Sabre Q1 2019 Earnings Call Prepared Remarks

Apr 30, 2019

Slide 1 – Q1 2019 Earnings Report

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

I will now turn the call over to the Senior Vice President of Investor Relations and Corporate Communications, Mr. Barry Sievert.

Go ahead sir.

Slide 2 – Forward-looking statements

Barry Sievert, SVP Investor Relations and Corporate Communications:

Thank you, and good morning everyone. Thanks for joining us for our first quarter earnings call.

This morning we issued an earnings press release, which is available on our website at investors.sabre.com.

A slide presentation, which accompanies today's prepared remarks, is also available during this call on the Sabre IR web page. A replay of today's call will be available on our website later this morning.

Throughout today's call, we will be presenting certain non-GAAP financial measures, which have been adjusted to exclude certain items. All references during today's call to EBITDA, EBITDA Less Capitalized Software Development, Operating Income, EPS and Net Income have been adjusted for these items. The most directly comparable GAAP measures and reconciliations for non-GAAP measures are available in the earnings release and other documents posted on our website at investors.sabre.com.

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

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

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

Slide 3 – Today's presenters

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

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

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

Slide 4 – Solid Q1'19 results; progressing against our initiatives

Sean Menke, President and CEO:

Good morning everyone and thank you for joining us today.

Today, I am pleased to report solid first quarter results that provide continued evidence we are progressing against our initiatives. We delivered 6% revenue growth, and excluding an insurance reimbursement payment in the prior year, 13% growth in Free Cash Flow.

With our technology-led leadership team in place and strategic focus on the retailing, distribution and fulfillment of travel, we have continued to meet and exceed our internal milestones and are gaining velocity in our technology transformation and evolved customer engagement approach.

We are unlocking savings that fund investment in the delivery of new innovations that we believe will help advance the marketplace and drive future growth. We believe our strategy, technology transformation and customer engagement will lead to long-term shareholder value creation.

Let's look at our Q1 accomplishments:

Slide 5 – Q1'19 Accomplishments

At Travel Network, we gained 140 basis points of share in the quarter, the fifth quarter in a row where we have gained share. We believe we are well-positioned with the investment in our Sabre Red 360 next-generation agency desktop, new lodging content services capabilities and global cloud deployment of our shopping complex to continue winning share. As the trend continues for large, global travel management companies to consolidate their technology footprint on best-in-class platforms, similar to Flight Centre and CWT, we expect to continue to benefit.

We released our first set of NDC APIs with United Airlines, enabling shopping, pricing, booking and payment workflows. Our NDC solutions will allow United to offer new fare options and additional flight amenities for a more comprehensive shopping experience for customers who chose to book through Sabre. This development is a significant step forward, advancing the pan-industry vision developed alongside our Beyond NDC partners and moving NDC closer to becoming an everyday reality for airlines, agencies and travelers.

We are taking a collaborative approach to define and deliver a next-generation retailing experience to our airline and agency customers. Most recently, Delta Air Lines joined our Beyond NDC program, and we announced the launch of our Next Generation Storefront. The Next Generation Storefront evolves the retail experience and answers the industry's challenge for how to display complex and diverse offers in an easily comparable way, clearly communicating the value of specific offers and creating additional upsell opportunities early in the sales process. We are working with Delta, and other partners, to test this new approach.

At Airline Solutions, we received official certification as IATA ONE Order Capable for air flight transactions as an order management system and delivery provider, making us the first passenger service system to reach this designation. ONE Order is a component of our order management vision in the Sabre Commercial Platform, critical to ensuring the promise of targeted and personalized offers are fulfilled when the day of travel arrives.

At Hospitality Solutions, we successfully completed the SynXis Central Reservation System and Property Management System implementation at La Quinta in the beginning of April, adding 900 properties to our platform. This marks the full completion of the Wyndham implementation, the industry's first large-scale migration to an enterprise-grade platform.

Within technology, we continued to progress on our cloud migration and mainframe offload.

- We increased the percentage of our total open systems footprint, with over 90% of our processing power now on open systems. This means less than 10% of our total compute footprint is in our mainframe environment.

- We offloaded over 80% of our agency security and session management functionality, which was our largest single mainframe workload that accounted for 15% of mainframe transactions. Additionally, we now have offloaded over 70% of Airline Solutions shopping, availability and pricing transactions.

- Within our open systems footprint, we continued to migrate open systems applications to the cloud that increased our open systems cloud footprint by 14 percentage points since 2018 year-end. For the first time, I am pleased to report that over 50% of our ENTIRE compute is now in the cloud.

- Our shopping complex is now running in two AWS locations and our private cloud environment, and we expect a sunset of the legacy Tulsa shopping environment next quarter.

- We continued the global distribution of our computing infrastructure, with the implementation of our Core Connect networks in Frankfurt and Amsterdam now complete. This enables us to start running shopping capabilities in EMEA to further increase speed and conversions.

- And, we implemented our Next Generation Platform Foundation in the quarter, which we believe will increase our speed to market through tools and automation that streamline and accelerate how we develop, test, deploy and run applications. Seven applications, including our innovative NDC Offer and Order capabilities and Schedule Change Updater, are now live on the new platform and deployed in the AWS public cloud. These applications are fully containerized, leveraging the RedHat Openshift platform, and built using microservices.

Slide 6 – Sabre Virtual Payments

Today, I am pleased to report that we announced an increased focus in the payments space, supported by our new Sabre Virtual Payments partnership with Visa. With seamless integration into travel systems and workflows for fast, easy and safe payment solutions, we expect that our enhanced payments solution will be an integral part of our retailing, distribution and fulfillment platform.

We believe our new partnership with Visa gives us an enhanced competitive offering in the B2B and C2B payments space.

- Visa card products help ensure better supplier acceptance.

- Our payment hub allows a more comprehensive, flexible and evolving approach to payments, oriented around capability.

- Our multi-scheme, multi-issuer network delivers a broad range of payment options for maximized supplier acceptance, global operability and regional relevance.

- Our range of prepaid and credit options provides a broad range of funding methods to allow a better match to the specific needs of the customer.

It is our strong belief that our enhanced proposition will resonate with customers. We already have a few large B2B customers in the pipeline that we expect to close in the near future.

Slide 7 – Revised FY 2019 Expectations

Before I turn it over to Doug, I want to take a moment to address our 2019 financial outlook.

We believe the underlying business is solid, and the factors that are in our control are performing in line with our expectations.

However, as you have seen and read about, a customer in India, Jet Airways, has recently suspended flight operations. We expect this to impact our results going forward, specifically in our SabreSonic revenue stream, since we host Jet Airways' reservations system. While our GDS footprint in India is relatively small, we have already seen this impact overall GDS industry bookings in Asia-Pacific.

Additionally, our deepest sympathies are with the families and loved ones impacted by the recent accidents involving the 737 MAX aircraft. We support our airline partners' top priority for safety. Although our airline partners are largely able to rebook passengers on alternative aircraft, there is a modest impact from grounded planes across the industry. There is a more obvious near-term impact to our Airline Solutions business as the two airlines involved with these incidents, one in Asia and one in Africa, are SabreSonic reservation system customers. Accordingly, we have lowered our full year 2019 guidance in line with our estimated impacts of Jet Airway's suspended flight operations and the carrier-specific and market challenges associated with the 737 MAX aircraft.

As I previously stated, we saw strong GDS share gain of 140 basis points in the quarter. Our investments in Sabre Red 360, lodging innovations and shopping capabilities are clearly resonating with customers. We feel good about the strength of our regional and customer mix relative to the overall industry. Additionally, with our strong booking fee growth in the first quarter, we have confidence to raise our expectations for full year average booking fee. Within this, we continue to expect incentive fee growth to moderate in the second quarter as previously discussed. In fact, incentive fees in the first quarter were below our forecasted level going into the year.

As expected, our share gains and regional footprint enabled us to post solid bookings growth in the quarter.

- In North America, where our biggest book of business is, GDS industry bookings continue to be solid. We have seen supportive commentary from the airlines on the strength of the corporate channel. Furthermore, we outperformed the industry with 6% growth in the region, bolstered by continued share gain at large travel management companies including our expanded partnership with CWT. In North America, we have increased our booking share with large TMCs to approximately 80% of their bookings.

- In Asia-Pacific, bookings were flat due to the impact of Jet Airways. Excluding Jet Airways, our bookings increased about 1% in the region, slower than previous quarters as we anniversaried the completion of the Flight Centre migration.

- In Latin America, bookings declined 3.5% in the quarter, reflecting macro-economic weakness in the region and our agency mix. On a volume basis, Latin America is the smallest of the four regions we report and makes up only 8% of our total worldwide volume.

- In EMEA, our bookings declined 1%, due to a decline in low margin rail bookings. Air bookings grew 3%. The region is seeing some channel shift due to continued growth by low cost carriers and the three legacy carrier groups experimenting with different distribution strategies. Our exposure to the impact of the three legacy carrier groups is less than other GDSs due to the fact that over 50% of our bookings from the carrier groups are made from outside of Europe and are typically for longer haul, higher yielding traffic.

- Finally, our share gain, regional and customer mix, and average booking fee growth more than offset a bit of macro slowing in the first quarter.

With our solid first quarter results, I remain confident in the underlying performance of the business, despite the two previously described events and a modestly softer macroenvironment.

For the full year 2019, we now expect:

- Revenue growth of 3% to 5%, and

- Free Cash Flow growth of 3%.
- These revised expectations reflect Jet Airways' suspended operations and the impact of the 737 MAX aircraft situation.

With that, I'll turn the call over to Doug to get into more of the details of our first quarter results and expectations going forward.

Slide 8 – Q1'19 Financial highlights

Doug Barnett, Chief Financial Officer:

Looking more closely at our Q1 results, revenue was up 6% year-over-year driven by growth across each of our business segments. Over the period, recurring revenue represented 93% of total revenue.

As we continue to make good progress on the execution of our technology transformation efforts. As previously disclosed, the costs associated with our cloud migration, mainframe offload and the utilization of agile development methods are not capitalized. As expected, this reduced the capitalized portion of our total technology spend in the first quarter. This shift in capitalization mix resulted in an increased percentage of technology costs hitting operating expenses in the quarter, with a corresponding decline in CapEx. Additionally, as we accelerate our technology transformation, more products are being placed into service, leading to an increase in depreciation and amortization from previously capitalized technology spend.

As we discussed last quarter, although this has no impact on our level of total technology spend or on Free Cash Flow, there is obviously a near term impact to our income statement from this shift. We continue to expect recovery to previously forecasted profitability levels in 2021, which means we continue to expect accelerated earnings growth next year when we begin to anniversary this impact.

Accordingly, our first quarter results are as follows:

- EBITDA declined 13%,
- EBITDA Less Capitalized Software Development decreased 4% and was in line with our expectations. The decline was primarily due to Travel Network incentive pressure. Remember, EBITDA Less Capitalized Software Development is the metric we introduced last quarter to normalize for the change in capitalization mix and reflect total technology spend growth, which as I will describe later, was below the rate of revenue growth.
- Operating income declined 21%, and
- Earnings per share declined 23% to $0.34.

On a like-for-like basis, excluding the shift in capitalization mix and increase in amortization of previously capitalized technology spend, which I will discuss in more detail shortly, the underlying performance of the business was as follows:

- Operating income decreased 3%, and
- Earnings per share were flat year-over-year.

Finally, we generated $114 million of Free Cash Flow in the first quarter. As expected, Free Cash Flow declined year-over-year due to an unfavorable comparison to a $29 million insurance reimbursement settlement received in the prior year quarter. Excluding this, Free Cash Flow grew 13%.

Slide 9 – Q1'19 Travel Network

Looking a bit closer at Travel Network in Q1, total revenue grew 7%.

Revenue growth was driven by 3% bookings growth and an increase in average booking fee of 5% in the quarter. About half of the average booking fee growth was driven by the net positive impact from customer pricing at specific carriers experimenting with different distribution strategies in Europe, and about half was driven by normal-course contractual increases. Due to this strong first quarter booking fee growth, we now expect full year booking fee growth of approximately 1%, compared to previous expectations for flat booking fee on a full-year basis. As a reminder, we will anniversary the benefit from customer pricing at specific European carriers next quarter, as well as the mix impact from the completion of the Flight Centre migration that has benefitted recent quarters.

Excluding the increase in technology operating expenses primarily driven by the shift in capitalization mix, Travel Network operating income increased 2% and operating margin decreased 150 basis points in the quarter.

Including the shift in capitalization mix, Travel Network operating income decreased 9% in the quarter. This was in line with our expectations coming into the year. The 440 basis point decline in operating margin was driven by approximately:

- 300 basis points from increased technology operating expenses due to the change in capitalization mix and
- 150 basis points from the net impact of average booking fee and incentive fee growth.

Taking a closer look at incentive fee growth in the quarter:

- About two thirds of the increase was from new commercial deals and agency conversions, and

- One third was due to normal incentive growth consistent with historic growth in the low-to-mid single digits.
- As we have said, starting next quarter and over the balance of the year, we expect incentive fee growth to normalize to historic growth rates.

Slide 10 – Total Travel Network bookings

Total bookings increased 2.7% in the quarter, a bit of a slowdown versus prior quarters as we anniversary strong 2018 growth that included the completion of the Flight Centre migration, and as Sean described, see a bit of a slowdown in macro trends.

Within our total bookings, air bookings grew 3% and lodging, ground and sea bookings grew 1%. Within Lodging, ground and sea, higher value hotel bookings grew double digits, supported by the initial rollout of lodging content services capabilities, as well as our expanded agreements with TMC customers. Growth in hotel bookings was partially offset by a decline in lower margin rail bookings.

Slide 11 –Q1'19 Travel Network total bookings growth by region

Q1 bookings growth was supported by an increase of 6% in North America, driven by increased share at large, global travel management companies, including our expanded strategic agreement with CWT. As Sean said, we have increased our booking share within large TMCs to approximately 80%.

In Asia-Pacific, as a reminder, our bookings growth was slower than previous quarters as we begin to anniversary the completion of the Flight Centre migrations. Additionally, bookings were impacted by the situation at Jet Airways. Excluding Jet Airways, bookings grew 1%.

Our EMEA bookings declined modestly in the quarter due to a decline in low margin rail bookings. Air bookings grew 3%. As Sean said, the region is going through channel shift due to low cost carrier growth and distribution strategies at the three legacy carrier groups. Because over 50% of our bookings from the three legacy carrier groups are made from outside of Europe and are typically for longer haul, higher yielding traffic, the impact on our business is relatively modest compared to competitors.

Our bookings declined in Latin America is due to unfavorable macro-economic factors and our agency mix in the region. Latin America is the smallest of our four regions and makes up only 8% of our global bookings.

In total, our global booking share increased 140 basis points in the quarter to 38.3%.

Slide 12 – Q1'19 Airline Solutions

Consistent with our expectations coming into the year, Airline Solutions, revenue increased 3% in the quarter.

SabreSonic revenue grew 6%, driven by solid passengers boarded growth of 7%. AirVision and AirCentre declined 1%.

In line with our expectations and as we have mentioned previously, both our SabreSonic and AirVision and AirCentre revenue streams were impacted by the de-migration of Pakistan International Airlines. Excluding the impact of Pakistan, Airline Solutions revenue grew 5% in the quarter.

Excluding the year-over-year increase in technology operating expenses resulting primarily from the shift in capitalization mix, as operating income increased 8% and operating margin expanded 70 basis points. Including the shift in capitalization mix, operating income declined.

Slide 13 – Total Airline Solutions passengers boarded

Passengers boarded increased 7% in the quarter, driven by 3% passengers boarded growth on a consistent carrier basis and the completion of the SabreSonic implementation at LATAM Airlines in the second quarter last year.

As Sean mentioned, two of our SabreSonic reservation system customers were impacted by the unfortunate events related to the 737 MAX aircraft. Additionally, as Sean talked about, Jet Airways, a large customer in India, has recently suspended flight operations. Excluding these three carriers, passengers boarded grew 10% and passengers boarded growth on a consistent carrier basis was up 6% in the quarter.

Slide 14 – Q1'19 Hospitality Solutions

At Hospitality Solutions, SynXis software and services revenue increased 7%, driving overall revenue growth of 7%, consistent with our expectations. Digital marketing services revenue increased in the quarter.

Hospitality Solutions central reservations system transactions increased 36% in the quarter, which includes the benefit of migrating certain Wyndham Hotels brands in the first half of 2018.

Excluding the increase in technology operating expenses primarily driven by the shift in capitalization mix and increase in amortization of previously capitalized technology spend, Hospitality Solutions operating income doubled, and operating margin increased 2.7 points.

Including the shift in capitalization mix, Hospitality Solutions operating income declined significantly in the quarter.

Slide 15 – Q1'19 Technology expenditures

In the first quarter, total technology spend was $261 million. As a reminder, this includes the costs that we incur, whether capitalized or expensed, for hosting, third-party software and R&D.

Total technology spend increased 5% in the quarter, in line with our expectations, and was driven by:

- 150 basis points from the impact of third-party hosting service provider credits that benefitted the prior year but went away this year,
- 150 basis points from new strategic investments supporting cybersecurity, corporate systems and platform enterprise agreements, and lastly,
- 200 basis points from core infrastructure and computing growth, primarily related to the public cloud.

Total technology spend grew slower than revenue growth in the quarter. Sean spoke about a number of accomplishments we have made that enable us to reap savings for reinvestment in further transformation efforts and new innovations to create an even more competitive offering. The scale and leverage we are already gaining are enabling us to continue to strategically invest in new infrastructure and capabilities, and are what help fund an acceleration of current and future innovations. We continue to expect full-year 2019 technology spend growth of 3% - 4%.

As discussed on our last earnings call and today, the costs supporting our cloud migration, mainframe offload and utilization of agile development methods are not capitalized. This resulted in a 13-point decline in capitalization mix, from 23% in the first quarter last year to 10% in the first quarter this year. Although neutral to Free Cash Flow, this shift significantly impacts operating income and EBITDA.

Additionally, the increase in amortization of previous capitalization resulted in a $3 million headwind to first quarter operating income. This is, of course, neutral to both EBITDA and Free Cash Flow.

As a result of the capitalization shift and increased amortization, the amount of total technology expense running through our income statement in the quarter increased by $45 million, or 17%. Remember, this refers to our total technology spend less capitalized software development, plus amortization of previous capitalization.

Slide 16 – Q1'19 Net debt, leverage and cash flow

First quarter Free Cash Flow generation of $114 million was in line with expectations and represents a 13% year-over-year decline due to an unfavorable comparison to an insurance settlement payment received in the prior year quarter. Excluding this, Free Cash Flow grew a strong 13% in the quarter.

Our cash flow supported the continued strength of our balance sheet, with leverage of 2.7 times as of quarter end.

In the quarter, we repurchased 1.5 million shares for approximately $32 million. Including our dividend, we returned $71 million to shareholders in the first quarter.

As we have said, we expect to repurchase enough shares to offset dilution from equity plans, while maintaining flexibility to be opportunistic beyond that.

Slide 17 – FY 2019 Guidance

Let's level set and review the 2019 guidance we provided on our last earnings call:

- Mid-single digit revenue growth, and
- Free Cash Flow growth of approximately 10%.

So how are we tracking against that in Q1? We performed in line with, or better than, our expectations coming into the year.

As we've discussed, we are taking significant steps in our technology transformation this year, and as a result, we expect the capitalized portion of our total technology spend to be lower. This has a near-term impact on our income statement as you've seen in our Q1 results, but has no impact to Free Cash Flow or our level of total technology spend. We continue to expect recovery to previously forecast profitability levels in 2021. In fact, because of the increased efficiencies we are achieving, we were previously able to increase our expectations for accelerated Free Cash Flow growth over the medium term from 2019 to 2022.

As we look over the balance of this year, the underlying business is solid, and the factors within our control are performing in line with or better than expectations. However, as Sean mentioned, there are external factors outside of our control that have caused us to revise our full year 2019 outlook.

In mid-April, Indian carrier Jet Airways suspended flight operations. Jet Airways is both a PSS and GDS customer. In addition, the tragic accidents at Lion and Ethiopian Airlines, two of our PSS customers, and the overall impact of grounded 737 MAX aircraft are also a headwind. As a result, we expect these events to reduce our rest-of-year results by the following:

- $40 million revenue,
- $30 million EBITDA and operating income,
- $25 million net income,
- $0.09 EPS, and
- $30 million Free Cash Flow.

To be clear, we are lowering guidance in line with the expected impacts of these two discrete items only. Excluding these impacts, our updated 2019 expectations are unchanged. As such, for the full year 2019, we now expect:

- Total Sabre revenue growth of 3% to 5%, to $3.965 to $4.045 billion,
- EBITDA of $945 million to $985 million,
- EBITDA less Capitalized Software Development of $850 million to $890 million,
- Operating income of $485 million to $525 million,
- Net income of $245 million to $285 million,
- EPS of $0.89 to $1.03,
- Free Cash Flow generation of approximately $455 million, representing growth of 3%, or 11% excluding the impact of a $29 million insurance settlement payment received last year, and
- CapEx $130 million to $150 million.

Taking a closer look at the segment level:

- At Travel Network, we continue to expect full year 2019 revenue growth of 4% to 6%. Due to the strong booking fee growth we saw in the first quarter, we are raising our full year booking fee growth expectations to approximately 1% from initial expectations for it to be about flat. We expect continued share gain and booking fee growth to offset expectations for a softer macroeconomic environment, and now expect full year bookings growth of approximately 3% - 5%. As a reminder, we expect incentive fee growth to normalize to historical growth rates in the low-to-mid single digits beginning in Q2.

- At Airline Solutions, we now expect full year revenue to decline 2% to 4%, versus previous expectations for 1% to 3% growth. These updated expectations reflect Jet Airways' suspended operations and the impact of the 737 MAX aircraft situation. Excluding these, our underlying expectation for the business is unchanged. As a reminder, excluding these impacts and the customer attrition discussed last quarter, expected revenue growth would have been 5% to 7%. We have successfully navigated a significant renewal cycle in 2017 and 2018 with our existing Airline Solutions customers, and with our new innovations like the Sabre Commercial Platform, we believe we are well-positioned as we switch from defense to offense going forward.

- At Hospitality Solutions, we expect 7% to 9% full-year revenue growth, consistent with our previous expectations.

So, as we look at the rest of 2019, we believe our business is on solid footing with the factors within our control performing as expected.

Addressing Q2 specifically, please remember we expect the following items to impact our results:

- Although we expect continued strong GDS share gain, we anniversaried the completion of the Flight Centre migrations at the end of the first quarter and expect a softer macroenvironment to result in bookings growth to be about half of the level we saw in Q1.

- Although we expect our incentive fee to normalize to historical growth rates beginning in Q2, we will have a tough comparison on average booking fee as we anniversary favorable pricing that went into effect at a certain European carrier on April 1st last year. As such, we expect average booking fee to decline half a point in Q2.

- At Airline Solutions, more of the customer attrition discussed in detail on our last earnings call will begin to be reflected, as well as the impacts from Jet's suspended operations and the 737 MAX situation.

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

Back to you, Sean.

Slide 18– Thank you

Sean Menke, President and CEO:

I'm pleased with how we have kicked off the year and would like to thank my colleagues all around the world for their hard work and dedication.

We are delivering on our strategic focus, gaining velocity in our technology transformation and gaining momentum on our evolved customer engagement approach.

Despite external challenges, our solid first quarter results provide a strong foundation to build on over the balance of the year.

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