Q4 and Full Year 2019 Earnings Report

February 26, 2020

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 “outlook,” “guidance,” “expect,” “trend,” “momentum,” “potential,” “intend,” “accelerate,” “believe,” “seek,” “opportunity,” “will,” “hope,” “commit,” “estimate,” “update,” “continue,” “medium term,” “longer term,” “plan,” “anticipate,” “preliminary,” “project,” “may,” “should,” “could,” “would,” “target,” 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 or suspension of service or aircraft groundings, the duration and effects of the Coronavirus, the timing, implementation and effects of the technology investment and other strategic initiatives, the completion and effects of travel platforms, 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 and the effects of these services, the finalization of an agreement to implement a full-service property management system, the execution, 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 association with PCI compliance, our ability to recruit, train and retain employees, including our key executive officers and technical employees, the financial and business results and effects of acquisitions, including related costs, and, as applicable, the closing and integration of these acquisitions, the effects of any litigation and regulatory reviews and investigations, including with respect to proposed and completed acquisitions, 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 effects of the implementation of new accounting standards, and tax-related matters, including the effects 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 October 31, 2019 and 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 “2020 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” in the appendix 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

Today's call

1. Highlight the progress our business has made over the past three years

2. Discuss the $150 million incremental technology spend expected in 2020 announced today

3. Explain how this spend fits into our overall strategy, why we believe it is imperative to Sabre's success and how it should help create long-term shareholder value

2017 & 2018: Built a strong foundation

LEADERSHIP

- Skilled leadership team
- Strong technology expertise

TECHNOLOGY

- Security
- Stability
- Product Health

BUSINESS

- Broke down silos
- Evolved go-to-market approach

CUSTOMER RENEWALS

- Travel Network agencies
- Airline Solutions airlines

2019: Gained commercial momentum

TRAVEL NETWORK

- 8th consecutive quarter of GDS share gain
- 3rd consecutive quarter of incentive moderation

AIRLINE SOLUTIONS

- Solid revenue growth
- Traction with AirVision/AirCentre

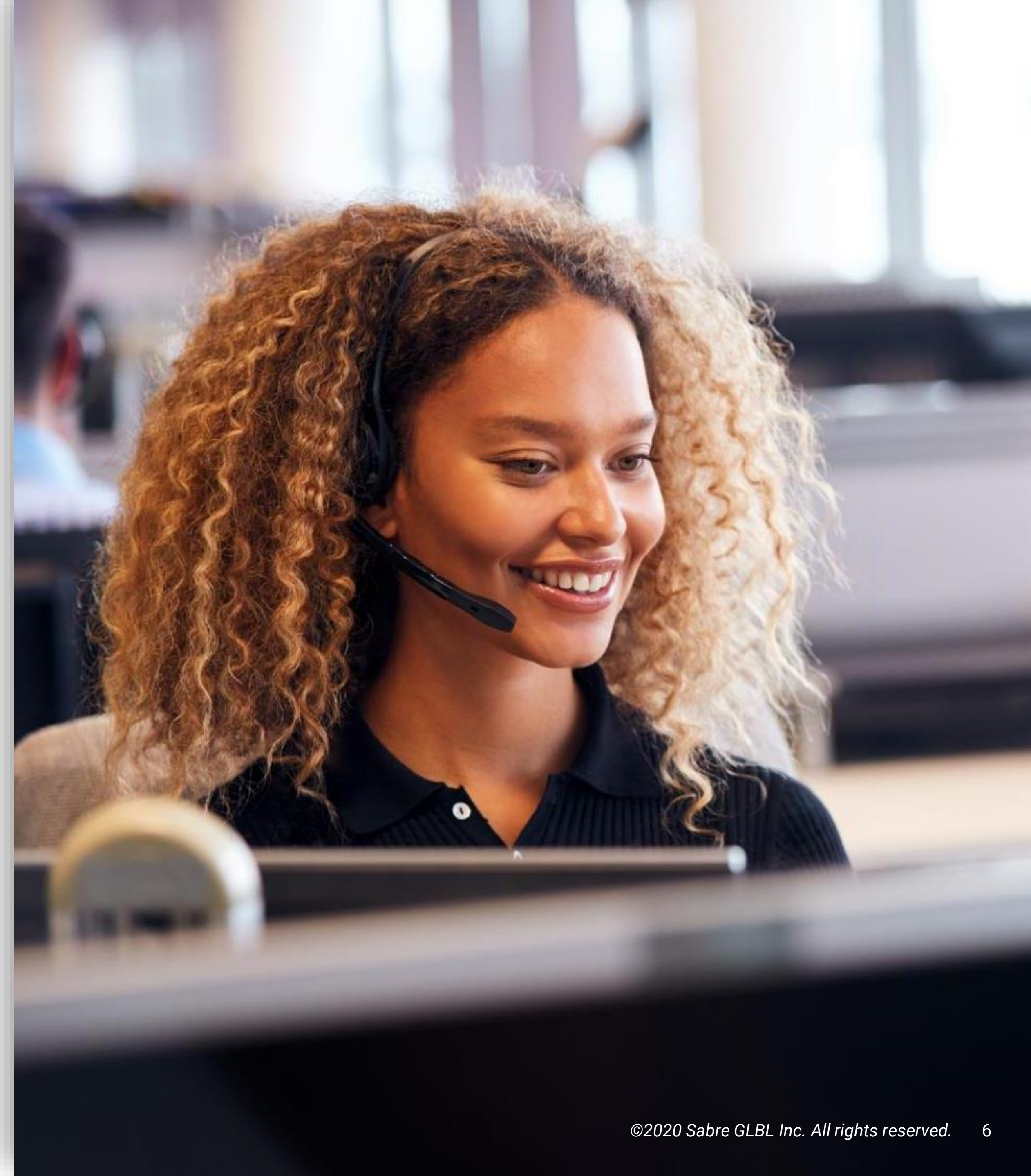
HOSPITALITY SOLUTIONS

- Strong revenue growth
- Key collaboration

ACCOR

FINANCIAL

- Solid 2019 financial performance
- $466M Free Cash Flow generated



$150M addresses trends evolving in our marketplace

Retailing

Distribution

Fulfillment

Needs of customers are changing

Travelers have individual preferences

Airlines & hotels want to sell personalized offers…

… to increase revenue and customer loyalty

Data analytics, AI, ML and cloud can drive value

$150M supports Sabre's five strategic initiatives

#1. PERSONALIZED OFFERS

Accelerate our roadmap for new IT capabilities, processes and intelligence that allow suppliers to move to a "customer-centric" approach with personalized offers

#2. FUTURE OF DISTRIBUTION & NDC

Enable the sale of personalized offers through an NDC-enabled GDS, as well as the supplier's direct channel

#3. LOW-COST CARRIER GROWTH

Develop a full suite of retailing, distribution and fulfillment capabilities that enable customer-centric offers in the LCC market

#4. FULL SERVICE PROPERTY MANAGEMENT

Help hoteliers create customer-centric offers, allow them to sell through their desired distribution channel, and ensure what their customers purchased is provided

#5. TECH TRANSFORMATION

Partner with Google to help accelerate cloud migration, explore new revenue opportunities and lower long-term costs, including a DXC backstop

We’re making bold moves that align with our strategic imperatives

RADIX®

A SABRE COMPANY

Acquisition supports LCC growth

FARELOGIX

Continued desire to close transaction to support personalized offer and the future of distribution and NDC

Google

Partnership to advance our technology transformation

ACCOR

Collaboration to develop a full-service PMS

Expected benefits by 2024

- Larger addressable market
- Increased share
- Lower costs
- Higher margin structure

Q4'19 Performance

Total Revenue

$941M

Growth of 1.9%

93% recurring revenue

Business Segment Revenue

Travel Network

1%

$673M

Airline Solutions

3%

$208M

Hospitality Solutions

7%

$71M

Adjusted EBITDA Less Capitalized Software Development

$188M

4.2% decline

Adjusted Operating Income

$98M

38.2% decline

2.7% growth excluding increase in technology operating expenses

Adjusted Operating Margin

10.4%

670bp decline

10bp expansion excluding increase in technology operating expenses

Adjusted EPS

$0.16

52.9% decline

2.9% decline excluding increase in technology operating expenses

Strong cash position

Free Cash Flow

$134M

21.3% growth

Returned to shareholders

$38M

Amounts are compared to Q4 2018.

Full Year 2019 Performance

Total Revenue

$3,975M

Growth of 2.8%

93% recurring revenue

Business Segment Revenue

Travel Network

3%

$2,883M

Airline Solutions

2%

$840M

Hospitality Solutions

7%

$293M

Adjusted EBITDA Less Capitalized Software Development

$857M

1.3% decline

Adjusted Operating Income

$513M

26.8% decline

3.0% growth excluding increase in technology operating expenses

Adjusted Operating Margin

12.9%

520bp decline

Flat to prior year excluding increase in technology operating expenses

Adjusted EPS

$1.01

34.4% decline

3.9% growth excluding increase in technology operating expenses

Strong cash position

Free Cash Flow

$466M

5.7% growth

Returned to shareholders

$231M

Amounts are compared to FY 2018.

Q4'19 Performance: Travel Network

Total Revenue
$673M

Growth of 1.2%

Global Air Bookings Share
38.9%

Growth of 180bp

Air Bookings
1.2%

Hotel Bookings
Low single digit growth

Total Bookings
128M

Growth of 1.2%

Regional Bookings
North America

5.0%

International

(0.9%) EMEA, due to industry channel shift
(4.2%) Asia-Pacific, due to insolvency of Jet Airways
(4.4%) Latin America, due to macro-economic weakness

Average Booking Fee
Decline of 10bp

Low single digit incentive fee per booking growth

Adjusted Operating Income
$137M

17.2% decline

6.8% decline excluding increase in technology operating expenses

Adjusted Operating Margin
20.3%

450bp decline

200bp decline excluding increase in technology operating expenses

Amounts are compared to Q4 2018.

Full Year 2019 Performance: Travel Network

Total Revenue

$2,883M

Growth of 2.7%

Global Air Bookings Share

38.8%

Growth of 130bp

Air Bookings

1.5%

Hotel Bookings

Mid-high single digit growth

Total Bookings

566M

Growth of 1.4%

Regional Bookings

North America

6.2%

International

(3.6%) Latin America, due to macro-economic weakness
(3.8%) Asia-Pacific, due to insolvency of Jet Airways
(4.3%) EMEA, due to decline in low margin rail bookings and industry channel shift

Average Booking Fee

Growth of 140bp

Low single digit incentive fee per booking growth

Adjusted Operating Income

$649M

14.2% decline

4.0% decline excluding increase in technology operating expenses

Adjusted Operating Margin

22.5%

440bp decline

180bp decline excluding increase in technology operating expenses

Amounts are compared to FY 2018.

Q4‘19 Performance: Airline Solutions

Total Revenue

$208M ⇧ 2.8% growth

⇧ 7.2% growth
Excluding certain carriers*
and acquisition of Radixx

Product Line Revenue

SabreSonic

⇩ 1.0%

AirVision/AirCentre

⇧ 10.1%

Passengers Boarded

187M ⇧ 1.6% growth

⇧ 4.1% growth
Excluding certain carriers*
and acquisition of Radixx

Operating Income

$18M ⇩ 39.2% decline

4.4% growth excluding increase in technology operating expenses

Operating Margin

8.5% ⇩ 590bp decline

20bps expansion excluding increase in technology operating expenses

Amounts are compared to Q4 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 Bangkok Airlines and Philippine Airlines

Full Year Performance: Airline Solutions

Total Revenue

$840M ⇧ 2.1% growth

⇧ 7.7% growth
Excluding certain carriers*
and acquisition of Radixx

Product Line Revenue

SabreSonic

⇧ 0.9%

AirVision/AirCentre

⇧ 4.3%

Passengers Boarded

741M ⇩ 1.5% decline

⇧ 5.8% growth
Excluding certain carriers*
and acquisition of Radixx

Operating Income

$80M ⇩ 27.6% decline

22.5% growth excluding increase in technology operating expenses

Operating Margin

9.6% ⇩ 390bp decline

270bps expansion excluding increase in technology operating expenses

Amounts are compared to FY 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 Bangkok Airlines, Pakistan International Airlines and Philippine Airlines

Q4'19 Performance: Hospitality Solutions

Total Revenues

$71M

Growth of 6.9%

SynXis Software and Services

Revenue

7.4%

Central Reservation System Transactions

26.1M

Growth of 16.4%

Operating Loss

$6M

Driven by increase in technology operating expenses

Amounts are compared to Q4 2018.

Full Year Performance: Hospitality Solutions

Total Revenues

$293M

Growth of 7.3%

SynXis Software and Services

Revenue

7.1%

Central Reservation System Transactions

108.5M

Growth of 22.4%

Operating Loss

$22M

Driven by increase in technology operating expenses

Amounts are compared to FY 2018.

Q4’19 Technology expenditures

Total technology spend

$257M

Increase of $14M, or 5.6%

Capitalized software development

$18M

Decrease of $52M, or 74.0%

Capitalization mix

7%

Decrease of 22pts

Amortization of previous capitalization

$72M

Decrease of $2M, or 2.1%

Net technology operating expense impacting operating results

$310M

Increase of $64M, or 26.2%

Amounts are compared to Q4 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.

Full Year 2019 Technology expenditures

Total technology spend

$1,034M

Increase of $34M, or 3.4%

Capitalized software development

$89M

Decrease of $166M, or 65.1%

Capitalization mix

9%

Decrease of 17pts

Amortization of previous capitalization

$293M

Increase of $6M, or 2.0%

Net technology operating expense impacting operating results

$1,237M

Increase of $206M, or 20.0%

Amounts are compared to FY 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.

Full Year 2019 Net debt, leverage and cash flow

Free Cash Flow

$466M ⇧ 5.7% growth

Leverage

Net Debt

$2,928M

Leverage Ratio (Net Debt / LTM Adj. EBITDA)

3.1x

Cash from Operations

$582M ⇩ 19.8% decline

Due to shift in capitalization change; offset in CapEx

Returning Cash to Shareholders – Quarterly Dividend

Dividend

$153.5M

Total return to shareholders

$231.1M

CapEx

$115M ⇩ 59.4% decline

Due to shift in capitalization change

Returning Cash to Shareholders – Share Repurchases

Returned through repurchase

$77.6M

Shares repurchased

3.7M

Amounts are compared to Q4 2018.

$150M Incremental technology spend

$150 Million

Supporting technology transformation expenditures and opportunistic investments

Technology Transformation

Personalized Offer

Future of Distribution & NDC

Low Cost Carrier Growth

Full-Service Hotel PMS

~$100M (Technology Transformation)

~$50M (Personalized Offer; Future of Distribution & NDC; Low Cost Carrier Growth; Full-Service Hotel PMS)

2020 Guidance

	2020 Guidance Core Business Only	Incremental Technology Spend*	**2020 Guidance** Including Technology Investment, Excluding Coronavirus	**Expected 2024 Target**	Estimated Coronavirus Impact in Q1 2020**
Revenue	Low single digit growth	n/a	Low single digit growth		($100M) – ($150M)
Adjusted EBITDA	Mid 20%s margin	(~$200M)	High teens margin	26%+ EBITDA margin	($50M) – ($80M)
Adjusted EPS	$1.10 - $1.30	(~$0.60)	$0.50 - $0.70		($0.14) – ($0.23)
Free Cash Flow	~$485M	(~$150M)	~$335M		($50M) – ($80M)

*$50M non-cash from capitalization mix shift

**Preliminary and based on now-known information and on expectation that bookings do not recover in Q1 2020.

The information presented here represents forward-looking statements and reflects expectations as of February 26, 2020. 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 third quarter 2019 Form 10-Q and 2018 Form 10-K.

APPENDIX

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income attributable to common shareholders to Adjusted Net Income, Adjusted EBITDA, Adjusted Operating Income and Last Twelve Months' (LTM) Adjusted EBITDA (for Net Debt Ratio)
(in thousands, except per share amounts; unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income attributable to common stockholders	$ 10,091	$ 84,400	$ 158,592	$ 337,531
Loss (income) from discontinued operations, net of tax	1,068	1,478	1,766	(1,739)
Net income attributable to noncontrolling interests[1]	665	1,150	3,954	5,129
Income from continuing operations	11,824	87,028	164,312	340,921
Adjustments:				
Acquisition-related amortization[2a]	16,633	16,423	64,604	68,008
Loss on extinguishment of debt	—	—	—	633
Other, net[4]	3,314	(2,237)	9,432	8,509
Acquisition-related costs[5]	10,700	3,266	41,037	3,266
Litigation costs, net[6]	(3,224)	1,250	(24,579)	8,323
Stock-based compensation	15,802	15,818	66,885	57,263
Tax impact of net income adjustments[7]	(11,052)	(26,503)	(42,476)	(59,353)
Adjusted Net Income from continuing operations	$ 43,997	$ 95,045	$ 279,215	$ 427,570
Adjusted Net Income from continuing operations per share	$ 0.16	$ 0.34	$ 1.01	$ 1.54
Diluted weighted-average common shares outstanding	276,222	277,881	276,217	277,518
Adjusted Net Income from continuing operations	$ 43,997	$ 95,045	$ 279,215	$ 427,570
Adjustments:				
Depreciation and amortization of property and equipment[2b]	77,956	77,963	310,573	303,612
Amortization of capitalized implementation costs[2c]	8,127	11,407	39,444	41,724
Amortization of upfront incentive consideration[3]	23,110	20,298	82,935	77,622
Interest expense, net	39,027	40,208	156,391	157,017
Remaining provision for income taxes	14,595	22,624	77,802	116,845
Adjusted EBITDA	206,812	267,545	946,360	1,124,390
Less:				
Depreciation and amortization[2]	102,716	105,793	414,621	413,344
Amortization of upfront incentive consideration[3]	23,110	20,298	82,935	77,622
Acquisition-related amortization[2a]	(16,633)	(16,423)	(64,604)	(68,008)
Adjusted Operating Income	$ 97,619	$ 157,877	$ 513,408	$ 701,432
Adjusted EBITDA margin	22.0 %	29.0 %	23.8 %	29.1 %
Net Debt (total debt, less cash)			$ 2,927,633	$ 2,922,590
Net Debt / LTM Adjusted EBITDA			3.1x	2.6x

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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income attributable to common stockholders	$ 10,091	$ 84,400	$ 158,592	$ 337,531
Loss (income) from discontinued operations, net of tax	1,068	1,478	1,766	(1,739)
Net income attributable to noncontrolling interests[1]	665	1,150	3,954	5,129
Income from continuing operations	11,824	87,028	164,312	340,921
Adjustments:				
Acquisition-related amortization[2a]	16,633	16,423	64,604	68,008
Loss on extinguishment of debt	—	—	—	633
Other, net[4]	3,314	(2,237)	9,432	8,509
Acquisition-related costs[5]	10,700	3,266	41,037	3,266
Litigation costs, net[6]	(3,224)	1,250	(24,579)	8,323
Stock-based compensation	15,802	15,818	66,885	57,263
Tax impact of net income adjustments[7]	(11,052)	(26,503)	(42,476)	(59,353)
Adjusted Net Income from continuing operations	$ 43,997	$ 95,045	$ 279,215	$ 427,570
Adjusted Net Income from continuing operations per share	$ 0.16	$ 0.34	$ 1.01	$ 1.54
Diluted weighted-average common shares outstanding	276,222	277,881	276,217	277,518
Adjusted Net Income from continuing operations	$ 43,997	$ 95,045	$ 279,215	$ 427,570
Adjustments:				
Depreciation and amortization of property and equipment[2b]	77,956	77,963	310,573	303,612
Amortization of capitalized implementation costs[2c]	8,127	11,407	39,444	41,724
Amortization of upfront incentive consideration[3]	23,110	20,298	82,935	77,622
Interest expense, net	39,027	40,208	156,391	157,017
Remaining provision for income taxes	14,595	22,624	77,802	116,845
Adjusted EBITDA	206,812	267,545	946,360	1,124,390
Less:				
Capitalized Software Development	18,375	70,795	89,193	255,578
Adjusted EBITDA Less Capitalized Software Development	$ 188,437	$ 196,750	$ 857,167	$ 868,812

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 December 31, 2019				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 136,860	$ 17,700	$ (6,161)	$ (90,762)	$ 57,637
Add back:					
Selling, general and administrative	46,685	21,935	9,594	72,340	150,554
Cost of revenue adjustments:					
Depreciation and amortization(2)	26,068	39,840	11,781	6,425	84,114
Amortization of upfront incentive consideration(3)	23,110	—	—	—	23,110
Stock-based compensation	—	—	—	6,445	6,445
Adjusted Gross Profit	232,723	79,475	15,214	(5,552)	321,860
Selling, general and administrative	(46,685)	(21,935)	(9,594)	(72,340)	(150,554)
Joint venture equity income	71	—	—	—	71
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	3,222	2,618	1,349	11,413	18,602
Acquisition-related costs(5)	—	—	—	10,700	10,700
Litigation costs, net(6)	—	—	—	(3,224)	(3,224)
Stock-based compensation	—	—	—	9,357	9,357
Adjusted EBITDA	189,331	60,158	6,969	(49,646)	206,812
Less:					
Depreciation and amortization(2)	29,290	42,458	13,130	17,838	102,716
Amortization of upfront incentive consideration(3)	23,110	—	—	—	23,110
Acquisition-related amortization(2a)	—	—	—	(16,633)	(16,633)
Adjusted Operating Income (Loss)	$ 136,931	$ 17,700	$ (6,161)	$ (50,851)	$ 97,619
Operating income margin	20.3 %	8.5 %	NM	NM	6.1 %
Adjusted operating income margin	20.3 %	8.5 %	NM	NM	10.4 %

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 December 31, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 165,330	$ 29,116	$ 2,954	$ (76,381)	$ 121,019
Add back:					
Selling, general and administrative	42,694	18,181	8,323	60,281	129,479
Cost of revenue adjustments:					
Depreciation and amortization(2)	27,371	43,332	10,091	6,369	87,163
Amortization of upfront incentive consideration(3)	20,298	—	—	—	20,298
Stock-based compensation	—	—	—	7,407	7,407
Adjusted Gross Profit	255,693	90,629	21,368	(2,324)	365,366
Selling, general and administrative	(42,694)	(18,181)	(8,323)	(60,281)	(129,479)
Joint venture equity income	101	—	—	—	101
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	2,940	3,500	949	11,241	18,630
Acquisition-related costs(5)	—	—	—	3,266	3,266
Litigation costs, net(6)	—	—	—	1,250	1,250
Stock-based compensation	—	—	—	8,411	8,411
Adjusted EBITDA	216,040	75,948	13,994	(38,437)	267,545
Less:					
Depreciation and amortization(2)	30,311	46,832	11,040	17,610	105,793
Amortization of upfront incentive consideration(3)	20,298	—	—	—	20,298
Acquisition-related amortization(2a)	—	—	—	(16,423)	(16,423)
Adjusted Operating Income (Loss)	$ 165,431	$ 29,116	$ 2,954	$ (39,624)	$ 157,877
Operating income margin	24.9 %	14.4 %	4.4 %	NM	13.1 %
Adjusted operating income margin	24.9 %	14.4 %	4.4 %	NM	17.1 %

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)

	Year Ended December 31, 2019				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 646,794	$ 80,428	$ (21,632)	$ (342,173)	$ 363,417
Add back:					
Selling, general and administrative	178,664	85,801	38,597	273,506	576,568
Cost of revenue adjustments:					
Depreciation and amortization(2)	108,302	160,381	47,877	24,329	340,889
Amortization of upfront incentive consideration(3)	82,935	—	—	—	82,935
Stock-based compensation	—	—	—	27,997	27,997
Adjusted Gross Profit	1,016,695	326,610	64,842	(16,341)	1,391,806
Selling, general and administrative	(178,664)	(85,801)	(38,597)	(273,506)	(576,568)
Joint venture equity income	2,044	—	—	—	2,044
Selling, general and administrative adjustments:					
Depreciation and amortization(2)	12,781	10,633	5,221	45,097	73,732
Acquisition-related costs(5)	—	—	—	41,037	41,037
Litigation costs, net(6)	—	—	—	(24,579)	(24,579)
Stock-based compensation	—	—	—	38,888	38,888
Adjusted EBITDA	852,856	251,442	31,466	(189,404)	946,360
Less:					
Depreciation and amortization(2)	121,083	171,014	53,098	69,426	414,621
Amortization of upfront incentive consideration(3)	82,935	—	—	—	82,935
Acquisition-related amortization(2a)	—	—	—	(64,604)	(64,604)
Adjusted Operating Income (Loss)	$ 648,838	$ 80,428	$ (21,632)	$ (194,226)	$ 513,408
Operating income margin	22.4 %	9.6 %	NM	NM	9.1 %
Adjusted operating income margin	22.5 %	9.6 %	NM	NM	12.9 %

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

	Year Ended December 31, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	$ 753,255	$ 111,146	$ 12,881	$ (315,266)	$ 562,016
Add back:					
Selling, general and administrative	160,298	73,675	33,626	245,927	513,526
Cost of revenue adjustments:					
Depreciation and amortization[(2)]	106,877	170,258	36,826	27,692	341,653
Amortization of upfront incentive consideration[(3)]	77,622	—	—	—	77,622
Stock-based compensation	—	—	—	26,591	26,591
Adjusted Gross Profit	1,098,052	355,079	83,333	(15,056)	1,521,408
Selling, general and administrative	(160,298)	(73,675)	(33,626)	(245,927)	(513,526)
Joint venture equity income	2,556	—	—	—	2,556
Selling, general and administrative adjustments:					
Depreciation and amortization[(2)]	11,399	12,173	3,117	45,002	71,691
Acquisition-related costs[(5)]	—	—	—	3,266	3,266
Litigation costs, net[(6)]	—	—	—	8,323	8,323
Stock-based compensation	—	—	—	30,672	30,672
Adjusted EBITDA	951,709	293,577	52,824	(173,720)	1,124,390
Less:					
Depreciation and amortization[(2)]	118,276	182,431	39,943	72,694	413,344
Amortization of upfront incentive consideration[(3)]	77,622	—	—	—	77,622
Acquisition-related amortization[(2a)]	—	—	—	(68,008)	(68,008)
Adjusted Operating Income (Loss)	$ 755,811	$ 111,146	$ 12,881	$ (178,406)	$ 701,432
Operating income margin	26.8 %	13.5 %	4.7 %	NM	14.5 %
Adjusted operating income margin	26.9 %	13.5 %	4.7 %	NM	18.1 %

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 December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
Cash provided by operating activities	$	156,895	$	188,604	$	581,260	$	724,797
Cash used in investing activities		(134,544)		(69,595)		(243,026)		(275,259)
Cash used in financing activities		(58,297)		(54,097)		(409,721)		(306,506)

	Three Months Ended December 31,				Year Ended December 31,			
	2019		2018		2019		2018	
Cash provided by operating activities	$	156,895	$	188,604	$	581,260	$	724,797
Additions to property and equipment		(23,042)		(78,276)		(115,166)		(283,940)
Free Cash Flow	$	133,853	$	110,328	$	466,094	$	440,857

2020 Business outlook and financial guidance

With respect to the 2020 guidance:

- Full-year Adjusted EBITDA guidance consists of (1) 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, acquisition-related costs, other foreign non-income tax matters and foreign exchange gains and losses of $30 million; and the tax impact of the above adjustments of approximately $35 million, less (2) the impact of depreciation and amortization of property and equipment, amortization of capitalized implementation costs and amortization of upfront incentive consideration of approximately $390 million; interest expense, net of approximately $160 million; and provision for income taxes less tax impact of net income adjustments of approximately $45 million.

- Full-year Adjusted EPS guidance consists of (1) 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, acquisition-related costs, other foreign non-income tax matters and foreign exchange gains and losses of $30 million; and the tax impact of the above adjustments of approximately $35 million, divided by (2) 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 $395 million to $475 million less additions to property and equipment of $80 million to $120 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, impairment and related charges, the cost of revenue portion of depreciation and amortization, restructuring and other costs, 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, impairment and related charges, acquisition-related amortization, restructuring and other costs, acquisition-related costs, litigation costs, 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, impairment and related charges, acquisition-related amortization, loss on extinguishment of debt, other, net, restructuring and other costs, acquisition-related costs, litigation costs, net, stock-based compensation, and the tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net, and the 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.

We define adjusted net income from continuing operations per share as adjusted net income divided by diluted weighted average shares outstanding.

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 are unaudited and have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. These non-GAAP financial measures and ratios based on them exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of these measures has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- these non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Profit and Adjusted EBITDA do not reflect cash requirements for such replacements;
- Adjusted Operating Income (Loss), Adjusted Net Income, 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 non-controlling interests represents an adjustment to include earnings allocated to non-controlling interest held in (i) Sabre Travel Network Middle East of 40% and Sabre Seyahat Dagitim Sistemleri A.S. of 40% for all periods presented, (ii) Sabre Travel Network Lanka (Pte) Ltd of 40% beginning in July 2015, and (iii) Sabre Bulgaria of 40% beginning in November 2017.
2) Depreciation and amortization expenses:
   a) Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date. Also includes amortization of the excess basis in our underlying equity interest in the net assets of SAPPL prior to its acquisition on July 1, 2015.
   b) Depreciation and amortization of property and equipment includes software developed for internal use, as well as amortization of contract acquisition costs.
   c) Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model.
3) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to 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) In 2019, 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. In 2018, we recorded an expense of $5 million related to our liability under the Tax Receivable Agreement ("TRA") and an offsetting gain of $8 million on the sale of an investment.
5) Acquisition-related costs represent fees and expenses incurred associated with the 2018 agreement to acquire Farelogix, which is anticipated to close in 2020 as well as costs related to the acquisition of Radixx in 2019.
6) Litigation costs, net represent charges associated with antitrust litigation and other foreign non-income tax contingency matters. In 2019, we recorded the reversal of our previously accrued loss related to the US Airways legal mater for $32 million. In 2018, we recorded non-income tax expense of $4 million for tax, penalties and interest associated with certain non-income tax claims for historical periods regarding permanent establishment in a foreign jurisdiction.
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. In 2018, the tax impact on net income adjustments includes a benefit of $27 million related to the provisional impact for deferred taxes and foreign tax effects recorded for the enactment of the TCJA in 2017.