



Q3 2024 Earnings Call Prepared Remarks

October 31, 2024

Slide 1 – Title Slide

Good morning and welcome to the Sabre third quarter 2024 earnings conference call. As a reminder, please note today's call is being recorded.

I will now turn the call over to the Sr. Vice President Investor Relations and Treasurer, Brian Evans. Please go ahead, sir.

Slide 2 – Forward-looking statements

Brian Evans, Sr. Vice President Investor Relations and Treasurer

Thank you, and good morning everyone. Welcome to Sabre's third quarter 2024 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 advise you that our comments contain forward-looking statements that represent our beliefs or expectations about future events, including the effects of growth strategies, share growth and distribution volumes, results of our technology transformation, commercial and strategic arrangements, and our financial guidance and targets, free cash flow, 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 for the quarter ended September 30, 2024.

Throughout today's call, we will also be presenting certain non-GAAP financial measures. References during today's call to Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow 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 Kurt Ekert, President and CEO, and Mike Randolfi, Chief Financial Officer. Scott Wilson, EVP and President of Hospitality Solutions, will be available for Q&A after the prepared remarks.

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

Slide 4 – Agenda

Kurt Ekert, President and CEO

Thanks, Brian.

Hello everyone and thank you for joining today’s presentation.

I am pleased to share that the Sabre team delivered significant commercial, operational, and financial achievements in the third quarter. Earlier today, we reported third quarter results that highlight the progress we are making toward our key strategic and financial priorities. We delivered steady year-on-year revenue growth, a significant increase in Adjusted EBITDA, continued margin expansion, and positive free cash flow. We are on track to more than double Adjusted EBITDA from 2023 to 2025, supported by the continued execution of our growth strategies, a strong focus on cost management, and the realization of cost-savings objectives tied to our technology transformation.

I commend our team members around the world for their commitment to innovation and their dedication to our customers.

Turning to Slide 4, you can see an overview of the topics that Mike and I will cover this morning.

First, I will review our third quarter business highlights including our financial performance. Then, I will provide an overview of the progress we have made on our growth strategies.

Finally, Mike will take you through our third quarter financial results and discuss our updated 2024 guidance.

Slide 5 – Continued strong financial performance in Q3 2024

Please turn to Slide 5.

Sabre delivered solid improvement across key financial metrics in the third quarter. Revenue expansion was driven by an acceleration in the growth rate of air distribution bookings, high single-digit growth in hotel distribution bookings, an increase in average booking fees, and continued Hospitality Solutions growth. Our top-line performance, combined with effective cost management, led to a 19% increase in Adjusted EBITDA compared to the same quarter last year.

Slide 6 – Q3 2024 Highlights: Delivering on our priorities

Turning to Slide 6.

During the quarter we made significant progress on each of our key strategic priorities, which as a reminder are to generate positive free cash flow, deliver sustainable growth, drive innovation and enhance our value propositions, and reduce our cost base while repositioning resources towards growth. We will discuss many of these achievements throughout today's presentation.

Slide 7 – Travel Solutions Q3 2024 financial highlights

Turning to Slide 7.

Travel Solutions delivered steady financial progress in the third quarter, driven by solid growth in both air and hotel distribution bookings, higher average booking fees, and continued expansion of air distribution share.

Sabre's air distribution bookings grew by greater than 3% year-on-year, outperforming the industry. Roughly half of this came from share expansion and the balance from market growth.

Specifically, this acceleration in air bookings growth was fueled by the implementation of commercial wins, continued growth in corporate travel, and an improvement in Asia group bookings.

Looking forward, we expect our year-on-year air distribution bookings growth to continue building momentum as we enter 2025, driven primarily by the progress we are making on our growth initiatives.

Slide 8 – Faster air industry bookings growth vs. broader industry

On to Slide 8.

As we've emphasized throughout 2024, we have consistently grown our share of air distribution bookings. This chart shows that our share has expanded for the seventh consecutive quarter on a year-on-year basis.

We are seeing positive trends in the air distribution business, particularly in corporate travel where we hold a leading position. Sabre's corporate volumes grew between 3% and 4% in the quarter.

We will shortly talk about specific commercial wins that are driving these results. And, we expect to achieve further air distribution industry share gains from our strong commercial pipeline and contract wins that have yet to be implemented.

Slide 9 – Hospitality Solutions Q3 2024 financial highlights

Turning to Slide 9.

Hospitality Solutions revenue increased to \$84 million, a 7% year-on-year improvement, representing the highest quarterly revenue in segment history. The increase was driven by higher overall customer deployments, continued growth in CRS transactions, and a favorable mix within our customer base. Strong revenue growth contributed to a 67% improvement in our Adjusted EBITDA to \$11 million, with the business expected to continue building momentum in the quarters to come.

Our Hyatt implementation remains on track.

Prospectively, we expect both double-digit transaction and revenue growth. And, we expect to achieve our full-year Adjusted EBITDA target of nearly \$40 million in 2024 and nearly \$70 million in 2025.

Slide 10 – Growth strategies

Please turn to slide 10.

During Q3, we continued to invest aggressively in our six growth strategies, and I am pleased to share with you the progress we have made, starting with SabreMosaic.

Slide 11 – SabreMosaic overview

Please turn to slide 11.

SabreMosaic is designed over time to replace and modernize traditional PSS systems. This AI-powered technology platform, designed to modernize travel retailing, is open, modular, and flexible, enabling intelligent and personalized offers and orders that extend beyond seat and fare class, to include a wide variety of additional ancillary and third-party service options.

The graphic on the left of this slide provides an overview of the SabreMosaic product suites. Our PSS-agnostic approach, which means that this is architected to work with both Sabre and non-Sabre PSS platforms, gives each airline customer the ability to choose the solutions that fit its needs.

Feedback from airlines and industry experts has been overwhelmingly positive. We believe SabreMosaic is the most advanced offer and order technology platform available in production to the global airline ecosystem.

Slide 12 – Sabre + Virgin Australia: A partnership delivering modern travel retailing

On to Slide 12.

We are already translating this early enthusiasm for SabreMosaic into commercial partnerships. Virgin Australia, one of the global airline industry's leading digital innovators, has selected our platform to modernize its retailing capabilities and will adopt SabreMosaic's full technology stack.

Additionally, Riyadh Air, Saudi Arabia's newest flag carrier, has selected SabreMosaic to power its offer optimization technology and retailing capabilities.

Slide 13 – Growth strategies continue gaining traction

On to Slide 13.

Turning to our other growth strategies, we continue to build out our multi-source platform, which seamlessly offers NDC, low cost carrier, and traditional EDIFACT content, with intelligent algorithms and efficient workflow integration. We are now in production with an early adopter program connecting content from over 40 new LCCs to approximately 150 agencies, with a broader roll-out expected in the coming quarters. Additionally, we have NDC integrations with 23 airlines currently live in the GDS. We also recently expanded relationships with Delta, WestJet, and TAP Air Portugal to include NDC content.

On distribution expansion, as I mentioned earlier, we achieved additional industry share gains. We recently announced a commercial agreement with World Travel Inc., a leading regional TMC and one of the North American agency wins we referred to last quarter. We continue to sign new business and are implementing previously announced agency wins, and we have a very rich pipeline. Accordingly, we believe we are well positioned to achieve at least 100 basis points of share gains on an annualized basis by the end of 2024 and annually for the foreseeable future.

Hotel distribution experienced strong growth in the third quarter with bookings up 9% year-on-year, and our hotel attachment rate relative to air bookings increased approximately two percentage points year-on-year. We believe there is significant opportunity ahead to drive strong growth in hotel distribution.

In our Conferma digital payments business, we realized significant contract wins including Priceline, a leading OTA, and Furlong-Fox, the largest corporate travel agency in Argentina. These wins, and continued growth in virtual card deployments, support our belief that our payments business will deliver meaningful long-term revenue growth.

Within IT Solutions, in addition to the progress with SabreMosaic, we signed and implemented an important agreement with Air Serbia, establishing Sabre as its NDC IT provider.

Last, as mentioned earlier, we are gaining momentum in the Hospitality Solutions business. CRS renewals stand above 90% and we are driving strong growth in Synxis Retailing, where adoption has doubled since the beginning of the year.

In summary, we remain focused on these strategies and are building a strong foundation for long-term sustainable growth. I will now hand the call over to Mike to walk you through our financial performance and forward outlook.

Slide 14 – Q3 2024 Financial Highlights

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 14.

We achieved a number of important financial objectives in the third quarter.

As you can see, we generated year-on-year revenue growth and delivered solid cost management that resulted in higher margins and strong flow-through to the bottom line. Adjusted EBITDA in the third quarter was meaningfully higher year-on-year, and we generated positive free cash flow, which is a key strategic priority as we focus on improving our capital structure and deleveraging the balance sheet. We delivered these strong financial results while supporting investment in our six growth strategies, which we believe will drive sustainable top line and bottom line growth.

Slide 15 – Q3 2024 results versus guidance

Please turn to Slide 15.

We achieved solid year-on-year improvement across our key financial metrics, and as you can see in the table, these results are roughly in line with our expectations. The \$10 million difference between our revenue guide of \$775 million and actual revenue of \$765 million is attributable to some small differences across various revenue streams versus our internal expectations. Based on early indicators, we see these factors carrying into the fourth quarter that are reflected in our updated guidance.

Slide 16 – Solid YOY financial improvement in Q3 2024

Turning to slide 16.

Total third quarter revenue was \$765 million, an increase of \$24 million, or 3% versus last year.

Distribution revenue totaled \$551 million, a \$26 million, or a 5% increase compared to \$525 million in Q3 2023. Our total Distribution bookings were 93 million in the quarter, a 4% increase compared to 89 million in Q3 2023, and our average booking fee was \$5.94 in the third quarter, up 1% from Q3 2023. Notably, our air distribution bookings year-on-year growth rate demonstrated meaningful acceleration this quarter as compared to prior quarters.

IT Solutions revenue totaled \$140 million in the quarter. This was a \$7 million dollar decline versus revenue of \$147 million in the prior year, primarily driven by previously disclosed de-migrations.

Hospitality Solutions' Q3 2024 revenue increased 7%, or \$5 million, to \$84 million. Adjusted EBITDA in the third quarter was \$11 million, an improvement of \$4 million versus prior year. This represents the strongest quarterly Adjusted EBITDA for the segment in five years. And as Kurt mentioned earlier, we expect accelerating revenue and CRS transaction growth in Hospitality Solutions, and believe we are on track to achieve our full-year Adjusted EBITDA target of nearly \$40 million in 2024.

Sabre's Adjusted EBITDA of \$131 million in Q3 2024 versus \$110 million in Q3 2023 represented a \$20 million improvement year-on-year. Lower unit costs from our technology transformation and

strong cost discipline helped drive our Adjusted EBITDA margin from 15% in Q3 2023 to 17% in the third quarter this year.

Lastly, we generated free cash flow of \$8 million in the quarter and ended with a cash balance of \$690 million.

Slide 17 – Q4 and FY24 guidance

Turning to slide 17.

Regarding guidance for the fourth quarter, we expect revenue of approximately \$715 million and Adjusted EBITDA of approximately \$115 million.

We expect to generate greater than \$80 million of free cash flow in the fourth quarter and expect to be positive for the full year 2024. As a reminder, the fourth quarter is typically the lightest quarter for air distribution bookings, but the strongest quarter for free cash flow generation due to favorable seasonality in working capital.

For the full year 2024, we now expect revenue of approximately \$3.03 billion and Adjusted EBITDA of approximately \$515 million.

As we exit 2024, we have strong momentum in a number of our important business drivers and believe we are on track to achieve our 2025 targets of greater than \$700 million in Adjusted EBITDA and greater than \$200 million in free cash flow.

Slide 18 – Opportunity to create long-term shareholder value

Turning to slide 18.

We believe the path we are pursuing has the potential to create significant long-term shareholder value. The targeted investments we are making in our six growth strategies, coupled with prudent cost management, have driven, and we expect will continue to drive, meaningful increases in Adjusted EBITDA and free cash flow. We believe our anticipated earnings improvement has the potential to increase enterprise value over the long term. As we prioritize utilizing expected free cash flow to pay down debt, we believe debt over time will comprise a smaller proportion, and equity a larger proportion, of our enterprise value, further enhancing shareholder value.

And with that Operator, please open the line for questions

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