	(4,315)	377,786
Selling, general and administrative	(41,633)	(18,710)	(7,844)	(61,965)	(130,152)
Joint venture equity income	333	—	—	—	333
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	2,679	2,376	891	11,234	17,180
Litigation costs(5)	—	—	—	5,225	5,225
Stock-based compensation	—	—	—	8,133	8,133
Adjusted EBITDA	229,983	74,094	16,116	(41,688)	278,505
Less:					
Depreciation and amortization(2)	29,243	45,589	10,290	17,610	102,732
Amortization of upfront incentive consideration(3)	18,207	—	—	—	18,207
Acquisition-related amortization(2a)	—	—	—	(16,407)	(16,407)
Adjusted Operating Income (Loss)	$ 182,533	$ 28,505	$ 5,826	$ (42,891)	$ 173,973
Operating income margin	26.0 %	13.6 %	8.3 %	NM	14.1 %
Adjusted Operating Income Margin	26.1 %	13.6 %	8.3 %	NM	17.9 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Three Months Ended September 30, 2017				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 171,741	$ 39,574	$ 5,150	$ (39,669)	$ 176,796
Add back:					
Selling, general and administrative	42,460	20,151	12,596	16,633	91,840
Cost of revenue adjustments:					
Depreciation and amortization(2)	23,223	38,588	7,709	10,456	79,976
Amortization of upfront incentive consideration(3)	18,005	—	—	—	18,005
Stock-based compensation	—	—	—	4,615	4,615
Adjusted Gross Profit	255,429	98,313	25,455	(7,965)	371,232
Selling, general and administrative	(42,460)	(20,151)	(12,596)	(16,633)	(91,840)
Joint venture equity income	357	—	—	—	357
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	3,161	2,199	383	11,323	17,066
Litigation reimbursements(5)	—	—	—	(40,929)	(40,929)
Stock-based compensation	—	—	—	7,040	7,040
Adjusted EBITDA	216,487	80,361	13,242	(47,164)	262,926
Less:					
Depreciation and amortization(2)	26,384	40,787	8,092	21,779	97,042
Amortization of upfront incentive consideration(3)	18,005	—	—	—	18,005
Acquisition-related amortization(2a)	—	—	—	(20,226)	(20,226)
Adjusted Operating Income (Loss)	$ 172,098	$ 39,574	$ 5,150	$ (48,717)	$ 168,105
Operating income margin	27.2 %	19.1 %	7.6 %	NM	19.6 %
Adjusted Operating Income Margin	27.2 %	19.1 %	7.6 %	NM	18.7 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Nine Months Ended September 30, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 587,925	$ 82,030	$ 9,927	$ (238,885)	$ 440,997
Add back:					
Selling, general and administrative	117,604	55,494	25,303	185,646	384,047
Cost of revenue adjustments:					
Depreciation and amortization(2)	79,506	126,926	26,735	21,323	254,490
Amortization of upfront incentive consideration(3)	57,324	—	—	—	57,324
Stock-based compensation	—	—	—	19,184	19,184
Adjusted Gross Profit	842,359	264,450	61,965	(12,732)	1,156,042
Selling, general and administrative	(117,604)	(55,494)	(25,303)	(185,646)	(384,047)
Joint venture equity income	2,455	—	—	—	2,455
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	8,459	8,673	2,168	33,761	53,061
Litigation costs(5)	—	—	—	7,073	7,073
Stock-based compensation	—	—	—	22,261	22,261
Adjusted EBITDA	735,669	217,629	38,830	(135,283)	856,845
Less:					
Depreciation and amortization(2)	87,965	135,599	28,903	55,084	307,551
Amortization of upfront incentive consideration(3)	57,324	—	—	—	57,324
Acquisition-related amortization(2a)	—	—	—	(51,585)	(51,585)
Adjusted Operating Income (Loss)	$ 590,380	$ 82,030	$ 9,927	$ (138,782)	$ 543,555
Operating income margin	27.5 %	13.2 %	4.8 %	NM	15.0 %
Adjusted Operating Income Margin	27.6 %	13.2 %	4.8 %	NM	18.5 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Nine Months Ended September 30, 2017				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 582,652	$ 94,533	$ 7,021	$ (325,366)	$ 358,840
Add back:					
Selling, general and administrative	120,297	61,266	37,003	164,571	383,137
Impairment and related charges[6]	—	—	—	92,022	92,022
Cost of revenue adjustments:					
Depreciation and amortization[2]	69,642	109,210	22,028	28,808	229,688
Amortization of upfront incentive consideration[3]	50,298	—	—	—	50,298
Restructuring and other costs[7]	—	—	—	12,976	12,976
Stock-based compensation	—	—	—	13,626	13,626
Adjusted Gross Profit	822,889	265,009	66,052	(13,363)	1,140,587
Selling, general and administrative	(120,297)	(61,266)	(37,003)	(164,571)	(383,137)
Joint venture equity income	1,768	—	—	—	1,768
Selling, general and administrative adjustments:					
Depreciation and amortization[2]	9,617	6,586	1,038	48,800	66,041
Restructuring and other costs[7]	—	—	—	12,328	12,328
Litigation reimbursements[5]	—	—	—	(36,470)	(36,470)
Stock-based compensation	—	—	—	20,787	20,787
Adjusted EBITDA	713,977	210,329	30,087	(132,489)	821,904
Less:					
Depreciation and amortization[2]	79,259	115,796	23,066	77,608	295,729
Amortization of upfront incentive consideration[3]	50,298	—	—	—	50,298
Acquisition-related amortization[2a]	—	—	—	(75,666)	(75,666)
Adjusted Operating Income (Loss)	$ 584,420	$ 94,533	$ 7,021	$ (134,431)	$ 551,543
Operating income margin	30.2 %	15.5 %	3.6 %	NM	13.2 %
Adjusted Operating Income Margin	30.3 %	15.5 %	3.6 %	NM	20.3 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to LTM Adjusted EBITDA (for Net Debt Ratio)
(in thousands; unaudited)

	Three Months Ended				
	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	LTM
Net income attributable to common stockholders	$ 82,090	$ 87,880	$ 92,246	$ 73,005	$ 335,221
(Income) loss from discontinued operations, net of tax	(296)	1,207	(760)	(3,664)	(3,513)
Net income attributable to noncontrolling interests[1]	1,387	1,362	1,079	1,538	5,366
Income from continuing operations	83,181	90,449	92,565	70,879	337,074
Adjustments:					
Acquisition-related amortization[2a]	20,194	17,590	17,588	16,407	71,779
Impairment and related charges[6]	(10,910)	—	—	—	(10,910)
Loss on extinguishment of debt	—	633	—	—	633
Other, net[4]	(56,318)	1,106	7,735	1,905	(45,572)
Restructuring and other costs[7]	(1,329)	—	—	—	(1,329)
Litigation costs, net[5]	963	828	1,020	5,225	8,036
Stock-based compensation	10,276	12,606	13,594	15,245	51,721
Depreciation and amortization of property and equipment[2b]	73,438	74,463	74,960	76,226	299,087
Amortization of capitalized implementation costs[2c]	11,510	9,823	10,395	10,099	41,827
Amortization of upfront incentive consideration[3]	17,113	19,456	19,661	18,207	74,437
Interest expense, net	37,348	38,109	39,409	39,291	154,157
Provision for income taxes	71,201	36,275	75	25,021	132,572
Adjusted EBITDA	$ 256,667	$ 301,338	$ 277,002	$ 278,505	$ 1,113,512
Net Debt (total debt, less cash)					$ 3,002,850
Net Debt / LTM Adjusted EBITDA					2.7x

Please reference SABR HISTORICAL Excel spreadsheet at 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 LTM Adjusted EBITDA (for Net Debt Ratio)
(in thousands; unaudited)

	Three Months Ended				
	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	LTM
Net income (loss) attributable to common stockholders	$ 24,561	$ 75,939	$ (6,487)	$ 90,989	$ 185,002
Loss from discontinued operations, net of tax	5,309	477	1,222	529	7,537
Net income attributable to noncontrolling interests[(1)]	1,150	1,306	1,113	1,307	4,876
Income (loss) from continuing operations	31,020	77,722	(4,152)	92,825	197,415
Adjustments:					
Acquisition-related amortization[(2a)]	35,847	35,181	20,259	20,226	111,513
Impairment and related charges[(6)]	—	—	92,022	—	92,022
Loss on extinguishment of debt	—	—	—	1,012	1,012
Other, net[(4)]	(23,100)	15,234	752	3,802	(3,312)
Restructuring and other costs[(7)]	16,463	—	25,304	—	41,767
Acquisition-related costs[(8)]	65	—	—	—	65
Litigation costs (reimbursements), net[(5)]	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[(2b)]	65,153	61,300	63,810	66,332	256,595
Amortization of capitalized implementation costs[(2c)]	9,030	9,189	8,948	10,484	37,651
Amortization of upfront incentive consideration[(3)]	12,352	16,132	16,161	18,005	62,650
Interest expense, net	41,837	39,561	38,097	38,919	158,414
Provision (benefit) 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 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 Free Cash Flow
(in thousands; unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash provided by operating activities	$ 194,354	$ 178,030	$ 536,193	$ 455,906
Cash used in investing activities	(73,778)	(75,542)	(205,664)	(242,952)
Cash used in financing activities	(50,884)	(138,624)	(252,409)	(300,936)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash provided by operating activities	$ 194,354	$ 178,030	$ 536,193	$ 455,906
Additions to property and equipment	(73,778)	(75,401)	(205,664)	(242,811)
Free Cash Flow	$ 120,576	$ 102,629	330,529	213,095

2018 Business outlook and financial guidance

With respect to the 2018 guidance below, full-year Adjusted EBITDA guidance consists of Adjusted Operating Income guidance adjusted for the impact of depreciation and amortization of property and equipment, amortization of capitalized implementation costs and amortization of upfront incentive consideration of approximately $420 million.

Full-year Adjusted Operating Income guidance consists of Adjusted Net Income guidance adjusted for the impact of interest expense, net of approximately $155 million and provision for income taxes less tax impact of net income adjustments of approximately $125 million.

Full-year Adjusted Net Income guidance consists of full-year expected net income attributable to common stockholders adjusted for the estimated impact of income 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 $70 million; stock-based compensation expense of approximately $60 million; other costs including litigation, other foreign non-income tax matters and foreign exchange gains and losses of $20 million; and the tax benefit of the above adjustments of approximately $40 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 278 million.

Full-year Free Cash Flow guidance consists of expected full-year cash provided by operating activities of $715 million to $735 million adjusted for additions to property and equipment of $290 million to $310 million.

Definitions

The “recurring revenue” figures for our:

- (i) Travel Network business is comprised of transaction, subscription and other revenue that is of a recurring nature from travel suppliers and travel buyers, and excludes revenue of a non-recurring nature, such as set-up fees;
- (ii) Airline Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as license fees and consulting fees; and
- (iii) Hospitality Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as set-up fees and website development fees.

Transaction revenues in (i), (ii) and (iii) are tied to a travel suppliers’ transaction volumes rather than unit pricing for airplane tickets, hotel rooms or other travel products. However, this revenue is not generally contractually committed to recur annually under our agreements with our travel suppliers. As a result, our recurring revenue is highly dependent on the global travel industry and directly correlates with global travel, tourism and transportation transaction volumes.

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 (Loss), Adjusted Net Income from continuing operations ("Adjusted Net Income"), Adjusted EBITDA, Adjusted EPS, 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, the cost of revenue portion of depreciation and amortization, restructuring and other costs, and stock-based compensation included in cost of revenue.

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

We define Adjusted Net Income as net income (loss) attributable to common stockholders adjusted for loss (income) 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, litigation costs, net, stock-based compensation and the tax impact of net income adjustments.

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

We define Adjusted EPS as Adjusted Net Income divided by diluted weighted-average common shares outstanding.

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

Non-GAAP financial measures

These non-GAAP financial measures are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. We also believe that Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA and Adjusted EPS 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 (Loss), Adjusted Net Income, Adjusted EBITDA, Adjusted EPS, 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 (Loss), 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 (Loss), Adjusted Net Income, Adjusted EBITDA, Adjusted EPS or Free Cash Flow differently, which reduces their usefulness as comparative measures.

Non-GAAP footnotes

1. Net income attributable to noncontrolling interests represents an adjustment to include earnings allocated to noncontrolling interests held in (i) Sabre Travel Network Middle East of 40%, (ii) Sabre Seyahat Dagitim Sistemleri A.S. of 40%, (iii) Abacus International Lanka Pte Ltd of 40%, and (iv) Sabre Bulgaria of 40% beginning in November 2017.
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. This consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. These 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. These 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 fourth quarter of 2017, other, net includes a benefit of $60 million due to a reduction to our liability under the tax receivable agreement ("TRA") primarily due to a provisional adjustment resulting from the enactment of the Tax Cuts and Jobs Act ("TCJA") which reduced the U.S. corporate income tax rate. In the first quarter of 2017, we recognized a $12 million loss in other, net related to debt modification costs associated with a debt refinancing. In the fourth quarter of 2016, we recognized a gain of $15 million from the sale of our available-for-sale marketable securities. 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. Litigation costs (reimbursements), net represent charges and legal fee reimbursements associated with antitrust and other foreign non-income tax contingency matters. In the third quarter of 2018, we recorded a $5 million accrual related to penalties and interest for certain non-income tax claims for historical periods regarding permanent establishment in a foreign jurisdiction. 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. In the fourth quarter of 2016, we recorded an accrual of $32 million representing the trebling of the jury award plus our estimate of attorneys' fees, expenses and costs in the US Airways litigation.
6. In the second quarter of 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. In the fourth quarter of 2017, we recorded an $11 million adjustment to this charge.
7. 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 a $25 million charge associated with an announced action to reduce our workforce. In the fourth quarter of 2016, we recorded a $20 million charge associated with an announced action to reduce our workforce. These reductions aligned our operations with business needs and implemented an ongoing cost and organizational structure consistent with our expected growth needs and opportunities.
8. Acquisition-related costs represent fees and expenses incurred associated with the acquisition of the Trust Group and Airpas Aviation.