Sabre Q2 2019 Earnings Prepared Remarks

Aug 1, 2019

Slide 1 – Q2 2019 Earnings Report

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

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

Go ahead sir.

Slide 2 – Forward-looking statements

<u>Barry Sievert, SVP Investor Relations and Corporate Communications:</u>

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

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

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

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

We would like to advise you that our comments contain forward-looking statements. These statements include, among others, disclosure of our guidance, including revenue, EBITDA, EBITDA Less Capitalized Software Development, operating income, net income, EPS, cash flow and CapEx;

our medium term outlook; our expected segment results; the amount and effects of changes in capitalization mix and depreciation and amortization, the effects of customer financial conditions, and new or renewed agreements, products and implementations; our expectations of industry trends; and various other forward-looking statements regarding our business.

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

Information concerning the risks and uncertainties that could affect our financial results is contained in our SEC filings, including our first quarter 2019 Form 10-Q and 2018 Form 10-K.

Slide 3 – Today's presenters

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

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

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

Slide 4 – Q2'19 Highlights

Sean Menke, President and CEO:

Thanks Barry.

Good morning everyone and thank you for joining us today.

Before we get into the details of the call today, I want to take moment and thank my Sabre team members from around the world. Over the past 2+ years, we have made substantial progress in refocusing, reinvigorating and transforming Sabre. Their tireless efforts across the globe have allowed us to thrive as a global technology leader in retailing, distribution and fulfillment of the $1.7 trillion travel market place in which we reside. Our business model, which is underpinned by long-term contracts, renewal rates of well over 90%, and revenue streams that are tied to travel volumes, has proven resilient across economic cycles. The Sabre team should be very proud of what they have accomplished, and I am very grateful for their hard work and dedication.

With that, I'm pleased to report a solid second quarter performance that was supported by our business model and commercial wins:

- The second quarter of 2019 marked the sixth consecutive quarter of strong gains in our GDS share. We grew bookings 8% in our home region of North America.

- At Airline Solutions, we saw a 15% increase in AirVision and AirCentre commercial and operations revenue in the quarter. Our broad set of SaaS airline solutions continues to gain momentum following our efforts over the past two years and has contributed to our ability to contract approximately 75% of our current Airline Solutions revenue base through 2023.

- At Hospitality Solutions, we have exceeded sales targets for the fourth quarter in a row and grew revenue by 8% year-over-year in the quarter.

We are accelerating new innovations to differentiate versus our competitors. This includes the roll-out of Sabre Red 360, and new lodging content innovations including a significant expansion of properties available through our GDS. We have recently launched the new Sabre Virtual Payments platform, continued to progress in our NDC efforts, brought to market the industry's first Airline Commercial Platform and introduced an innovative Hospitality Intelligent Retailing Platform that opens new sources of revenue growth for our Hotelier customers. In the quarter, we showcased our products at our Sabre Technology Exchange conference in Las Vegas. As a result of the improvements we have made over the past two years, our innovations are gaining traction with customers, and we had record attendance this year from around the globe.

Slide 5 – Q2'19 Commercial update: Travel Network

Our momentum continued to move in a positive direction in the industry. Taking a closer look at Travel Network, we have over 38% share and have been winning share over the past six quarters. We expect continued share gain and solid revenue growth over the coming years, in line with or above growth rates in global travel, on a base of $2.8 billion in 2018.

In our home region of North America, we have already lived through an era of pricing pressure and deregulation. In other places around the world where these trends are now taking place and carriers are trying to drive more direct traffic, we are relatively less exposed due to the fact that the majority of our bookings are for longer-haul traffic made outside of their home countries. In EMEA, we have grown air bookings at a 3.5% CAGR over the past three years, versus a 40-basis point decline in GDS industry bookings in the region.

Our ability to win recent major deals like Flight Centre and Carlson Wagonlit Travel is anchored by technology. Our technology investments create network effects that scale across hundreds of airlines and hundreds of thousands of travel agents. With the cost of direct versus indirect distribution converging, we differentiate on technology.

Our technology leadership includes:

- Our launch of Sabre Red 360, our next-generation agency desktop,
- Our leadership in NDC and next-generation retailing, including the introduction of NDC APIs with United and the rollout of our Next-Generation Storefront with Delta,
- Lodging content expansion,
- New focus on our Sabre Virtual Payments solution in partnership with Visa, and
- The first GDS to migrate all of our shopping complex to the cloud.

We lead with technology. As expected, our incentive fee per booking growth moderated to low single digits in the quarter.

In the second quarter:

- We increased our booking commitments with IATI, Turkey's leading OTA and travel services integrator, and signed a significant renewal with Travel and Transport, a large corporate travel management company.
- As of quarter end, we are tracking well with respect to key conversions at ETraveli Group, a large European OTA group, and with respect to our deepened business relationship with Carlson Wagonlit Travel.
- Finally, on the supplier side, we signed 14 deals in the quarter, including renewals at LOT and Air Europa and three new supplier agreements.

Slide 6 – Q2'19 Commercial update: Airline Solutions

At Airline Solutions:

- We feel good about the progress we have made over the past two years and believe we have a healthy sales pipeline. We have locked in approximately 75% of our revenue through 2023. Of total contract value up for renewal over the past two years, this represents a strong renewal rate of 94%.
- We expect solid revenue growth, in line with or above growth in global travel, over the coming years after we anniversary some near-term impacts. And, we expect this new revenue will come in at high incremental margins.
- At Sabre Technology Exchange, we officially demo'ed Sabre Commercial Platform, the most significant upgrade in over 5 years. It enables a 50x faster shopping experience, delivers dynamic and intelligent offers to help maximize revenue for carriers, fulfills across all channels, and delivers a personalized customer experience.
- In the quarter, I am pleased to announce:
    - Crew Manager is gaining traction in the market, and we also signed and successfully implemented Crew Manager at Azul.
    - At Aeroflot, we signed a new deal for Shopping Cache in our retailing suite and a renewal and upsell of Movement Manager.
    - Ethiopian Airlines signed a deal for Dynamic Availability, a big data solution that is part of the initial roll-out of Sabre Commercial Platform.
    - We signed other share of wallet increases at GoAir, and Finnair, and key renewals at Copa, Croatia Airlines, Alaska Airlines, and Air France.

Slide 7 – Q2'19 Commercial update: Hospitality Solutions

At Hospitality Solutions:

- We are the clear global leader in central reservations systems. We have over 42,000 properties live on our solutions all around the globe.
- We expect continued strong growth in Hospitality Solutions revenue, at a 7% to 9% rate, over the next several years as we expect to continue to gain scale in a fragmented and underpenetrated market.
- We completed the industry's first and largest enterprise hotel implementation with Wyndham, including their acquisition of La

Quinta, which we implemented at the start of the second quarter.
- At Sabre Technology Exchange, we demo'ed for the first time Intelligent Retailing Platform, our vision for next-generation Hospitality retailing that enables attachment of ancillary products and experiences – like concert tickets and dinner reservations – to the core booking.
- In the second quarter, we implemented products at 1,500 incremental properties at new and existing customers.
- We closed a share of wallet increase with Coho Res for Sabre Property Hub, our next-generation hotel property management solution.
- Multiple other key wins and renewals were signed in the quarter, including Karisma and Hard Rock International.

Slide 8 – Q2'19 Technology update

In terms of technology, we expect to invest over $1 billion this year in total.
- We are continuing to build out our global cloud landing zones and now have over 55% of our total compute footprint in the cloud, including our entire Travel Network shopping complex.
- In the second quarter, we completed the final cutover of Travel Network Air Shopping out of our Tulsa datacenter. All shopping requests are now being split across cloud landing zones in the US, and we are now handling peak traffic of over 11,000 Travel Network shopping requests per second.
- The majority of our public cloud compute footprint is currently with Amazon Web Services. We now have cloud landing zones set up with Microsoft Azure, supporting our multi-cloud provider strategy, and are preparing to deploy multiple Airline Solutions and Hospitality Solutions products there including SabreSonic Web and our SynXis Central Reservation System.
- Later this month, we are planning to move the Airline Solutions shopping workload out of our Tulsa datacenter. Future steps will lead to the global distribution of web service gateways and seat availability, culminating in the expected launch of shopping in EMEA and/or Asia-Pacific next year.

Before I turn it over to Doug, I want to take a moment to address our agreement to acquire Farelogix. We are continuing to engage with the U.S. Department of Justice under a second request, as well as the UK Competition and Markets Authority, to communicate the significant customer benefits that we believe will arise from the deal.
- Last November, we first announced our intent to acquire Farelogix, a recognized innovator in the travel industry with advanced offer management and New Distribution Capability (NDC) order delivery

technology used by many of the world's leading airlines.

- We remain passionate about our original decision to bring our two organizations together and the positive impact we can have on the travel ecosystem. We expect Farelogix's complementary product offering will accelerate our delivery of the industry's first end-to-end airline retailing solution.
- We believe together, Sabre and Farelogix can make NDC, which is currently still in early days with minimal bookings, grow into a reality that helps our airline customers become better online retailers through the creation of dynamic offers that meet the personalized demands of today's traveler.
- As I mentioned in a letter I recently wrote to top airline CEOs around the world, we intend to continue supporting our customers' retailing and distribution strategies, regardless of channel, and fully support and develop Farelogix's suite of products and services, including direct connect capabilities.
- We continue to engage with the regulatory authorities about the benefits of this acquisition and why we believe it is good for our customers, good for travelers and good for competition.

Turning back to the quarter, the business is performing well on the strong foundation we have laid. Our solid second quarter performance, commercial wins, leading innovation and infrastructure progress give me confidence in raising our full year 2019 earnings guidance.

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

Slide 9 – Q2'19 Performance

Doug Barnett, Chief Financial Officer:

Thank you, Sean.

Under Sabre's business model, our revenue streams are tied to travel volumes, which are resilient across economic cycles, and long-term contracts, sticky solutions and renewal rates of well over 90%. Let me remind you of the durability of our business model: during the Great Recession, we grew EBITDA every year, and revenue grew every year except 2009, when it was down less than 1%.

Looking more closely at our Q2 results, revenue was up 2% year-over-year, totaling $1 billion. In the second quarter, recurring revenue totaled 93%.

Revenue growth was driven by solid performance across each of our businesses:

- Travel Network revenue was up 1%,
- Airline Solutions revenue was up 3%, and
- Hospitality Solutions revenue was up 8% in the quarter.

EBITDA Less Capitalized Software Development, which reflects our total R&D, was down 1% in the quarter. The EBITDA Less Capitalized Software Development pressure was largely driven by a modest increase in Travel Network incentive fee per booking. In the quarter, as expected, incentive fee per booking growth moderated to low single digits, versus double-digit growth over the past 8 quarters.

We continue to make good progress on our cloud migration. As I will describe in more detail later, our technology transformation is already driving leverage in the model, and total technology spend was down slightly in the quarter.

As previously discussed, the costs associated with our cloud migration and related technology transformation efforts are expensed as incurred, instead of capitalized. So, while our total technology spend went down slightly, a shift in our capitalization mix caused technology operating expenses to increase in the quarter, with an equal and offsetting decrease in CapEx. We also saw an increase in depreciation and amortization related to previously capitalized technology spend as products are placed into service.

Accordingly, operating income totaled $127 million in the quarter, representing an operating margin of 13%. The year-over-year decline in operating income reflects the near-term impact to our income statement from the change in technology expense recognition. Excluding the increase in technology operating expenses, operating income declined 4%, and operating margin was down 90 basis points in the quarter. As a reminder, the capitalization shift has no impact on Free Cash Flow.

EPS totaled $0.24 in the second quarter, down 5% year-over-year excluding the increase in technology operating expenses.

We believe our financials are reaching an inflection point. We are taking a double hit to our income statement this year related to the capitalization mix shift – from the increased technology operating expenses due to a lower capitalization rate, as well as increased D&A from previous capitalization.

But as we look to 2020 and beyond, the base will be reset. We believe we are set up for expanding EBITDA margins as we expect to realize savings from our technology initiatives. Additionally, we expect accelerating operating income and EPS growth as D&A rolls off due to expected lower capitalization. Expected D&A savings total approximately $140 million from 2019 to 2022.

Finally, our business has generated strong Free Cash Flow. We generated $76 million of Free Cash Flow in the second quarter, and we continue to expect full year Free Cash Flow generation of approximately $455 million. We returned $84 million to shareholders in the second quarter via share repurchases and our quarterly dividend.

Slide 10 – Q2'19 Performance: Travel Network

At Travel Network, revenue grew 1% in the quarter, totaling $725 million. This was slower than previous quarters but in line with our expectations as we begin to anniversary favorable European carrier pricing and the completion of the Flight Centre migrations.

The second quarter represented our 6th quarter in a row of strong GDS share gains. Our global booking share increased by 120 basis points in the quarter, representing 38.6% share. We continue to gain share at large, global travel management companies, including our expanded strategic agreement with CWT.

GDS industry bookings declined in the quarter due to a relatively more challenging macro global environment and Easter timing, as well as the insolvency of Jet Airways and channel shift driven by the three legacy European carrier families. GDS industry bookings declined 2% in the second quarter, but excluding Jet and the three legacy European carriers, grew 1%.

The maturity and balance of our global customer footprint and new business wins allowed us to grow faster than the overall GDS industry. Our largest book of business is in North America. We have already lived through the era of deregulation in our home region, where the costs of direct and indirect distribution have converged.

Our air bookings increased 1.4% in the quarter, which is in line with the second quarter expectations we communicated on our previous conference call. Excluding Jet Airways and the three legacy European carriers, our air bookings increased 2.6% in the quarter.

Total bookings in the quarter grew 1%, driven by air bookings growth and a modest decline in lodging, ground and sea bookings. Hotel bookings grew high single digits in the quarter, reflecting our focus on lodging content expansion. However, consistent with last quarter, our lower margin rail bookings declined in the quarter. We will anniversary the rail impact and expect healthy growth in Lodging, Ground and Sea bookings beginning in Q4’19.

Looking at the regional level, the health of our home region is strong. North America is the only region that posted GDS industry growth in the second quarter, and it was solid at 4%. We have over 80% share within large travel management companies in this region, representing airlines’ most valued customers. Our North American bookings grew 8% in the quarter, twice as fast as the GDS industry.

GDS industry bookings declined across all other regions. In Latin America, our bookings declined due to macro-economic weakness and volatility. On a volume basis, Latin America is the smallest of the four regions we report and makes up less than 10% of our total worldwide bookings.

As mentioned, GDS industry bookings in Asia-Pacific in the second quarter were impacted by the insolvency of Jet Airways, and our bookings declined accordingly. GDS bookings in India saw a double-digit decline in the second quarter, versus double-digit growth in the prior year quarter. As a reminder, we are relatively less exposed to the Indian market.

In EMEA, about half of our bookings decline was driven by the impact of low margin rail bookings, and about half was driven by industry softness due to channel shift by the three legacy European carrier groups. We believe our exposure to the impact of the three legacy European carrier groups is less than the other GDSs due to the fact that over 50% of our bookings from those carriers are made outside of Europe and are typically for longer haul, higher yielding traffic. Jet Airways and the three legacy European carriers had a combined 3-point negative impact to total GDS industry growth in the quarter, versus a 1-point negative impact on Sabre bookings growth.

Average booking fee declined 60 basis points in the quarter, in line with our expectations communicated last quarter. This was driven by:

- 150 basis points of negative impact from regional air mix, primarily due to faster growth in North American bookings versus a decline in international bookings,
- Partially offset by a 100 basis point positive mix impact from the decline in low profitability rail bookings and strong growth in hotel bookings.
- Remember that we have anniversaried the favorable European carrier pricing and the beneficial mix impact from the completion of the Flight Center migrations.

Incentive fee per booking normalized to the low single digit growth in the quarter, as expected. We expect normal inflationary incentive fee per booking growth to remain in the low-to-mid single digits over the medium term. We expect our margins to stabilize, and in 2021, we expect margins to begin to expand. As a reminder, the high level of incentive inflation over the past two years was driven by large, strategic deals, including renewals at 5 out of 6 of our top agencies through 2023 and beyond and recent major wins at Flight Centre and CWT.

Turning back to the quarter, operating income totaled $160 million, representing an operating margin of 22.1%. The majority of the margin decline was driven by the impact of the shift in capitalization mix. Excluding the increase in technology operating expenses driven by the capitalization shift, operating income declined 6%, and operating margin declined 180 basis points. The margin pressure was driven by incentive fee growth that outpaced booking fee growth.

Slide 11 – Q2'19 Performance: Airline Solutions

At Airline Solutions, after successfully navigating a heavy renewal cycle over the past two years, we now have locked in approximately 75% of our revenue through 2023, with a high renewal rate of 94% based on total contract value. With our rollout of the industry's first Airline Commercial Platform, we feel good about our competitive position, especially as we believe a large competitor is entering a heavy renewal cycle with a significant number of passengers boarded up for renewal over the next three years.

Airline Solutions revenue totaled $212 million in the second quarter, representing growth of 3%. As previously discussed, there are factors outside of our control that impacted our performance. These include the insolvency of Jet Airways and significant volume reductions at a certain Asian carrier due to an unfortunate 737 MAX incident. Additionally, the quarter was impacted by the de-migrations of Philippine Airlines and Pakistan International Airlines. Excluding these certain carriers, Airline Solutions grew 12% in the quarter.

SabreSonic revenue declined 3% and passengers boarded declined 8% in the quarter due to the certain carrier impacts I just mentioned. Excluding the certain carriers, passengers boarded increased 4% in the quarter.

AirVision and AirCentre revenue increased 15% in the quarter. This was largely driven by strength in our operations portfolio and upfront revenue recognition from local installs. It reflects the success of recent innovation and progress we have made in improving our stability and product health.

Our Airline Solutions business has high incremental margins. Airline Solutions operating income was down slightly versus the prior year, driven by the shift in capitalization mix. Excluding the increase in technology operating expenses, operating income growth was 61%, and operating margin increased 660 basis points.

The progress we have made improving our stability and product health, and other technology initiatives provides operating leverage in the model. We expect Airline Solutions EBITDA margin to expand nicely over the medium term.

Slide 12 – Q2'19 Performance: Hospitality Solutions

Hospitality Solutions is the global leader in hotel central reservation systems. We have over 42,000 properties live on our solutions. This includes the industry's first and largest enterprise hotel implementation with Wyndham Hotels & Resorts, including their 2018 acquisition of La Quinta Inns & Suites, which we fully implemented at the start of the second quarter of this year.

Hospitality Solutions revenue grew 8% in the quarter, supported by 8% growth in SynXis Software and Services revenue and a similar increase in Digital Marketing Services revenue.

Hospitality Solutions central reservation system transactions increased 28% in the quarter, which includes the benefit of migrating La Quinta at the beginning of the quarter, as well as certain other Wyndham Hotels brands in the second quarter of last year.

The shift in capitalization mix resulted in a modest operating loss for Hospitality Solutions in the quarter. Excluding the increase in technology operating expenses, we had positive operating income, up 185% versus the prior year, and 470 basis points of operating margin expansion.

Slide 13 – Q2'19 Technology expenditures

In the second quarter, total technology spend was $256 million. As a reminder, this includes the costs that we incur, whether capitalized or expensed, for hosting, third-party software and R&D.

Total technology spend decreased 1% in the quarter, reflecting progress we are achieving on our cloud migration and other technology initiatives.

As Sean mentioned, we now have over 55% of our total compute footprint in the cloud. The scale and leverage we are already gaining enables us to continue to strategically invest in new products, innovations, and infrastructure. We continue to expect full-year 2019 technology spend growth of 3% - 4%.

As discussed on our past two earnings call and today, the costs supporting our cloud migration and other technology transformation efforts are not capitalized. This resulted in a 15-point decline in capitalization mix, from 24% in the second quarter last year to 9% in the second quarter this year. Although neutral to Free Cash Flow, this shift significantly impacts operating income and EBITDA.

Additionally, the increase in amortization of previous capitalization resulted in a $4 million headwind to second quarter operating income. This is, of course, neutral to both EBITDA and Free Cash Flow.

As a result of the capitalization shift and increased amortization, the amount of total technology expense running through our income statement in the quarter increased by $38 million, or 14%. Remember, this refers to our total technology spend less capitalized software development, plus amortization of previous capitalization.

Slide 14 – Q2'19 Net debt, leverage and cash flow

As I mentioned, our business generates strong Free Cash Flow. Second quarter Free Cash Flow totaled $76 million, down modestly due to working capital timing. We continue to expect full year Free Cash Flow of approximately $455 million.

We ended the quarter with approximately $3 billion in net debt and a leverage ratio of 2.9x. We expect our leverage ratio to continue to naturally increase in the short term due to the change in capitalization mix. As a reminder, our target leverage ratio is 2.5 – 3.5x, with a preference toward the lower end of that range.

Our uses of excess Free Cash Flow are:

- investments in the business, both internal and external,
- dividends, and
- share repurchases, to offset dilution at a minimum.

We repurchased 2.2 million shares for approximately $46 million, and including our dividend, returned $84 million to shareholders in the second quarter.

Year-to-date, we have returned $155 million to shareholders via the repurchase of 3.7 million shares and our regular quarterly dividends.

Slide 15 – FY 2019 Guidance

We believe the business is performing well and better than expectations. Therefore, we are raising our full year 2019 earnings guidance.

We continue to expect total Sabre revenue growth of 3% to 5%, to $3.965 to $4.045 billion.

- At Travel Network, we now expect full year revenue of 3.5% to 5.5%. We now expect full year bookings growth of 2% to 4%, reflecting the sluggish GDS market. However, we expect continued share gain over the back half of the year to drive bookings growth that outpaces the industry. We have new agency conversions and share of wallet increases in the pipeline that have already been won and are currently being implemented. Accordingly, we expect bookings growth to accelerate in Q3 and Q4. We are raising our expectations for full year average booking fee growth to approximately 1.5%. We previously expected average booking fee to be roughly flat across the back half of the year, but we now expect about a 1% increase. By quarter, we expect booking fee growth of approximately 150 basis points in Q3, and roughly flat in Q4.
- At Airline Solutions, we are raising our guidance and now expect full year revenue to be roughly flat year-over-year. On a quarterly basis, we expect revenue to be down in Q3 and roughly flat in Q4 due to deal timing.
- At Hospitality Solutions, we continue to expect strong revenue growth of 7% to 9%.

We continue to expect:

- EBITDA of $945 million to $985 million, and
- EBITDA less Capitalized Software Development of $850 million to $890 million.

We are raising guidance for operating income, and now expect full year operating income of $495 million to $535 million. We now expect full year depreciation and amortization of $450 million, lower than our previous expectations.

Moving down the P&L, we have raised our expectations for net income and EPS and are now guiding to:

- Net income of $250 million to $290 million, and
- EPS of $0.91 to $1.05.

We continue to expect Free Cash Flow generation of approximately $455 million, or year-over-year growth of 3%. Remember this represents growth of 11% excluding the impact of a $29 million insurance settlement payment received last year. Our CapEx expectations remain unchanged at $130 million to $150 million. Remember, our business has typical working capital seasonality that benefits the fourth quarter compared to the first three quarters of the year. In Q3, we expect Free Cash Flow to be consistent with Q1 and Q2 average run-rates, with a significant quarter-over-quarter step up expected in Q4.

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

Back to you, Sean.

Slide 16– Thank you

Sean Menke, President and CEO:

Thanks Doug,

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

We believe you all should have confidence from what you are seeing in our results. Our Travel Network share gain demonstrates the importance of our investments in products and full cloud deployment our shopping complex, and incentive fee growth significantly decelerated in the quarter. With 15% growth in AirVision and AirCentre commercial and operational revenue, we are starting to see improving portfolio health show up in the results. We have migrated over 55% of our total compute footprint to the cloud, and the associated savings allowed us to reinvest in further transformation efforts while posting a reduction in total technology spend in the quarter. In summary, I am pleased with how the year is progressing and have confidence in achieving our full year 2019 goals.

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