



Q2 2025 Earnings Call Prepared Remarks

August 7, 2025

Slide 1 – Title Slide

Good morning and welcome to the Sabre second quarter 2025 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

Good morning and welcome to our second quarter 2025 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, timing and effects of the agreement to sell our Hospitality Solutions business, including pro forma financial information, results of our growth strategies, transactions and bookings growth, commercial and strategic arrangements, and our financial guidance, outlook and expectations, free cash flow, net leverage, 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 June 30, 2025.

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, Normalized Adjusted EBITDA, and Normalized Adjusted EBITDA Margin 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. Normalized amounts have been adjusted for estimated costs historically allocated to our Hospitality Solutions business, which was sold on July 3, 2025. We are also presenting certain financial information on a pro forma basis to give effect to the sale of the Hospitality Solutions business, and we have removed the impact of the \$227 million payment-in-kind interest that was recorded in conjunction with the refinancing activity in the second quarter

of 2025, from pro forma Free Cash Flow. Unless otherwise noted, results presented are based on continuing operations.

Slide 3 – Today’s presenters

Participating with me are Kurt Ekert, President and CEO, and Mike Randolfi, Chief Financial Officer.

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

Slide 4 – Delivering on our strategic priorities

Kurt Ekert, President and CEO

Thanks, Brian.

Hello everyone and thank you for joining us. Earlier today, we reported second quarter results and provided an updated outlook for the remainder of the year.

In what has been a dynamic and at times challenging first half of the year, we have remained focused on executing our strategic priorities. These are first, to generate free cash flow and delever the balance sheet, and second, to drive sustainable growth by delivering innovative technology solutions for our customers. Through the work of our team members, we believe Sabre is a stronger and better positioned company today versus a year ago.

Over the past year, we have taken meaningful steps to strengthen our balance sheet. We have grown Adjusted EBITDA, extended debt maturities, and paid down debt. Year-to-date, our Normalized Adjusted EBITDA has grown 4% year-on-year. We have significantly improved our debt maturity profile, extending nearly 60% of our debt to 2029 and beyond. And this year, we have reduced total debt by more than \$1 billion, or nearly 20%, using a combination of cash from our balance sheet and proceeds from the sale of Hospitality Solutions. Taken together, we expect to reduce our year-end 2025 net leverage by approximately 50% versus year-end 2023.

At the same time, our commitment to innovation is reshaping the travel landscape as we introduce new and enhanced solutions for our customers. We are making significant progress with the implementation of signed new business, which we expect to accelerate in the back half of 2025. Our solutions are resonating in the marketplace as evidenced by continued commercial momentum.

The operating environment remains challenging and is pressuring air distribution bookings. As a result, the second quarter came in below expectations and we are updating our outlook for the remainder of the year.

Despite this near-term pressure, we are staying focused on executing and making steady progress against our strategy, which we believe best positions Sabre for long-term growth.

Slide 5 – Business and financial results

Moving to slide 5, I will provide some additional details on the second quarter.

Air distribution bookings declined 1% year-on-year, outperforming the broader GDS industry, but falling short of previous expectations for low-single digit growth that we shared on our Q1 call.

During the second quarter, our growth strategies added eight points of growth to air distribution bookings compared to the prior year. However, this growth was offset by a combined nine-point decline in our base business – four points from the GDS industry and five points from Sabre mix – resulting in the 1% decrease in air distribution bookings for the quarter.

Regarding the GDS industry, the weakness of corporate bookings relative to leisure, and the pullback of government and military travel, which almost exclusively books through the GDS, caused GDS volumes to underperform airline passenger growth. Relative to other GDS competitors, Sabre's mix has a higher exposure to both of these factors. We also have more share than our competitors in certain countries that had a disproportionate decline and less share in certain countries that performed better, driving further pressure. While we expected some industry stabilization during the quarter, incremental industry weakness emerged in June and continued into July, which was the driver of our air distribution bookings shortfall to expectations.

Volumes from our growth strategies are scaling largely as expected. These growth strategies contributed over 2 million of air distribution bookings in June and approximately 2.5 million in July, which represents approximately 10 points of growth year-on-year. This momentum supports our path to greater than 30 million incremental air distribution bookings from our growth strategies for full year 2025.

Hotel distribution bookings growth continued, up 2% in the quarter, and the attachment rate to air bookings improved 100 basis points to 34%.

Within IT Solutions, passengers boarded increased by 1% year-on-year.

Importantly, we continue to stay focused on what is within our control: executing on our growth strategies, realizing the benefits of our technology transformation, and continued cost management. These actions helped drive Q2 2025 Normalized Adjusted EBITDA growth of 6% versus prior year, and Normalized Adjusted EBITDA margin improvement of approximately 120 basis points to approximately 19%.

Slide 6 – Driving growth through innovation

Moving to slide 6.

We are accelerating the transformation of our platform into a modern, open travel marketplace that seamlessly integrates content and capabilities from a wide range of sources.

In multi-source content, Sabre continues to demonstrate industry leadership with 38 live NDC connections now operational, among the most in the industry, and seamless shopping, booking and workflow integration.

Our distribution expansion strategy is progressing well. For example, Christopherson Business Travel recently selected Sabre as its primary distribution technology partner, building upon numerous wins in 2024 and 2025, and demonstrating continued commercial momentum.

Hotel B2B distribution gross booking value transacted through the platform continues, with an annualized turnover of \$20 billion, a 4% increase year-on-year.

Our digital payments business also continues to scale rapidly, with Q2 gross spend of \$5 billion, up 44% year-on-year.

We continue to see strong traction with the AI-powered Offer Management suite of IQ products, a cornerstone of SabreMosaic. These products are well timed to help airlines as they navigate today's shifting demand. During the quarter, we signed an agreement with Avelo Airlines, who will become the first low-cost carrier to adopt Ancillary IQ. We now have nine airlines that will be utilizing our SabreMosaic Offer Management products.

Overall, we are making significant progress against our strategy and transforming the business to capture long-term value in a dynamic and evolving travel marketplace.

Slide 7 – Air distribution bookings outlook for remainder of 2025

On to Slide 7.

With weakness we previously discussed in the first half of the year and uncertainty around GDS industry growth for the remainder of 2025, we have revised our outlook for the second half to range from 4% to 10% air distribution bookings growth. Similar to the first half, the drivers of this updated outlook are the GDS industry and Sabre mix, as well as timing of growth strategy initiatives. I'll touch briefly on each of these.

First, with regard to our updated view of the GDS industry, we do not believe these trends are structural and expect them to stabilize over time, however we anticipate the lower mix of corporate bookings versus leisure to continue through the remainder of 2025.

Second, looking at bookings mix in the second half of 2025, we expect to continue to be adversely impacted by our greater exposure to corporate travel, military and government travel, and our higher share in certain countries that are seeing a disproportionate travel decline. However, we are encouraged by recent commentary from the U.S. airlines indicating their expectations for improving second half trends.

Finally, the remainder is related to growth strategy timing, due primarily to a temporary delay from technology and connectivity development, in the launch of our new multi-source low-cost carrier solution. This solution is designed to expand access to even more LCC content, beyond the 150+ low cost carriers already available on our platform today. Our early adopter program is progressing well, connecting content from over 50 additional LCCs to approximately 500 agencies. We had previously expected this new product offering to be in full production launch this summer, driving approximately 5 points of air distribution bookings growth in the second half of 2025, but now anticipate a six month delay and early 2026 full launch.

Moving to the chart on the right, which represents our air distribution bookings guidance for the third and fourth quarter as well as the full year. We have broken out the drivers for year-on-year quarterly air distribution bookings growth for both actual results in the first half of the year and the expected acceleration in the second half.

The black sections show the positive impacts of our growth strategies, driven primarily by the implementation of bookings from signed new business. This growth is being offset by the weakness previously discussed in the overall GDS industry and Sabre mix, as displayed by the grey boxes, shown in both the first and second quarter actuals.

For the third quarter, we expect 13 points of growth in air distribution bookings from growth strategies, namely the realization of implemented new business. We expect our July exit rate for new business to be greater than 10 points of growth, and we have clear line of sight to the new business realization projections for the remainder of the year. We expect this growth will exceed the headwinds I discussed previously, resulting in quarterly air distribution bookings growth of 2% to 6%. In the fourth quarter, we expect the benefit from our growth strategies to accelerate and result in 19 points of growth, resulting in total air distribution bookings growth of 6% to 14%.

In summary, we are navigating some near-term challenges that we believe are largely transitory, and we are encouraged with the continued scaling of our new business volumes. We remain focused on executing our two strategic priorities: generating free cash flow and delevering the balance sheet, and driving sustainable growth through innovation. Through the team's continued hard work, Sabre is a stronger, better-positioned company today than it was a year ago.

Thank you, and now over to Mike.

Slide 8 – EVP & CFO, Mike Randolfi

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 9.

Slide 9 – Q2 2025 financial highlights

For the second quarter, Sabre reported revenue of \$687 million, down 1% year-on-year.

Distribution revenue decreased by \$5 million driven primarily by the decrease in air distribution bookings, which was partly offset by an increase in hotel distribution bookings. IT Solutions revenue decreased 2% year-on-year, driven primarily by previously disclosed de-migrated carriers, partially offset by an increase in passengers boarded and license fee revenue. Looking forward to the second half for IT Solutions, we anticipate continued passengers boarded growth with quarterly revenue in the \$140 million to \$145 million range.

On a normalized basis, gross margin decreased 110 basis points in the second quarter versus the prior year. The decrease in gross margin is partially related to the foreign exchange impact of a weaker US dollar, where Sabre generates revenue in dollars but pays agency incentives in local

currency. Gross margin was further impacted by a stronger mix of US bookings which have a lower margin profile relative to other regions. We expect some of this impact to be temporary with higher gross margins in the second half that are roughly in line with the second half of 2024 on a normalized basis.

Q2 2025 Normalized Adjusted EBITDA increased 6% year-on-year with Normalized Adjusted EBITDA margin expanding by 120 basis points.

Pro Forma Free Cash Flow was negative \$2 million and we ended the quarter with \$447 million of cash on the balance sheet. Notably, after the quarter ended, we closed on the sale of Hospitality Solutions on July 3rd. The proceeds were primarily used to pay down debt, and we added \$135 million to the balance sheet that is not included in the Q2 cash position. At the end of July, our cash on the balance sheet exceeded \$600 million.

Slide 10 – Q2 2025 actual results versus guidance

Moving to Slide 10.

As Kurt outlined, second quarter results were impacted by lower-than-expected air distribution bookings, leading to financial performance below the expectations we outlined on May 7th.

Normalized Adjusted EBITDA was \$127 million in the quarter. Air distribution bookings were expected to grow low-single digits but were down 1% year-on-year, resulting in a 3-to-4-point shortfall relative to our expectations. Each point of air distribution bookings on a quarterly basis equates to approximately \$3 million to \$4 million of Adjusted EBITDA. Based on the second quarter bookings shortfall, and lower gross margins, Adjusted EBITDA was approximately \$20 million lower than our expectations, which also impacted Free Cash Flow.

Free Cash Flow on a reported basis of negative \$240 million includes a \$227 million impact related to refinancing activity in the quarter. Upon refinancing the 2028 Senior Secured Term Loan, the payment-in-kind capitalized interest over the prior two years flows through operating cash flow. We have removed this refinancing impact from our pro forma Free Cash Flow calculation.

Slide 11 – Focused on improving balance sheet and deleveraging

Turning to slide 11 and details about the progress we have made in strengthening our capital structure.

During the quarter, we extended our debt maturities. In addition to the \$1.6 billion of debt we extended late last year, we refinanced \$1.325 billion in the second quarter. We now have nearly 60% of our debt maturing in 2029 and beyond.

We also paid down debt in the second quarter, utilizing cash from the balance sheet to repay nearly \$200 million of maturities. Subsequent to quarter close, we utilized approximately \$825 million from our sale of Hospitality Solutions to repay a portion of our Term Loan B Senior Secured facilities and Accounts Receivable Securitization facility. This year, we have paid down over \$1 billion of total debt, reducing our expected year end pro forma net leverage by approximately 50% as compared to 2023.

We will continue to be opportunistic in our efforts to further strengthen our balance sheet.

Slide 12 – FY 2025 pro forma guidance

On to Slide 12.

Following the completion of the first half of the year and an updated view on GDS industry growth, we have revised our 2025 outlook to incorporate our latest assumptions.

We now expect full-year air distribution bookings growth to be flat-to-low single digits.

Our updated financial outlook reflects three potential scenarios based on varying levels of GDS industry bookings growth. While some recent airline commentary has been encouraging, uncertainty remains around the near-term trajectory of GDS industry volumes. Assuming second half 2025 air distribution volume growth of 4%, 7%, or 10%, we project full-year 2025 air distribution volume growth of approximately 0.5%, 2%, or 3.5%, respectively.

On the slide, we have provided our view on Revenue, Pro Forma Adjusted EBITDA and Pro Forma Free Cash Flow based on these three potential volume scenarios.

As a reminder, our 2025 guidance treats revenue and Pro Forma Adjusted EBITDA associated with the Hospitality Solutions business, as discontinued operations for the full year and all prior periods beginning this quarter.

Full-year 2025 revenue is expected to grow flat-to-low single digits, resulting in Pro Forma Adjusted EBITDA in the range of approximately \$530 million to approximately \$570 million, depending upon the underlying growth in air distribution bookings. We have not made any changes to our assumptions for either capex or cash interest.

We expect pro forma free cash flow to range from approximately \$100 million to approximately \$140 million, and we expect to end the year with greater than \$750 million in cash.

Slide 13 – Q3 2025 pro forma guidance

Moving to slide 13 and the third quarter. Again, we are outlining three possible scenarios. These scenarios incorporate our expectations for accelerating bookings from our growth strategies through the remainder of 2025, offset by impacts related to the GDS industry and Sabre mix.

For the third quarter, we forecast a range of air distribution bookings growth from 2% to 6%, which would result in year-on-year revenue growth of low-to-mid single digits. We expect Pro Forma Adjusted EBITDA in the range of approximately \$140 million to approximately \$150 million. We expect to generate positive Free Cash Flow in the third quarter on a pro forma basis in a range of approximately \$40 million to approximately \$50 million.

In closing, we are making progress on our strategy to generate Free Cash Flow and delever the balance sheet and drive sustainable growth through innovation. We continue to anticipate an acceleration in volumes during the second half of the year, with momentum into 2026.

And with that Operator, please open the line for questions.

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