



Q2 2024 Earnings Call Prepared Remarks

August 1, 2024

Slide 1 – Title Slide

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

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

Slide 2 – Forward-looking statements

Brian Evans, Sr. Vice President Investor Relations and Treasurer

Thank you, and good morning everyone. Welcome to Sabre's second quarter 2024 earnings call.

This morning we issued an earnings press release, which is available on our website at investors.sabre.com. A slide presentation, which accompanies today's prepared remarks, is also available during this call on the Sabre Investor Relations web page. A replay of today's call will be available on our website later this morning.

We advise you that our comments contain forward-looking statements that represent our beliefs or expectations about future events, including the effects of growth strategies, distribution volumes, benefits from our technology transformation, commercial and strategic arrangements, and our financial guidance and targets, free cash flow, and liquidity, among others. All forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the statements made on today's conference call. More information on these risks and uncertainties is contained in our earnings release issued this morning and our SEC filings, including our Form 10-Q for the quarter ended June 30, 2024.

Throughout today's call, we will also be presenting certain non-GAAP financial measures. References during today's call to Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow have been adjusted to exclude certain items. The most directly comparable GAAP measures and reconciliations for non-GAAP measures are available in the earnings release and other documents posted on our website at investors.sabre.com.

Slide 3 – Today’s presenters

Participating with me are Kurt Ekert, President and CEO, and Mike Randolfi, Chief Financial Officer. Scott Wilson, EVP and President of Hospitality Solutions, will be available for Q&A after the prepared remarks.

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

Slide 4 – Agenda

Kurt Ekert, President and CEO

Thanks, Brian.

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

I’m pleased to share that we delivered another quarter of strategic advancement and success for Sabre, driven by the focused execution, hard work and dedication of our team members worldwide. Earlier today, we reported second quarter financial results that exceeded our guidance. We delivered steady revenue growth, a meaningful increase in Adjusted EBITDA, significant margin expansion, and we generated positive second quarter free cash flow for the first time in five years. This outperformance gives us the confidence, once again, to increase our full-year 2024 revenue and Adjusted EBITDA guidance.

We remain on track to deliver our target to more than double Adjusted EBITDA from 2023 to 2025, driven primarily by our growth strategies as well as cost efficiencies, including our technology transformation.

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

First, I will review our second quarter business highlights including our financial performance and recent commercial wins. Next, I will provide an overview of the progress we have made on our growth strategies.

I will close with a snapshot of two of our new platform product offerings.

Finally, Mike will take you through our second quarter financial results and provide an update to our 2024 guidance.

Slide 5 – Continued strong financial performance in Q2 2024

Please turn to Slide 5.

Sabre achieved solid year-on-year revenue growth in the second quarter, driven by a higher distribution booking fee from a richer customer mix, increased CRS transactions in Hospitality Solutions, and higher hotel distribution bookings driven by improved content and higher hotel attach rate. These top-line metrics, coupled with strong cost management, drove \$129 million of

Adjusted EBITDA, which was \$56 million, or 76%, above the prior year quarter. Importantly, our Adjusted EBITDA margin increased by 7 points year-over-year from 10% to 17%.

Slide 6 – Q2 2024 Highlights: Delivering on our priorities

On to Slide 6.

As a reminder, our long-term strategy is guided by four priorities.

Our first priority is to generate positive free cash flow and de-lever the balance sheet. Earlier this year, we refinanced debt maturities to better align our maturities with free cash flow generation over the next few years. Additionally, we expect the company will generate positive free cash flow in the third quarter, fourth quarter, and for full year 2024.

On our second priority, achieving sustainable long-term growth, we continued to grow our share of air distribution bookings on a year-over-year basis for the sixth consecutive quarter. Additionally, our Hospitality Solutions business continues to gain momentum in the marketplace with another strong quarter of execution and growth.

Our third strategic priority is to drive innovation and enhance our value proposition. In May, we announced SabreMosaic™, our next-generation airline retailing platform. We also delivered exciting new products in Hospitality Solutions. I will touch on both of these shortly.

Last, our team continued to execute on our technology transformation, as greater operational efficiency drove significant cost savings. We remain on track to achieve our overall targeted cost savings of \$250 million in 2025 as compared to 2023.

Slide 7 – Travel Solutions Q2 2024 financial highlights

Turning to Slide 7.

Travel Solutions delivered a solid second quarter. Revenue growth was driven by year-over-year increases in our average booking fee, air distribution industry share expansion, and meaningful growth in hotel distribution bookings.

Sabre's air distribution bookings in the second quarter declined 1% year-over-year, as compared to negative 2% for the industry. This was driven primarily by softness in Asia group bookings and Latin America bookings, as well as general softness with leisure intermediary bookings. Corporate travel volumes were positive for the industry and up between 2% and 3% for Sabre.

Based on recent Sabre commercial wins as well as easier year-over-year comparisons, we expect year-on-year air distribution bookings growth to resume in the second half of this year and continue to build momentum as we exit 2024. Early indicators in Q3 support this outlook.

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

On to Slide 8.

As we highlighted throughout 2023 and again last quarter, we are consistently increasing our share of air distribution industry bookings. This chart highlights that our share expanded for the sixth consecutive quarter on a year-over-year basis.

Based on signed but not yet implemented business, as well as a rich commercial pipeline, we believe we are on track to achieve further industry share gains.

Slide 9 – Hospitality Solutions Q2 2024 financial highlights

Turning to Slide 9.

Our Hospitality Solutions team delivered strong results in the second quarter, supported by continued product improvements and enhancements that are generating increased transactions, product expansion, and customer wins. For the second quarter, revenue was up 9%, and we delivered Adjusted EBITDA of \$10 million. Adjusted EBITDA margin improved by six points, from 6% to 12%, and recurring revenue during the quarter remained strong at 81%.

Our implementation with Hyatt is going well and we went live with the first Hyatt CRS transactions during Q2, just one year after signing this agreement. We believe the flexibility and efficiency of our industry-leading platform solution enables rapid IT implementations at scale.

We are on track in Hospitality Solutions to achieve double-digit revenue growth and double-digit Adjusted EBITDA margin for full year 2024.

Slide 10 – Recent commercial wins driving sustainable growth

Please turn to slide 10.

During the second quarter we announced a number of significant commercial wins and important partnerships that we believe position us well to achieve both our financial goals and strategic objectives. Following are some examples.

On the agency and distribution front, we had a number of wins this past quarter. First, we signed significant distribution contracts with two well known North American travel agency customers that we expect will convert a significant number of distribution bookings to Sabre in 2024 and 2025. We expect to be able to share more specifics regarding these deals later this year.

Second, we have a new long-term agreement with InterparkTriple, Korea's largest OTA, to become their majority GDS provider. Finally, we are excited to have signed a large, leisure agency in France, driven primarily by the value of our multi-source platform.

Regarding new distribution capability, or NDC, we continue to offer more robust functionality to a growing number of carrier and agency partners. During the second quarter, we added NDC content for Etihad Airways, and also recently announced the launch of NDC content for both Hawaiian Airlines and Air Canada. Additionally, Sabre will be the first GDS to offer NDC content from LATAM Airlines, later this year.

Further, we also announced an expansion of our partnership with Spotnana to integrate Sabre's NDC content within their platform, targeted at TMCs and corporate travelers.

In Airline IT, our team recently secured renewals for our PRISM data analytics solution with American Airlines and Aeromexico, and for our network planning and optimization software with Singapore Airlines.

In Hospitality Solutions, in addition to going live with Hyatt, we also earned a multi-year renewal with Wyndham, the world's largest hotel franchisor, for SynXis Property Hub, after successfully migrating more than 5,000 Wyndham hotels onto the platform, nearly one year ahead of schedule. And, we just announced yesterday that Sabre signed a long-term renewal with Wyndham for our SynXis central reservation system. Under this agreement, Wyndham will continue to utilize our cloud-based SynXis CRS to manage its operations, reaffirming Sabre Hospitality as their exclusive global CRS provider for nearly two decades.

I commend our teams for achieving a number of significant commercial wins and for expanding on critical partnerships that deliver added value to customers.

Slide 11 – Growth strategies gaining traction

On to Slide 11.

During the second quarter we made further progress on each of our six growth strategies.

On distribution expansion, as I mentioned, we successfully drove share gains in air distribution. Agencies and other buyers are selecting Sabre as a preferred technology vendor of choice, noting our differentiated offerings such as multi-source platform, digital payments, and our hotel distribution offering. We believe we are well positioned to achieve approximately 100 basis points of share gains on an annualized basis by the end of 2024, and annually for the foreseeable future.

Hotel distribution experienced strong growth in the second quarter with hotel bookings up 12% year-over-year, and the hotel attachment rate to air bookings up four points, from 29% to 33%. We believe our hotel distribution platform, which efficiently consolidates a diverse array of content sources globally and delivers them in an intelligent and personalized manner, will continue to drive strong growth.

In payments, during the second quarter, virtual card deployments increased 32% year-over-year. We remain excited about the pace of growth in our digital payments business.

Last, we achieved a number of successes during the quarter in Hospitality Solutions. We launched SynXis Concierge.AI, which is delivering compelling improvements in productivity and hotelier user experience, and the next generation of SynXis Retailing, which enables greater ancillary revenue opportunity beyond room reservations using our industry knowledge coupled with the power of artificial intelligence. Furthermore, the number of properties adopting our next generation SynXis Retailing solution has expanded significantly year-to-date.

Slide 12 – Multi-Source Platform

Turning to Slide 12.

Another critical piece of our strategic growth plan is our multi-source platform. This platform dynamically consumes and seamlessly offers NDC, low-cost carrier, and traditional edifact content. It provides global scale and dynamic pricing capability to our airline customers, while providing industry-best choice, efficiency and automation to buyers via a unified interface of personalized content choices. We believe this is the most seamless offering of its type to buyers in the world.

Slide 13 – Introducing SabreMosaic

On to Slide 13.

Our strategic focus on delivering innovation is personified by SabreMosaic, our fully modular and cloud-native new technology platform. We believe this offering will revolutionize airline retailing by delivering flexible, open, and scalable Offer and Order architecture. Using Google's powerful AI capabilities, SabreMosaic enables airlines to dynamically create, sell, and deliver an array of personalized content to travelers worldwide.

We are hearing strong enthusiasm from our customers and the marketplace, and are in late-stage negotiations with several carriers for SabreMosaic. We look forward to providing additional implementation and commercial details in the coming months.

Overall, we are consistently delivering on our strategy and operating plans, and gaining strong momentum.

I will now hand the call over to Mike to walk you through our financial performance and forward outlook.

Slide 14 – Q2 2024 Financial Highlights

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 14.

The second quarter represented another strong quarter for Sabre in which we made steady progress towards achieving our financial objectives.

Solid revenue growth, in conjunction with improved cost efficiency, drove strong flow through to our bottom line, resulting in a significant year-over-year improvement in our Adjusted EBITDA.

The financial results in the first half of 2024 give us confidence to increase both our revenue and Adjusted EBITDA guidance for full year 2024, which I will discuss in greater detail shortly.

We ended the quarter with a cash balance of \$634 million, and we expect to be free cash flow positive in Q3, Q4, and for the full year.

Slide 15 – Second Quarter 2024 results versus guidance

Please turn to Slide 15.

As you can see in the table, we exceeded our second quarter guidance for revenue and Adjusted EBITDA, and achieved positive free cash flow. The revenue outperformance was primarily driven by a favorable rate mix on air distribution bookings and higher than expected hotel distribution bookings. Strong flow through of revenue and lower overall operating expenses drove our Adjusted EBITDA beat versus guidance.

Slide 16 – Significant YOY financial improvement in Q2'24

Turning to slide 16.

Total second quarter revenue was \$767 million, an increase of \$30 million, or 4% versus last year.

Distribution revenue totaled \$551 million, a \$20 million, or 4% increase compared to \$530 million in Q2 2023. Our total Distribution bookings were 91 million in the quarter, a 1% increase compared to 90 million in Q2 2023.

Our average booking fee was \$6.05 in the second quarter, up 3% from Q2 2023, as we experienced a richer mix of bookings, including fewer discounted Asia group bookings.

IT Solutions revenue totaled \$144 million in the quarter, compared to \$140 million in the prior year.

Hospitality Solutions continued its strong trajectory with Q2 2024 revenue totaling \$83 million, an approximately \$7 million, or 9% improvement versus revenue of \$77 million in Q2 2023. Adjusted EBITDA in the second quarter was \$10 million, an improvement of \$6 million versus prior year. We expect accelerating revenue and CRS transactions growth in the second half of the year from our Hyatt implementation. We are on track for double-digit revenue growth and double-digit margins in Hospitality Solutions for the full year 2024.

Sabre's Adjusted EBITDA of \$129 million in Q2 2024, versus \$73 million in Q2 2023, represented a \$56 million improvement year-over-year. The continued benefit of lower unit costs from our technology transformation and the cost actions implemented last year helped drive our Adjusted EBITDA margin from about 10% in Q2 2023, to 17% in the second quarter this year.

Lastly, we generated free cash flow of \$8 million in the quarter, which represents the highest second quarter free cash flow generated in five years.

Slide 17 – Q3, Q4 and FY24 guidance

Turning to slide 17.

Regarding guidance for the third quarter of 2024, we expect revenue of approximately \$775 million and Adjusted EBITDA of approximately \$135 million. For the fourth quarter, we expect revenue of approximately \$725 million and Adjusted EBITDA of approximately \$120 million. We expect to generate positive free cash flow in both the third and fourth quarters. Overall, we expect to be free cash flow positive for 2024, with the majority occurring in the fourth quarter.

Our guide for sequentially lower fourth quarter versus third quarter revenue and AEBITDA is driven by seasonality. As a reminder, the fourth quarter is typically the lightest quarter for air distribution bookings, but the strongest quarter for free cash flow generation due to favorable seasonality in working capital.

For full year 2024, we currently expect revenue of approximately \$3,050 million and Adjusted EBITDA of approximately \$525 million.

Furthermore, we believe our second quarter results highlight that we are on track to achieve our 2025 targets of greater than \$700 million in Adjusted EBITDA and greater than \$200 million in free cash flow, as outlined during our Q4 2023 earnings call in February.

In conclusion, our team members once again delivered strong financial results in the second quarter, achieved key operational and commercial accomplishments, and developed critical new products to support our strategic priorities. Sabre took another significant step towards achieving our long-term objectives in the second quarter, and we remain committed to delivering on our strategic priorities in the years to come.

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

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