Q4 & FY 2024 Earnings Call Prepared Remarks

February 20, 2025

Slide 1 – Title Slide

Good morning and welcome to the Sabre fourth quarter and full-year 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

Good morning and welcome to our fourth quarter and full year 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, transactions and bookings growth, results of 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-K for the year ended December 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, 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 us today to discuss our fourth quarter and full-year 2024 results. Our performance this quarter, and our expectations for 2025, highlight the continued progress we are making executing against our strategy and strengthening our balance sheet.

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 2024 business highlights including our financial performance. Then, I will provide an overview of the progress we have made on our growth strategies, how these focused investments address the evolving global travel industry, and how they are reshaping Sabre's growth trajectory.

Next, Mike will take you through our fourth quarter and full-year 2024 financial results and discuss our 2025 guidance.

Slide 5 – FY 2024 highlights and review

Please turn to Slide 6.

Slide 6 – Strong financial performance in 2024

Sabre had a successful year in 2024. Our team delivered on our strategic technology transformation objectives, including significant product and platform enhancements, positioning us for meaningful growth from commercial wins.

Steady revenue growth combined with effective cost management resulted in 550 basis points of margin expansion and a 53% year-on-year increase in Adjusted EBITDA, which totaled $517 million for the year, above our initial guidance of greater than $500 million provided last February.

I commend our team members around the world for their hard work and dedication towards positioning Sabre for accelerated growth in 2025 and beyond.

Slide 7 – Travel Solutions 2024 financial highlights

Turning to Slide 7.

Travel Solutions achieved solid financial results in 2024 due to higher average distribution booking fees from a richer customer mix, double-digit year-on-year growth in hotel distribution bookings, and contributions from new air distribution business. Notably, our exit rate for GDS industry share was up one percentage point versus the prior year.

Looking forward, we expect our year-on-year distribution bookings growth to continue building momentum, driven primarily by the progress we are making on our growth initiatives.

Slide 8 – Hospitality Solutions 2024 financial highlights

Turning to Slide 8.

Our Hospitality Solutions team delivered strong results in 2024 as total revenue reached an all-time high, due mainly to increased CRS transactions. This revenue performance was driven by new customer deployments and a favorable mix within our customer base. Overall, strong revenue growth and continued operational focus contributed to a $25 million increase in Adjusted EBITDA to $38 million, in-line with our target.

Revenue growth accelerated into year-end driven by higher transactions, in part due to the Hyatt implementation - which is beginning to generate meaningful increases in CRS transaction growth.

Slide 9 – Accomplished our technology transformation objectives

Please turn to slide 9.

And finally, before moving on to our strategy update, please note the successful completion of our technology transformation objectives. Our team, in partnership with Google, has delivered the migration of more than 99% of our compute capacity to the cloud, achieving greater than $150 million of cost benefits versus both 2019 and 2023 and establishing a strong foundation for future innovations.

Slide 10 – Progress against our strategy

Now, looking ahead.

Slide 11 – Our strategic focus remains unchanged

Please turn to slide 11.

The global travel industry has experienced substantial change in recent years. As the marketplace continues to evolve, our strategic focus to innovate and deliver value to our customers and stakeholders remains unchanged.

First, generating free cash flow and delevering our balance sheet remain our top financial priorities. We are pleased with the progress we are making on this front, and Mike will share greater detail shortly.

Second, we are investing to drive sustainable growth. To achieve this, we are prioritizing three areas - a modern technology stack, an open marketplace, and intelligent retailing solutions. We believe these areas, the last two of which encapsulate our growth strategies, are essential in today's dynamic travel marketplace. I will now go into more detail around the promising results that we are already realizing from our growth strategies, which are expected to drive significantly greater volume and revenue growth starting in 2025.

Slide 12 – Building solutions based on modern technology

On to Slide 12.

Travelers and businesses increasingly require immediate access to real-time data and information that can only be delivered by powerful, modern technology infrastructure. Having achieved the objectives of our technology transformation, Sabre is able to design, build, and deliver advanced solutions that not only address customer and market demands, but also fuel our strategic growth plans.

Operating in a modern, open and cloud-based technology stack means we can deliver products to customers with critical SaaS capabilities, including more seamless integration, excellent performance and scalability, high availability and enhanced security.

In addition, AI-powered capabilities are increasingly differentiating winners from losers. Our partnership with Google harnesses the power of its advanced AI capabilities and infuses high quality data into our next-generation products and solutions. We are also leveraging 'classical' and Generative AI that enable our teams to write better code at faster pace, to diagnose and resolve problems swiftly, and improve engineering productivity and throughput.

Now I will review our specific strategies, starting with open marketplace.

Slide 13 – Leading in an open marketplace

On to Slide 13.

Sabre is transforming our historical distribution offering, namely the GDS, into a broader modern open marketplace. The foundational elements are four of our previously articulated growth strategies: multi-source platform, distribution expansion, hotel B2B distribution, and digital payments.

Sabre's multi-source platform provides a ubiquitous, efficient, open marketplace for buyers and travelers by standardizing and consolidating fragmented air content sources, including NDC, low-cost carrier, and traditional edifact. Our early adopter program already connects content from over 50 LCCs to approximately 500 agencies, and we now have NDC integrations with 27 airlines currently live on our platforms, including recent expanded relationships with Emirates, Qantas, TAP Air Portugal, and Air India.

Our distribution expansion initiative focuses on growing our share in key geographic and market segments. In 2024, our commercial team signed new business totaling between 30 to 40 million air distribution segments from global agencies. From this, we expect to realize significant volume growth in 2025, which I will touch on shortly.

Sabre's enhanced hotel B2B distribution platform is on a strong growth trajectory as we continue to build on our leading position. Our success in adding new global hotel partners and our investments in product enhancements are driving higher attachment rates. As I mentioned earlier, hotel distribution bookings were up double-digits year-on-year in 2024, driving a 16% increase in Global Booking Value moving through our platform, totaling $21 billion. We believe there is significant growth opportunity ahead.

Last, our digital payments business contributes to our open marketplace by reducing friction and bringing efficiency to sellers and buyers. The digital payments team continues to win new business and drove a 12% year-on-year increase in gross spending through the platform to $14 billion, resulting in a 45% increase in payment solutions revenue.

Slide 14 – Delivering intelligent retailing solutions

On to Slide 14

The third key area of our strategy is delivering intelligent retailing solutions to our airline and hotel customers.

SabreMosaic, our modernized and enhanced travel platform that over time will replace traditional PSS systems, is by design open, modular, and flexible, with AI-powered revenue optimization solutions that are already delivering results for our customers. Notably, SabreMosaic is also PSS agnostic. In 2024, we signed SabreMosaic commercial agreements with Virgin Australia, Riyadh Air, and Air Serbia, providing momentum and strong market interest.

Additionally, in the fourth quarter, we were pleased to announce a renewal of our technology partnership with American Airlines, including a multi-year extension of the PSS.

In Hospitality Solutions, we have a leading CRS platform, SynXis, and a growing presence in property management. And, SynXis Retail Studio brings accretive retailing capabilities on top of these existing platforms. This retailing offering enables hoteliers to optimize revenue with greater personalization of offers including ancillaries and third-party content, and improved selling conversion rates. Based on early results, properties utilizing SynXis Retail Studio experienced a greater than five times increase in hotel ancillary sales year-on-year.

Slide 15 – Open marketplace and retailing solutions driving sustainable growth

On to Slide 15.

Sabre's open marketplace and retailing solutions are resonating with customers and are reshaping our growth trajectory. In 2025, we expect double digit growth for air distribution bookings, hotel distribution bookings, and Hospitality Solutions CRS transactions.

We expect the majority of growth in air distribution bookings will come from a number of signed, but not yet fully implemented agreements, including the largest Korean OTA, as well as World Travel Inc, and another large win we signed in 2024. While we are not at liberty to disclose this customer's name, they are a rapidly growing, top five agency in North America focused on the loyalty and credit card space. This agency generated nearly 25 million airline segments in 2024. We were pleased to win a commitment of strong majority share of the business and are steadily progressing through the migration process which we expect to complete in 2025.

In addition, we expect our multi-source strategy to drive incremental NDC and LCC volumes.

Regarding industry share, to better represent the growing total addressable market for air distribution bookings that we are targeting with our multi-source platform, including NDC, LCC, and edifact content, moving forward, we will focus on total distribution bookings growth rather than solely GDS industry share. We believe this approach more accurately reflects the evolving distribution marketplace and we are confident that our projected double-digit growth in air distribution bookings in 2025 demonstrates our strengthening competitive position.

In Hospitality Solutions, we expect double-digit CRS transaction growth in 2025 driven by existing business and the implementation of signed new business, including Hyatt.

Mike will provide additional details on the drivers of our air distribution and hospitality CRS volume growth expectations for 2025 shortly.

In summary, we are confident that we have the right strategies and solutions in place to drive significant acceleration in volume and revenue growth for Sabre in 2025 and beyond.

Slide 16 – Review of Q4 and FY 2024 financial results

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

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 17.

Slide 17 – 2024 financial highlights

The Sabre team delivered strong financial results in 2024. We generated year-on-year revenue growth, invested strategically to support innovation, and effectively managed costs, all of which resulted in higher margins and strong flow-through to the bottom line. Adjusted EBITDA increased by more than 50% in 2024 to $517 million, above our initial guidance of greater than $500 million provided last February. On the strength of this financial performance, we achieved our free cash flow objective for the year, improved our capital structure, and made significant advancements on each of our long-term strategic priorities.

Slide 18 – Solid YoY financial improvement in 2024

Turning to slide 18.

Total fourth quarter revenue increased 4% versus last year, to $715 million.

Distribution revenue totaled $500 million, a 5% increase compared to $476 million in Q4 2023. Total Distribution bookings were 81 million in the quarter, a 4% increase compared to 78 million in Q4 2023. Our average booking fee was $6.17 in the fourth quarter, up 1% year-on-year.

IT Solutions revenue was roughly flat year-on-year in the fourth quarter and totaled $145 million.

Hospitality Solutions' Q4 2024 revenue increased 8% to $81 million, primarily driven by an 8% increase in CRS transactions. Segment Adjusted EBITDA in the fourth quarter was $9 million, an improvement of $4 million versus prior year.

Sabre's Adjusted EBITDA of $115 million in Q4 2024 versus $96 million in Q4 2023 represented a $20 million improvement year-on-year. Strong cost discipline helped drive our Adjusted EBITDA margin from 14% in Q4 2023 to 16% in the fourth quarter of 2024.

Moving to our full-year financial performance.

We achieved our revenue, Adjusted EBITDA, and free cash flow objectives for 2024. We delivered revenue of $3.030 billion, up 4%, and Adjusted EBITDA of $517 million, up 53%. Additionally, Hospitality Solutions delivered $38 million of Segment Adjusted EBITDA, growth of $25 million, in line with our targeted objective.

Free cash flow for the year was negative $14 million, including $19 million in debt modification costs related to the opportunistic refinancing we completed in November. Excluding the accounting treatment of this opportunistic refinancing, we generated positive free cash flow in 2024.

We ended the year with a cash balance of $746 million.

Slide 19 – 2025 guidance

Now, looking to 2025.

Slide 20 – Competitive wins and platform expansion to accelerate growth

Please turn to slide 20.

As Kurt mentioned, our targeted strategies are resonating with customers and position us to grow revenue and transactions significantly faster in 2025 as compared to 2024. I will now take a moment to provide more clarity on the key contributors to this growth.

Starting with air distribution, as you can see in the chart to the left highlighted in green, the vast majority of our expected double-digit bookings growth this year will come from already signed commercial wins that are being implemented over the course of the year. These deals include the two North American wins that we announced during the third quarter last year, along with significant contributions from agency wins in Europe and Asia.

Importantly, we continue to assume only a nominal contribution from overall industry growth in 2025. Based on recent airline and industry commentary, the outlook for both corporate and international travel, where Sabre is more heavily indexed, remains positive.

The chart on the right outlines our quarterly expectations for air distribution bookings growth. Beginning with the second quarter, we expect to see the sequential pace of year-over-year bookings growth accelerate through the balance of the year as these implementations come online. Overall, we expect more than 30 million incremental air bookings in 2025 as compared to 2024.

Slide 21 – Expect growth to accelerate in Hospitality Solutions

Turning to slide 21.

In Hospitality Solutions, we also expect double-digit year-on-year growth in CRS transactions, with the vast majority of incremental volumes coming from signed, but not yet implemented business. Hyatt is expected to approximate roughly half of CRS transaction growth in 2025.

Moving to the chart on the right, we expect mid-to-high single digit year-on-year growth in CRS transactions in the first quarter, followed by a steady acceleration throughout the remainder of the year.

Slide 22 – Q1 and FY 2025 guidance

Turning to Slide 22 and our guidance.

In the first quarter, we expect flat to low-single digit year-on-year revenue growth with Adjusted EBITDA of greater than $150 million. Based on the timing and implementation of our new commercial wins, we expect our quarterly revenue and Adjusted EBITDA will likely not follow historical seasonal patterns. As we move through 2025, we expect the ramp of our commercial wins will result in significant increases in year-on-year quarterly revenue and Adjusted EBITDA. Unlike previous years, we expect the first quarter to represent the lowest revenue and Adjusted EBITDA of the year.

With regards to free cash flow, as a reminder, we typically experience higher working capital and cash outflows in the first quarter due to the seasonality of our business. This is generally due to the timing of when we receive airline collections, versus when we make agency incentive payments in the first quarter. We also pay annual incentive compensation payments during this period. As a result, we expect first quarter free cash flow to be similar to last year and positive in the remaining quarters of 2025.

For full year 2025, we expect high-single digit year-on-year revenue growth, Adjusted EBITDA of greater than $700 million, and free cash flow of greater than $200 million. In addition, we expect capital expenditures of approximately $85 million to support our strategic investments, and cash interest expense of about $375 million.

Given the atypical seasonal pattern of revenue and Adjusted EBITDA that we expect in 2025, I will provide additional color on how we expect our primary financial metrics to move in 2025.

For the full-year, we expect to achieve high-single digit revenue growth primarily from the increases in air distribution bookings, hotel distribution bookings, and Hospitality Solutions CRS transactions, as well as revenue growth in IT Solutions that we expect to resume in the second half of 2025.

We also expect average booking fees, and gross margin as a percentage of total revenue, to be marginally down year-on-year as a portion of the expected new bookings in 2025 will have a lower average booking fee driven by geographic mix, NDC, and LCC growth.

Further, the completion of Sabre's technology transformation objectives is expected to drive adjusted technology costs lower versus 2024. We expect the lower cost of compute from operating in the cloud, and the elimination of the bubble costs required in 2024 to complete the cloud migration, will be partially offset by increased hosting costs related to higher volumes and further investments to support our strategy.

On SG&A expenses, for the full year 2025, we expect a slight year-over-year increase.

Overall, we expect accelerating revenue growth, coupled with expense management will drive robust flow-through of gross profit dollars to the bottom line.

Slide 23 – Build to 2025 Adjusted EBITDA guidance

Turning to slide 23.

We advanced each of our strategic priorities in 2024. With the actions taken over the last couple of years to realign resources, we are a more efficient and cost-disciplined organization. As Kurt highlighted, the momentum within our growth strategies is expected to drive significant contributions and top-line revenue growth.

As a result, we remain on track and expect to achieve the greater than $700 million of Adjusted EBITDA we communicated last February and as part of our 2025 guidance.

Slide 24 – Focused on improving balance sheet and deleveraging

Turning to slide 24.

We completed several refinancing transactions in 2024 to strengthen Sabre's balance sheet, while also better aligning projected free cash flow generation with upcoming debt maturities.

As mentioned earlier, in November 2024, we opportunistically extended $1.6 billion in debt maturities to the fourth quarter of 2029, significantly improving Sabre's debt maturity profile.

Our next large maturity will not come due until June 2027.

As a result of the refinancing activities during 2024 and the financial improvements achieved, we are well positioned to repay our 2025 debt maturities, with cash-on-hand as they come due.

Slide 25 – Our strategic focus remains unchanged

Turning to slide 25.

In closing, our strategic focus remains unchanged – to generate free cash flow and delever the balance sheet through sustainable growth and innovation. We believe our accomplishments in 2024 have reshaped Sabre's growth trajectory and position us well to deliver shareholder value in 2025 and beyond.

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

END