Sabre

Q2 2019 Earnings Report

August 1, 2019

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 "momentum," "expect," "trend," "believe," "plan," "guidance," "outlook," "medium term," "estimate," "anticipate," "preliminary," "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, including from airlines' insolvency, suspension of service or aircraft groundings, travel suppliers' usage of alternative distribution models, exposure to pricing pressure in the Travel Network business, changes affecting travel supplier customers, maintenance of the integrity of our systems and infrastructure and the effect of any security breaches, failure to adapt to technological advancements, competition in the travel distribution market and solutions markets, implementation of software solutions, reliance on third parties to provide information technology services, the implementation and effects of new or renewed agreements, 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, our collection, processing, storage, use and transmission of personal data and risks associated with PCI compliance, our ability to recruit, train and retain employees, including our key executive officers and technical employees, the effects of litigation and regulatory investigations, 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, failure to comply with regulations, use of third-party distributor partners, the financial and business effects of acquisitions, including related costs, and, if successfully completed, closing and integration of these acquisitions, the effects of the implementation of new accounting standards, 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" and "Forward Looking Statements" sections in our Quarterly Report on Form 10-Q filed with the SEC on May 1, 2019, our Annual Report on Form 10-K filed with the SEC on February 15, 2019 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 EBITDA Less Capitalized Software Development, 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 EBITDA Less Capitalized Software Development, 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 "2019 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

Q2'19 Highlights

Resilient business model

- Global technology leader in retailing, distribution and fulfillment of the $1.7 trillion travel marketplace
- Long-term contracts and renewal rates of well over 90%
- Revenue streams are tied to travel volumes and have proven resilient across economic cycles

Commercial wins

- **TN:** 6th quarter in a row of strong gains in GDS position; 8% bookings growth in NAM
- **AS:** Following efforts over the past two years, locked in ~75% of revenue through 2023
- **HS:** 4th quarter in a row of exceeding sales targets and 8% revenue growth

Accelerating innovations

- Sabre Red 360
- New lodging content
- Sabre Virtual Payments
- NDC
- Airline Commercial Platform
- Hospitality Intelligent Retailing Platform

Q2'19 Commercial update: Travel Network

- Over 38% share, winning share over past 6 quarters
- Ability to win recent major deals is anchored by technology
- Technology leadership includes:
  - Launch of Sabre Red 360
  - Leadership in NDC and next-generation retailing
  - Lodging content expansion
  - Sabre Virtual Payments
  - First GDS to migrate all of our shopping complex to the cloud

FLIGHT CENTRE®
Carlson Wagonlit Travel
iati
travel and transport
etraveli ETRAVELI GROUP
POLISH AIRLINES LOT
AirEuropa

Q2’19 Commercial update: Airline Solutions

- ~75% of revenue locked in through 2023
- 94% renewal rate for total contract value up for renewal over the past two years
- Sabre Commercial Platform: 50x faster shopping and delivery of dynamic, intelligent offers for personalized customer experience

Q2'19 Commercial update: Hospitality Solutions

- Leader in hotel central reservations
- 42,000 properties live on our solutions
- Completed industry's first and largest enterprise hotel implementation
- Introduced Hospitality Intelligent Retailing Platform: enables attachment of ancillary products and experiences to core booking

Q2'19 Update: Technology

- Entire Travel Network shopping complex now in the cloud - first GDS to achieve full cloud deployment of shopping
- All Travel Network shopping requests split across cloud landing zones in the US
- Peak traffic of over 11,000 Travel Network shopping requests per second
- Later this month, planning to move Airline Solutions shopping workload out of Tulsa datacenter
- Future steps: expected launch of shopping in EMEA and/or APAC next year

2019 expected total technology spend

$1B+

Total compute footprint in the cloud

55%+

Q2'19 Performance

Solid second quarter results underpinned by business model

Total Revenue

$1,000M

Growth of 1.6%

93% recurring revenue

Business Segment Revenue

Travel Network	Airline Solutions	Hospitality Solutions
1%	3%	8%
$725M	$212M	$74M

Adjusted EBITDA Less Capitalized Software Development

$212M

1.3% decline

Adjusted Operating Income

$127M

26.2% decline

3.8% decline excluding increase in technology operating expenses

Adjusted Operating Margin

12.7%

480bp decline

90bp decline excluding increase in technology operating expenses

Adjusted EPS

$0.24

35.1% decline

5.4% decline excluding increase in technology operating expenses

Strong cash position

Free Cash Flow

$76M

Returned to shareholders

$84M

Amounts are compared to Q2 2018.

Q2'19 Performance: Travel Network

6th quarter in a row of strong share gain in GDS position

Total Revenue

$725M

Growth of 0.7%

Global Air Bookings Share

38.6%

Growth of 120bp

Air Bookings

1.4%

Hotel Bookings

High single digit growth

Total Bookings

142M

Growth of 0.9%

Regional Bookings

North America

7.9%

International

(5.2%) Latin America, due to macro-economic weakness
(5.4%) Asia-Pacific, due to insolvency of Jet Airways
(9.7%) EMEA; half due to decline in low margin rail bookings, half due to channel shift

Average Booking Fee

Decline of 60bp

Low single digit growth in incentive expense per booking

Adjusted Operating Income

$160M

18.5% decline

6.0% decline excluding increase in technology operating expenses

Adjusted Operating Margin

22.1%

520bp decline

180bp decline excluding increase in technology operating expenses

Amounts are compared to Q2 2018.

Q2'19 Performance: Airline Solutions

Locked in ~75% of revenue through 2023

Total Revenue

$212M

Growth of 3.4%
12.4% excluding certain carriers*

Product Line Revenue

SabreSonic

3.0%

Due to certain carriers*

AirVision/AirCentre

14.7%

Passengers Boarded

180M 7.8% decline

Excluding certain carriers*

4.3%

Adjusted Operating Income

$23M 0.7% decline

60.6% growth excluding increase in technology operating expenses

Adjusted Operating Margin

10.7% 40bp decline

660bp growth excluding increase in technology operating expenses

Amounts are compared to Q2 2018.
*Previously discussed impact of certain factors outside of the Company's control including the insolvency of Jet Airways and volume reductions at a certain carrier due to a 737 MAX incident, as well as the de-migrations of Pakistan International Airlines and Philippine Airlines

Q2‘19 Performance: Hospitality Solutions

Four quarters in a row of record sales; over 42,000 properties now live on our solutions

Total Revenues

$74M

Increase of 8.1%

Product Line Revenues

SynXis Software and Services

8.1%

Digital Marketing Services

8.5%

Central Reservations System Transactions

29M

Increase of 28.1%

Adjusted Operating Loss

$6M

185.2% growth excluding increase in technology operating expenses

Adjusted Operating Margin

1070bp decline

470bp growth excluding increase in technology operating expenses

Amounts are compared to Q2 2018.

Q2'19 Technology expenditures

Gaining scale in technology spend to self-fund technology transformation initiatives

Total technology spend

$256M

Decrease of $4M, or 1%

Capitalized software development

$24M

Decrease of $39M, or 62%

Capitalization mix

9%

Decrease of 15pts

Amortization of previous capitalization

$75M

Increase of $4M, or 5%

Net technology operating expense impacting operating results

$307M

Increase of $38M, or 14%

Amounts are compared to Q2 2018. Total technology spend includes research and development, hosting and third-party software. Total technology spend and capitalized software development exclude certain additions to property, plant and equipment.

Q2'19 Net debt, leverage and cash flow

Free Cash Flow

$76M ⇩ 3.9% decline

Due to working capital timing

Leverage

Net Debt

$3,008M

Leverage Ratio (Net Debt / LTM Adj. EBITDA)

2.9x

Cash from Operations

$106M ⇩ 27.9% decline

Due to shift in capitalization change; offset in CapEx

Returning Cash to Shareholders – Q2'19

Total returned to shareholders

$84M

Share repurchases

$46M

Dividend

$38M

CapEx

$29M ⇩ 56.3% decline

Due to shift in capitalization change

Returning Cash to Shareholders – YTD'19

Total returned to shareholders

$155M

Share repurchases

$78M

Dividend

$77M

Amounts are compared to Q2 2018.

Raising FY 2019 earnings guidance

	Full Year Guidance	Change vs. Previous Guidance
Revenue	$3,965M - $4,045M *3% - 5%*	
Adjusted EBITDA	$945M - $985M *(16%) – (12%)*	
Adj. EBITDA Less Capitalized Software Development	$850M - $890M *(2%) -2%*	
Adjusted Operating Income	$495M - $535M *(29%) – (24%)*	+$10M
Adjusted Net Income	$250M - $290M *(42%) – (32%)*	+$5M
Adjusted EPS	$0.91 - $1.05 *(41%) – (32%)*	+$0.02
Free Cash Flow	~ $455M *~ 3%*	
CapEx	$130M - $150M *(56%) – (49%)*	

The information presented here represents forward-looking statements and reflects expectations as of August 1, 2019. 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 first quarter 2019 Form 10-Q and 2018 Form 10-K.

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 June 30, 2019	Three Months Ended June 30, 2018
Net income attributable to common stockholders	$ 27,838	$ 92,246
(Income) loss from discontinued operations, net of tax	(1,350)	(760)
Net income attributable to noncontrolling interests(1)	1,606	1,079
Income from continuing operations	28,094	92,565
Adjustments:		
Acquisition-related amortization(2a)	16,011	17,588
Loss on extinguishment of debt	—	—
Other, net(4)	2,479	7,735
Acquisition-related costs(6)	8,935	—
Litigation costs(5)	1,386	1,020
Stock-based compensation	18,295	13,594
Tax impact of net income adjustments(7)	(7,746)	(30,159)
Adjusted Net Income from continuing operations	$ 67,454	$ 102,343
Adjusted Net Income from continuing operations per share	$ 0.24	$ 0.37
Diluted weighted-average common shares outstanding	275,483	277,180
Adjusted Net Income from continuing operations	$ 67,454	$ 102,343
Adjustments:		
Depreciation and amortization of property and equipment(2b)	79,209	74,960
Amortization of capitalized implementation costs(2c)	9,627	10,395
Amortization of upfront incentive consideration(3)	19,846	19,661
Interest expense, net	39,608	39,409
Remaining provision for income taxes	19,891	30,234
Adjusted EBITDA	$ 235,635	$ 277,002
Less:		
Depreciation and amortization(2)	104,847	102,943
Amortization of upfront incentive consideration(3)	19,846	19,661
Acquisition-related amortization(2a)	(16,011)	(17,588)
Adjusted Operating Income	$ 126,953	$ 171,986

Tabular reconciliations for Non-GAAP measures

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

	Three Months Ended June 30,	
	2019	2018
Net income attributable to common stockholders	$ 27,838	$ 92,246
(Income) loss from discontinued operations, net of tax	(1,350)	(760)
Net income attributable to noncontrolling interests[1]	1,606	1,079
Income from continuing operations	28,094	92,565
Adjustments:		
Acquisition-related amortization[2a]	16,011	17,588
Loss on extinguishment of debt	—	—
Other, net[4]	2,479	7,735
Acquisition-related costs[6]	8,935	—
Litigation costs[5]	1,386	1,020
Stock-based compensation	18,295	13,594
Tax impact of net income adjustments[7]	(7,746)	(30,159)
Adjusted Net Income from continuing operations	$ 67,454	$ 102,343
Adjusted Net Income from continuing operations per share	$ 0.24	$ 0.37
Diluted weighted-average common shares outstanding	275,483	277,180
Adjusted Net Income from continuing operations	$ 67,454	$ 102,343
Adjustments:		
Depreciation and amortization of property and equipment[2b]	79,209	74,960
Amortization of capitalized implementation costs[2c]	9,627	10,395
Amortization of upfront incentive consideration[3]	19,846	19,661
Interest expense, net	39,608	39,409
Remaining provision for income taxes	19,891	30,234
Adjusted EBITDA	$ 235,635	$ 277,002
Less:		
Capitalized Software Development	24,116	62,706
Adjusted EBITDA Less Capitalized Software Development	$ 211,519	$ 214,296

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 June 30, 2019				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 159,384	$ 22,660	$ (5,746)	$ (94,385)	$ 81,913
Add back:					
Selling, general and administrative	45,482	22,442	10,171	76,610	154,705
Cost of revenue adjustments:					
Depreciation and amortization(2)	27,581	40,699	12,342	5,971	86,593
Amortization of upfront incentive consideration(3)	19,846	—	—	—	19,846
Stock-based compensation	—	—	—	7,381	7,381
Adjusted Gross Profit	252,293	85,801	16,767	(4,423)	350,438
Selling, general and administrative	(45,482)	(22,442)	(10,171)	(76,610)	(154,705)
Joint venture equity income	413	—	—	—	413
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	3,140	2,586	1,278	11,250	18,254
Acquisition-related costs(6)	—	—	—	8,935	8,935
Litigation costs(5)	—	—	—	1,386	1,386
Stock-based compensation	—	—	—	10,914	10,914
Adjusted EBITDA	210,364	65,945	7,874	(48,548)	235,635
Less:					
Depreciation and amortization(2)	30,721	43,285	13,620	17,220	104,847
Amortization of upfront incentive consideration(3)	19,846	—	—	—	19,846
Acquisition-related amortization(2a)	—	—	—	(16,011)	(16,011)
Adjusted Operating Income (Loss)	$ 159,797	$ 22,660	$ (5,746)	$ (49,757)	$ 126,953
Operating income margin	22.0 %	10.7 %	NM	NM	8.2 %
Adjusted Operating Income Margin	22.1 %	10.7 %	NM	NM	12.7 %

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)

	Three Months Ended June 30, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 195,052	$ 22,813	$ 1,964	$ (80,996)	$ 138,833
Add back:					
Selling, general and administrative	35,467	18,568	8,043	61,706	123,784
Cost of revenue adjustments:					
Depreciation and amortization(2)	25,560	42,879	8,646	7,928	85,013
Amortization of upfront incentive consideration(3)	19,661	—	—	—	19,661
Stock-based compensation	—	—	—	6,387	6,387
Adjusted Gross Profit	275,740	84,260	18,653	(4,975)	373,678
Selling, general and administrative	(35,467)	(18,568)	(8,043)	(61,706)	(123,784)
Joint venture equity income	951	—	—	—	951
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	2,875	3,424	344	11,287	17,930
Litigation costs(5)	—	—	—	1,020	1,020
Stock-based compensation	—	—	—	7,207	7,207
Adjusted EBITDA	244,099	69,116	10,954	(47,167)	277,002
Less:					
Depreciation and amortization(2)	28,435	46,303	8,990	19,215	102,943
Amortization of upfront incentive consideration(3)	19,661	—	—	—	19,661
Acquisition-related amortization(2a)	—	—	—	(17,588)	(17,588)
Adjusted Operating Income (Loss)	$ 196,003	$ 22,813	$ 1,964	$ (48,794)	$ 171,986
Operating income margin	27.1 %	11.1 %	2.9 %	NM	14.1 %
Adjusted Operating Income Margin	27.2 %	11.1 %	2.9 %	NM	17.5 %

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				
	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	LTM
Net income attributable to common stockholders	$ 73,005	$ 84,400	$ 56,850	$ 27,838	$ 242,093
(Income) loss from discontinued operations, net of tax	(3,664)	1,478	1,452	(1,350)	(2,084)
Net income attributable to noncontrolling interests(1)	1,538	1,150	912	1,606	5,206
Income from continuing operations	70,879	87,028	59,214	28,094	245,215
Adjustments:					
Acquisition-related amortization(2a)	16,407	16,423	15,984	16,011	64,825
Other, net(4)	1,905	(2,237)	1,870	2,479	4,017
Acquisition-related costs(6)	—	3,266	11,706	8,935	23,907
Litigation costs(5)	5,225	1,250	1,438	1,386	9,299
Stock-based compensation	15,245	15,818	15,694	18,295	65,052
Depreciation and amortization of property and equipment(2b)	76,226	77,963	75,348	79,209	308,746
Amortization of capitalized implementation costs(2c)	10,099	11,407	12,111	9,627	43,244
Amortization of upfront incentive consideration(3)	18,207	20,298	19,128	19,846	77,479
Interest expense, net	39,291	40,208	38,013	39,608	157,120
Provision for income taxes	25,021	(3,879)	11,843	12,145	45,130
Adjusted EBITDA	$ 278,505	$ 267,545	$ 262,349	$ 235,635	$ 1,044,034
Net Debt (total debt, less cash)					3,007,906
Net Debt / LTM Adjusted EBITDA					2.9x

Please reference SABR HISTORICAL Excel spreadsheet at investors.sabre.com for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2018, 12/31/2017, 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				
	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	LTM
Net income attributable to common stockholders	$ 90,989	$ 82,090	$ 87,880	$ 92,246	$ 353,205
Loss (income) from discontinued operations, net of tax	529	(296)	1,207	(760)	680
Net income attributable to noncontrolling interests[1]	1,307	1,387	1,362	1,079	5,135
Income from continuing operations	92,825	83,181	90,449	92,565	359,020
Adjustments:					
Acquisition-related amortization[2a]	20,226	20,194	17,590	17,588	75,598
Impairment and related charges[6]	—	(10,910)	—	—	(10,910)
Loss on extinguishment of debt	1,012	—	633	—	1,645
Other, net[4]	3,802	(56,318)	1,106	7,735	(43,675)
Restructuring and other costs[7]	—	(1,329)	—	—	(1,329)
Litigation (reimbursements) costs, net[5]	(40,929)	963	828	1,020	(38,118)
Stock-based compensation	11,655	10,276	12,606	13,594	48,131
Depreciation and amortization of property and equipment(2b)	66,332	73,438	74,463	74,960	289,193
Amortization of capitalized implementation costs[2c]	10,484	11,510	9,823	10,395	42,212
Amortization of upfront incentive consideration[3]	18,005	17,113	19,456	19,661	74,235
Interest expense, net	38,919	37,348	38,109	39,409	153,785
Provision for income taxes	40,595	71,201	36,275	75	148,146
Adjusted EBITDA	262,926	256,667	301,338	277,002	1,097,933
Net Debt (total debt, less cash)					$ 3,090,737
Net Debt / LTM Adjusted EBITDA					2.8x

Please reference SABR HISTORICAL Excel spreadsheet at investors.sabre.com for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2018, 12/31/2017, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cash provided by operating activities	$ 105,661	$ 146,647	$ 257,661	$ 341,839
Cash used in investing activities	(38,299)	(67,187)	(76,163)	(131,886)
Cash used in financing activities	(128,661)	(73,054)	(292,975)	(201,525)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cash provided by operating activities	$ 105,661	$ 146,647	$ 257,661	$ 341,839
Additions to property and equipment	(29,332)	(67,187)	(67,196)	(131,886)
Free Cash Flow	$ 76,329	$ 79,460	190,465	209,953

2019 Business outlook and financial guidance

With respect to the 2019 guidance, 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 $450 million.

Full-year Adjusted EBITDA Less Capitalized Software Development consists of Adjusted EBITDA guidance adjusted for the impact of capitalized software development spend of approximately $95 million.

Full-year Adjusted Operating Income guidance consists of Adjusted Net Income guidance adjusted for the impact of interest expense, net of approximately $170 million and provision for income taxes less tax impact of net income adjustments of approximately $75 million.

Full-year Adjusted Net Income guidance consists of full-year expected net income attributable to common stockholders adjusted for the estimated impact of loss from discontinued operations, net of tax, of approximately $5 million; net income attributable to noncontrolling interests of approximately $5 million; acquisition-related amortization of approximately $65 million; stock-based compensation expense of approximately $75 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 $30 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 277 million.

Full-year Free Cash Flow guidance consists of expected full-year cash provided by operating activities of $585 million to $605 million less additions to property and equipment of $130 million to $150 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 EBITDA Less Capitalized Software Development, 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, the cost of revenue portion of depreciation and amortization, amortization of upfront incentive consideration 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, acquisition-related amortization, acquisition-related costs, litigation costs (reimbursements), net and stock-based compensation.

We define Adjusted Net Income as net income attributable to common stockholders adjusted for income (loss) from discontinued operations, net of tax, net income attributable to noncontrolling interests, acquisition-related amortization, loss on extinguishment of debt, other, net, acquisition-related costs, litigation costs (reimbursements), net, stock-based compensation and 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 the remaining provision for income taxes.

We define Adjusted EBITDA Less Capitalized Software Development 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, the remaining provision for income taxes and capitalized software development.

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, Adjusted EBITDA Less Capitalized Software Development 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 EBITDA Less Capitalized Software Development, 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 are unaudited and 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, Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect cash requirements for such replacements;
- Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
- Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do 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 EBITDA Less Capitalized Software Development, 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%.

2) Depreciation and amortization expenses:
    a. Acquisition-related amortization represents amortization of intangible assets resulting from purchase accounting.
    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, as well as amortization of contract acquisition costs.

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 ten 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 up front. 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) Other, net primarily 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, net represent charges associated with antitrust litigation.

6) Acquisition-related costs represent fees and expenses incurred associated with the 2018 agreement to acquire Farelogix.

7) The tax impact on net income adjustments includes the tax effect of each separate adjustment based on the statutory tax rate for the jurisdiction(s) in which the adjustment was taxable or deductible, and the tax effect of items that relate to tax specific financial transactions, tax law changes, uncertain tax positions and other items.