



Q1 2024 Earnings Call Prepared Remarks

May 2, 2024

Slide 1 – Title Slide

Good morning and welcome to the Sabre first 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 first 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 cost efficiencies and growth strategies, distribution volumes, benefits from our technology transformation, commercial and strategic arrangements, 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 March 31, 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, Adjusted EPS 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. We appreciate your interest in Sabre, thank you for joining today's session.

I'm pleased to discuss our first quarter, the success of which was a direct result of our team members' focus, unrelenting execution of our plan and commitment to our customers. Earlier today, we reported Q1 financial results that exceeded our previous guidance and included solid revenue growth, a substantial increase in Adjusted EBITDA, and significant margin expansion, which has been a continuing trend. We achieved commercial wins that drove additional distribution industry share gains, delivered next-generation products to meet our customers' needs, and advanced our technology transformation to increase our speed and efficiency, all with a lower cost base. This progress leads us to increase our revenue and Adjusted EBITDA guidance for FY 2024.

Let me share the agenda for today's call. On Slide 4, you can see an overview of the topics that Mike and I will cover.

First, I will review our Q1 business highlights and accomplishments. Next, I'll provide a brief update on our technology transformation and highlight some of the recent product and commercial wins that our global team has achieved. Finally, before handing off to Mike, I'll close with a snapshot of our growth strategies and the positive momentum they are driving.

Mike will then take you through the financial results for the first quarter and provide an update to our 2024 guidance.

Before I move on, my team and I extend enthusiastic congratulations to Gail Mandel on her election as Sabre's new Board Chair. Gail's vast operating experience, and depth of travel industry knowledge have proven invaluable to Sabre since she joined the Board in April 2020.

We also extend deep gratitude to Sean Menke for his leadership as CEO and Board Chair during an unprecedented time in Sabre's history, and we wish him well.

Slide 5 – Strong revenue and AEBITDA growth in Q1 2024

Now let's turn to Slide 5.

We achieved solid revenue growth driven by traction in our growth strategies and a higher average booking fee, combined with our cost structure improvements, to more than double Sabre's Adjusted EBITDA margin versus the first quarter of 2023. These achievements drove better than expected Adjusted EBITDA to be well above our guidance for the quarter.

Slide 6 – Q1 2024 Highlights: Delivering on our priorities

On to Slide 6.

As a reminder, we have four key strategic priorities that drive our long-term growth, and form the foundation of our resource allocation and decision making.

First, generating positive free cash flow and de-levering the balance sheet remain important financial objectives. The significant improvement in our Adjusted EBITDA in the first quarter keeps us on track to generate positive free cash flow in 2024. We also took important steps during the first quarter to further align our debt maturities over the next few years with our projected free cash flow expectations. We now plan to repay the remaining 2025 maturities using cash from our balance sheet.

On our second priority, achieving sustainable long-term growth, we continued to grow our share of air distribution industry bookings in the first quarter, which I will touch on in greater detail in a moment.

Turning to Hospitality Solutions, our team delivered strong financial results in the first quarter and is executing on the interim milestones we have established with Hyatt to bring them onto our SynXis CRS platform. Implementation is expected to begin this quarter, within just 12 months of our contract announcement.

Our third strategic priority is to drive innovation and enhance our value proposition. We recently announced the development of Sabre Red Launchpad alongside our launch partner Internova Travel Group. This new booking solution supports NDC, low-cost carrier, and traditional edifact content options, while giving agencies more choice and flexibility in how they manage their workforces. Additionally, we continue to invest resources focused on each of our six growth strategies that are designed to provide intelligent retailing and next-gen distribution technology. I will provide proof points on how we are delivering results from these in just a moment.

Last, our team once again delivered on our technology transformation goals, and we expect to achieve our operational and cost savings objectives by year end 2024.

Slide 7 – Travel Solutions Q1 2024 financial highlights

Turning to Slide 7.

Travel Solutions delivered a solid first quarter that helped drive financial results above our previous Q1 guidance. Distribution industry share expansion, strong growth in our lodging, ground and sea business, and continued improvement in the average fee from a richer booking mix helped drive a \$74 million, or 64%, year-on-year increase in Travel Solutions' Adjusted EBITDA.

Slide 8 – Faster air industry bookings growth vs broader industry

On to Slide 8.

As we highlighted throughout 2023, Sabre is growing its share of distribution industry bookings. As you can see, our share in Q1'24 expanded for the fifth consecutive quarter on a year-over-year basis. In addition, our share in Q1'24 also increased on a sequential basis from Q4'23 as corporate travel improved in the quarter especially relative to the trends we experienced late last year.

Slide 9 – Hospitality Solutions Q1 2024 financial highlights

Turning to Slide 9.

We are proud of the consistently strong results our Hospitality Solutions team delivered in the first quarter. Total revenue was up 7% year-over-year on solid growth in CRS transactions during the quarter. In addition, Adjusted EBITDA margins grew approximately 10% and overall Adjusted EBITDA increased by \$11 million versus Q1'23.

As we mentioned last quarter, the SaaS operating model inherent in our Hospitality Solutions business generates high recurring revenue. We believe consistent revenue growth, 81% recurring revenue, a steady margin expansion trend, and a strong value proposition for a growing customer base of hotel operators seeking enhanced IT capabilities support an improving value trajectory for this business.

Slide 10 – Technology transformation remains on track

Please turn to slide 10.

Our technology transformation remains on course to achieve our cost savings targets and technology goals by year-end 2024. Further, we continue to expect an overall technology cost reduction of greater than \$150 million in 2025 vs. 2023 from these efforts.

As the chart indicates, our migration to Google cloud continues to drive improved efficiency in our business. In the first quarter, our unit cost of compute again declined by nearly 20% from the first quarter 2023, and was down approximately 55% vs. 2019.

To enhance productivity, we introduced generative AI tools to approximately 800 of our software engineers during the first quarter. We expect this initiative to further accelerate our product development throughput and speed innovation.

Overall, we believe our partnership with Google and our commitment to investing in innovation will continue to deliver modern technology solutions that meet the changing needs of our customers.

Slide 11 – Recent commercial wins driving sustainable growth

Please turn to slide 11.

Once again, our sales and commercial teams delivered a number of significant business wins during Q1 that highlight how Sabre's intelligent retailing and modern distribution solutions consistently help our customers solve the complexity of today's travel marketplace. Following are some examples.

In Distribution, our expanded relationship with Air India continues to support bookings growth and industry share gains. In addition, we signed important renewals with both Southwest Airlines and Alaska Airlines, two carriers posting above-market rates of growth in overall distribution bookings.

On new distribution capability, or NDC, we continue to accelerate investments to offer more robust functionality to a growing number of carrier and agency partners. Recently, SAP Concur has integrated Sabre's Offer and Order APIs, making Sabre the first GDS provider to power NDC for SAP Concur and the corporate travelers that it serves. TMCs and corporations using Concur Travel are now able to shop, book, fulfill and service NDC content via the Sabre GDS. Additionally, earlier this week, we announced that Serko, a leader in online travel booking and expense management based in New Zealand, has launched Sabre's NDC content in its online travel platform, making Sabre the first GDS to provide NDC content via Serko and its platform that serves the business travel market.

In Airline IT, our team recently secured an agreement with Aegean Airlines, which operates on a competitor's PSS, for our intelligent retailing product, Dynamic Availability. This important new partnership is testament that our modular, next-gen solutions are platform agnostic, and are gaining traction with customers regardless of a carrier's PSS.

Also within Airline IT, Air Serbia recently reaffirmed its partnership with Sabre by signing a multi-year early renewal for SabreSonic, and announced that it will also adopt Sabre's Pricing and Revenue Optimization suite to better manage its inventory and network.

Additionally, just last month, LATAM Airlines Group announced that it will adopt Sabre Air Price IQ, our cloud-native, intelligent retailing solution designed to personalize travel offers and maximize customer revenue utilizing real-time data, revenue management strategies, and artificial intelligence models.

On the agency front, we signed a new multi-year agreement and converted Duluth Travel, a leader in US government travel, to Sabre. In addition, we recently announced a technology initiative with InterparkTriple, the leading online travel agency in South Korea, where we will apply our cutting-edge Travel AI technology to provide users with enhanced travel content and more personalized experiences.

We also signed important deals with Etraveli Group, one of the five largest agencies globally by distribution bookings, and also with W2M, one of the largest agencies based in Spain.

In summary, I commend our team for achieving a number of commercial wins during the first quarter with both new and existing customers.

Slide 12 – Growth strategies gaining traction

On to Slide 12.

I am pleased to report that during the first quarter we made meaningful progress on each of our growth strategies, which are designed to deliver modern distribution and retailing technology to meet the evolving needs of the marketplace.

Our multi-source platform has expanded to include low-cost carrier content from 20 new airline partners. Sabre's platform offers LCC, integrated NDC and edifact content in one place, coupled with our proprietary functionality, APIs and business logic that we believe are best in class. Our powerful platform enables carriers to dynamically sell through intermediaries while importantly providing buyers the choice, transparency, speed, efficiency and seamless user experience, across all channels, that best meets their needs.

On distribution expansion, as I mentioned earlier, we again realized solid share gains in air distribution in the first quarter as buyers with complex IT demands continue to select Sabre as their preferred technology partner. We believe our compelling distribution offering, especially our multi-source platform, recent wins with global carriers such as Air India, as well as signed but not yet announced or implemented business, and a rich pipeline of new business, position us well for continued distribution share expansion.

Hotel distribution experienced strong growth in the first quarter with hotel bookings, the largest contributor to our lodging, ground, and sea business, up 11% year-over-year, and

the hotel attachment rate to air bookings up 2.5 pts. We believe our content services lodging platform, which integrates numerous disparate content sources, provides intelligent and relevant shopping responses, and is consumable through our APIs and across myriad channels, will drive meaningful growth as it brings our customers a leading accommodation offering.

In payments, we are excited about the growth opportunity of this business and believe our leading products position us well to unlock substantial returns over the long-term. During the first quarter, we signed more than 80 new customer agreements, and our virtual card deployments jumped 31% year-over-year.

Sabre made significant strides in delivering next-generation Airline IT products and solutions in the first quarter. In addition to Dynamic Availability and Air Price IQ commercial wins, we are excited about the progress on our offer/order technology, and expect to make significant product and commercial announcements on this suite of solutions in the coming months.

Last, we continue to see strong momentum in Hospitality Solutions. As I mentioned previously, implementation work with Hyatt to provide our SynXis central reservation system technology is moving at pace, with implementation expected to begin this quarter. We also announced an important multi-year renewal with Wyndham yesterday that highlights the successful migration of more than 5,000 Wyndham hotels to our SynXis Property Hub platform nearly one year ahead of schedule.

In addition, the number of properties to adopt our next generation SynXis Retailing solution has expanded by 33% year-to-date. These achievements are just a few of the reasons why we continue to expect Hospitality Solutions to deliver double digit revenue growth and substantial margin improvement for 2024.

In summary, we believe that our focus on these strategies will drive sustainable growth over the long-term.

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

Slide 13 – Q1 2024 Financial Highlights

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 13.

The first quarter was a strong quarter for Sabre. We exceeded guidance in each of our key metrics as our continued focus on efficiency combined with solid revenue growth to drive significant margin expansion. Our technology transformation and commitment to containing expenses drove our cost structure meaningfully lower. Importantly, our improved cost base and greater

efficiency enhances our ability to fund the research and product development initiatives that are critical to delivering on our long-term strategic priorities.

In addition to the strong operating performance outlined here on this slide, our team also delivered several significant debt refinancing transactions earlier this year that extended approximately \$300 million of debt maturities. These transactions provide additional balance sheet flexibility and better align projected future free cash flow generation with our upcoming maturity timeline.

We expect to achieve positive quarterly free cash flow moving forward in 2024 and for the full year, and plan to repay the remaining 2025 maturities with cash from our balance sheet.

Slide 14 – First Quarter 2024 results versus guidance

Please turn to Slide 14.

As you can see from this table, we exceeded our guidance for revenue, Adjusted EBITDA, and free cash flow in the first quarter. With regards to outperformance on revenue as compared to our prior Q1 guide, about 1/3 is driven by a higher average bookings fee than expected, and about 2/3 is driven by higher total distribution bookings. Revenue strength and continued cost efficiencies drove strong flow through to the bottom line, enabling our \$27 million Adjusted EBITDA beat.

Slide 15 – Significant YOY financial improvement in Q1'24

Turning to slide 15.

Total Q1 revenue was \$783 million, an increase of \$40 million, or 5% vs. last year.

Distribution revenue totaled \$572 million, a \$46 million dollar, or 9% increase compared to \$526 million in Q1 2023. Our total Distribution bookings were 98 million in the quarter, a 2% increase compared to 97 million in Q1 2023. Our average booking fee was \$5.81 in the first quarter, up 7% from Q1 2023, as we realized an increase in corporate travel volumes resulting in higher booking fees.

IT Solutions revenue totaled \$141 million in the quarter. This was a \$10 million dollar decline versus revenue of \$152 million in the prior year, driven by previously disclosed de-migrations.

Hospitality Solutions Q1 2024 revenue totaled \$79 million, a \$5 million dollar, or 7% improvement versus revenue of \$74 million in Q1 2023. Adjusted EBITDA in the first quarter was \$8 million, an improvement of \$11 million versus Q1 2023. This represents the strongest first quarter Adjusted EBITDA in six years. With the strong pipeline of new property growth, including additions from our Hyatt implementation, we are on track for double-digit revenue growth in 2024 with double-digit margins.

Sabre's Adjusted EBITDA of \$142 million in Q1 2024 vs. \$58 million in Q1 2023 represented an \$84 million improvement year-over-year. As I mentioned earlier, the cost actions we implemented last year reduced our Adjusted SG&A and technology expenses by 16% on a year-over-year basis in the first quarter, and helped drive our Adjusted EBITDA margin from about 8% in Q1 2023, to over 18% in the first quarter of this year.

Free Cash Flow was negative \$96 million, driven primarily by typical seasonal working capital trends.

We ended the first quarter with a cash balance of \$650 million.

Slide 16 – Better aligned debt maturities with projected free cash flow

Turning to slide 16.

We completed a number of refinancing transactions during the first quarter to strengthen our balance sheet as we continue to focus on our long-term strategic and financial priorities.

These refinancings reduced our 2025 debt maturities by over \$300 million, increased our liquidity by over \$70 million, and better aligned our maturities with projected free cash flow that we expect to generate in the coming years.

As you can see on the slide, our next significant maturity will not come due until June 2027, providing a significant runway as we expect our business to continue to gain momentum and our financial performance to continue to improve.

As a result of these recent transactions, we now plan to repay our remaining 2025 debt maturities with cash from our balance sheet.

Slide 17 – 2024 guidance and 2025 targets

Turning to slide 17.

Regarding guidance for the second quarter of 2024, we expect revenue of approximately \$750 million, Adjusted EBITDA of approximately \$115 million and positive free cash flow. As a reminder, with regard to typical seasonal sequential trends, second quarter air distribution bookings are typically lower by high single digits versus the first quarter.

For the full year 2024, we expect revenue of approximately \$3.04 billion, and Adjusted EBITDA of approximately \$520 million. As you can see in this updated outlook, we continue to expect strong operating leverage from our technology transformation and heightened focus on cost containment.

In addition, in 2024, we expect to generate positive free cash flow in the second, third, and fourth

quarters, and for the full-year. With the recent refinancings and changes in the forward interest rate curve, we now expect cash interest to be approximately \$375 million. As we look at the pace of capital expenditures through April, we now expect to spend approximately \$85 million this year.

Furthermore, we believe 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 that we outlined during our Q4 earnings call in February.

In conclusion, our team members delivered strong first quarter financial results and achieved a number of important operational and commercial accomplishments to support our strategic priorities which are to generate free cash flow and de-lever the balance sheet, deliver sustainable growth, drive innovation, and to reduce our cost structure. We firmly believe that the outlook we have communicated today will enable us to accomplish those objectives.

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

END
