



Q1 2025 Earnings Call Prepared Remarks

May 7, 2025

Slide 1 – Title Slide

Good morning and welcome to the Sabre first quarter 2025 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 first quarter 2025 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 timing and effects of the agreement to sell our Hospitality Solutions business, including pro forma financial information, results of our growth strategies, transactions and bookings growth, commercial and strategic arrangements, and our financial guidance, outlook and expectations, free cash flow, net leverage, 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, 2025.

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. We are also presenting certain financial information on a pro forma basis to give effect to the sale of the Hospitality Solutions business and the application of the proceeds from the sale to pay down outstanding indebtedness as if the transaction and actions had occurred on January 1, 2025.

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 on our first quarter 2025 earnings call. In addition to discussing our quarterly financial results and outlook, we will also provide details on the agreement to sell our Hospitality Solutions business, which we announced last week.

Business performance was solid in the first quarter, and I commend the team for outstanding execution in what was and continues to be a challenging macro environment.

It's important to provide perspective on our resilient business model and why we believe we are well positioned even in times of economic uncertainty. Our revenues are largely tied to air distribution bookings rather than airline ticket prices. This structural characteristic is important for Sabre, generally enabling more stable and predictable revenue, even in periods of pricing volatility.

That said, we are of course not immune from sector dynamics, and as such, we are adjusting our assumption for full year 2025 GDS industry growth from “flat to nominal” to “down 1% to 2%”. This update incorporates recent airline traffic softness and planned airline capacity adjustments.

As a reminder, in February we provided full-year 2025 guidance, which included expectations for double digit air and hotel B2B distribution bookings growth, driven largely by the realization of volumes from business we have already signed. Mike will provide more details, momentarily and I'm pleased to share that today we are reaffirming our expectations for full-year double digit distribution bookings growth, despite the market backdrop.

Further, we expect the revenue impact from the softer market dynamics to be largely offset by outperformance from our growth strategies. Specifically:

- new airline content being distributed through our multi-source platform that is above our initial expectations,
- expected momentum in our Payments business, and
- a more profitable customer mix.

Turning to Slide 4, you'll see an overview of the topics Mike and I will cover today.

First, I will discuss the agreement to sell Hospitality Solutions, followed by an overview of the quarter. Then, I'll provide a brief update on the progress we've made on our growth strategies.

Next, Mike will walk you through the expected financial impacts of the sale of Hospitality Solutions, our first-quarter financial results, and our outlook for the second quarter and full-year 2025.

Slide 5 – Agreement to sell Hospitality Solutions: Overview

Please turn to Slide 6.

Slide 6 – Agreement to sell Hospitality Solutions

We recently announced an agreement to sell the Hospitality Solutions business. This sale positions Sabre to focus on our core airline IT and travel marketplace platforms, while giving us confidence that our CRS hotelier customers will be positioned for ongoing success.

The transaction value of \$1.1 billion is testament to the incredible job the Hospitality Solutions team did in transforming this business over the last few years, with significant improvements in technology and product capabilities, revenue and Adjusted EBITDA, from 2022 to today.

Net of fees and taxes, we expect to use the approximate \$960 million of proceeds primarily to pay down debt. This is an important step in Sabre's ongoing transformation, which I will touch on in a moment.

For clarity, Hospitality Solutions is distinct from the Company's fast-growing and large hotel B2B distribution business, which remains a key strategic focus for Sabre.

Slide 7 – Sale of Hospitality Solutions expected to accelerate improvement in financial profile

Turning to slide 7.

Our strategic priorities remain the same: first, generate Free Cash Flow and delever the balance sheet; and second, continue investing to innovate and drive sustainable, long-term growth.

The decision to sell Hospitality Solutions is an important milestone in advancing these goals. It enables us to strengthen our balance sheet by reducing leverage nearly a full turn and sharpen our focus on core growth areas — which we expect will unlock greater shareholder value.

In line with this strategy, the sale is the latest in a series of strategic financial moves by the Company, including Q4 2024 debt refinancings and the recent repayment of April 2025 debt maturities. These actions further strengthen our capital structure.

Looking ahead, we believe our improving credit profile should better position us to proactively manage upcoming maturities, reduce interest expense, enhance Free Cash Flow generation, and support our growth initiatives.

Slide 8 – Q1 2025: Business highlights

Turning to Slide 9 and our quarterly results.

Slide 9 – Solid financial performance in Q1 2025

Revenue in the first quarter was roughly flat on a year-on-year basis, and Adjusted EBITDA was in line with our guidance. First quarter Adjusted EBITDA margin improved 110-basis points year-on-year to 19.3%, building on our margin expansion in 2024.

Slide 10 – Travel Solutions Q1 2025 financial and metric highlights

Turning to Slide 10.

For Travel Solutions, first quarter 2025 air distribution bookings were down 3% year-on-year, below our assumption of flat to nominal growth.

Of the 3 to 4 percentage points of air distribution bookings softness versus our prior assumption, roughly three-quarters was driven by lower group bookings in the APAC region and global travel weakness. The remainder was driven by a meaningful pullback in U.S. government and military travel. As discussed on our February earnings call, we expect to realize greater than 30 million incremental air distribution segments this year from business signed during 2024.

And as expected, we generated strong bookings growth of 7% year-on-year in our hotel B2B distribution business.

Slide 11 – Executing against our strategic focus

Moving to Slide 11

Within our strategy, we have three core focus areas to drive innovation and growth: a modern technology stack, open marketplace, and intelligent retailing solutions.

Our modern technology stack is strengthened by our strategic partnership with Google, which enables us to quickly deploy AI-powered solutions for our industry-leading multi-source content and airline IT platforms. These next-generation solutions improve retail intelligence and optimize revenue for our customers and are built on top of Google's full Vertex AI platform--of which Gemini GenAI is one component.

To date, we have deployed Gemini to improve productivity in three areas: engineering throughput, product quality and customer service efficiency.

Slide 12 – Driving growth through innovation

On to Slide 12.

Now I will walk through the progress achieved in the first quarter and the sustained commercial momentum we're seeing across the business.

Sabre continues to rapidly advance the transformation of our GDS platform into a modern, open marketplace. Our focus is on integrating content and capabilities from myriad sources into a unified platform that increases the efficiency and transparency of booking travel. The integration of new sources of content is important as it expands our total addressable market. We are accomplishing this transformation through four strategic priorities: multi-source content aggregation, distribution expansion, hotel B2B distribution, and the growth of our digital payments business.

Our multi-source content aggregation platform continues to scale. We are rapidly establishing our position as a leading aggregator of fragmented content — spanning NDC, low-cost carriers, and traditional EDIFACT — into a consolidated view, offering a more seamless and comprehensive experience for travel buyers. Notably, we are leading the competitive set with 38 live NDC airline integrations as well as industry leading functionality following the recent implementations of Air France and KLM, British Airways, Iberia, LATAM, and Saudia.

Within our distribution expansion strategy, we are on track with the implementation ramp of the more than 30 million incremental air segments we discussed last quarter. We are making rapid progress and expect the implementations to meaningfully contribute to our air distribution bookings growth beginning in Q2, and accelerating significantly in Q3. Building off the notable agency wins in 2024, we are pleased with the recent addition of Gray Dawes, one of the industry's largest independent travel management companies, which selected Sabre as its sole global distribution platform partner.

In hotel B2B distribution, we are building on our leadership position. Continued investments in product innovation and commercial partnerships drove an 11% increase in Q1 Gross Booking Value transacted through the platform. This business generates over \$20 billion in annual hotel gross booking value, is a high yield and low cost channel for hoteliers, and has very strong growth prospects.

Our digital payments team continues to win new business and drove a 30% year-on-year increase in gross spending to \$4 billion in the first quarter. We have a strong pipeline and customer adoptions are growing. The continued momentum in this business reinforces our confidence in the strategy, as we streamline business with virtual payment solutions.

AirlineIT is a key area of focus for us. SabreMosaic, our next-generation offer and order-retailing platform, is a modular set of PSS-agnostic solutions that enable airlines an easy to adopt way to modernize their retailing strategies.

We are seeing strong traction with the AI-powered Offer Management suite of IQ products, a cornerstone of SabreMosaic. These products are well timed to help airlines optimize revenue as they navigate today's shifting demand. We have recently signed Aeromexico, Avelo, and GOL to this product suite, following four foundational customer wins for the SabreMosaic platform in 2024.

Alaska Airlines will be moving Hawaiian Airlines to the Sabre PSS as a part of their broader integration efforts. The migration is expected to be completed by mid-year 2026. In addition, the combined airline will be utilizing Dynamic Pricing, one of the offer components of our SabreMosaic platform.

Overall, we are on track with our strategy and confident in our long-term growth potential.

Slide 13 – Competitive wins and platform expansion to accelerate growth

On to Slide 13.

Looking ahead, despite a challenging macro environment, we expect Sabre distribution bookings growth of low single digits for Q2, with accelerating momentum and double digit air and hotel B2B distribution bookings growth expected for the full year.

In summary, we had a solid start to the year, and we expect to have a strong 2025. The team is executing at a high-level and we are delivering on the objectives we set out for ourselves. The recent agreement to sell Hospitality Solutions is an important step in the company's transformation as it accelerates our ability to further delever the business, and to continue to drive towards long-term sustainable growth.

Thank you, and now over to Mike.

Slide 14 – Q1 2025: Financial highlights

Mike Randolfi, CFO

Thanks Kurt, and good morning everyone.

Please turn to Slide 15.

Slide 15 – Q1 2025 financial highlights

I'm pleased to report that Sabre delivered solid financial results in the first quarter and our resilient business continues to perform well. Revenue of \$777 million was roughly flat year-on-year.

Adjusted EBITDA of \$150 million increased 5% year-on-year and was also roughly in line with our guidance. Adjusted EBITDA margin of 19.3% increased 110 basis points year-on-year, as lower technology costs and effective cost management offset lower than expected revenue.

We ended the quarter with \$672 million of cash on the balance sheet.

Free Cash Flow reflects typical seasonality. Importantly, our full year Free Cash Flow objective remains on track.

Before I flip to the next slide, with the agreement to sell Hospitality Solutions, we believe presenting our key financial metrics on a pro forma basis provides the most representative view of Sabre's anticipated future results when incorporating the impact of the sale. On today's call when referring to pro forma expectations, the financial metrics are calculated assuming the transaction and associated debt pay down occurred on January 1, 2025. For comparability, we have also provided on our website, normalized financial metrics for the first quarter of 2024 through the first quarter of 2025.

Slide 16 – Q1 2025 actual results versus guidance

Moving to Slide 16.

The first quarter results came in generally as expected. Revenue in the quarter was nearly flat compared to our expectation of flat to low single digit growth.

Within revenue, IT Solutions was lower by \$8 million year-on-year primarily due to the impact of prior de-migrations, which we have discussed on prior earnings calls. Consistent with our view on the February earnings call, we expect IT Solutions revenue to resume year-on-year growth during the second half of 2025.

Gross margin, as expected, decreased 190 basis points in the first quarter versus the prior year. Roughly half of this decline is due to up-front costs associated with new agency business where expenses are incurred ahead of expected accelerating air distribution volumes. The remaining half is due to lower revenue in IT Solutions from carriers that de-migrated prior to 2024. Notably, we expect this gross margin pressure to be transitory and anticipate gross margins for the remaining quarters of the year to be roughly in line with 2024 on a normalized basis.

As mentioned, Adjusted EBITDA of \$150 million was in line with our outlook.

Slide 17 – Q2 and FY 2025: Outlook

Turning to slide 18 and details about the agreement to sell our Hospitality Solutions business.

Slide 18 – Hospitality Solutions transaction strengthens financial profile

We expect this transaction will accelerate our deleveraging process as we plan to use the majority of the \$960 million in net proceeds to pay down debt.

Following the April repayment of approximately \$200 million of maturing debt, we expect these actions will result in bringing 2025 pro forma leverage down nearly a full turn, ending the year at approximately 5.4x versus approximately 6.3x pre-transaction. This, along with the successful refinancing we completed in the fourth quarter of 2024, is a significant step in our proactive approach to strengthening our balance sheet, as we work towards our long-term net leverage target of 2.5x to 3.5x.

Slide 19 – Expected use of net cash proceeds from sale of Hospitality Solutions

On to Slide 19.

Looking at the expected net proceeds, we plan to use the majority of the \$960 million to pay down debt. Specifically, as we have shown on the slide here, we plan to use approximately \$825 million

to pay down four of the Term Loan B senior secured credit facilities as required within our credit agreement.

We plan to retain the balance of proceeds, approximately \$135 million, on our balance sheet, for reinvestment in our business as permitted within our credit agreements.

On the right side of the slide, we have provided a reconciliation of net leverage ratios both pre- and post-transaction. This shows how the sale, and subsequent debt pay down, drives nearly a full turn of deleveraging as I mentioned earlier. This is a significant step in our ongoing efforts to strengthen our balance sheet as we work to improve our credit profile.

Slide 20 – Q2 and FY 2025 pro forma guidance

Turning to Slide 20.

We have updated our 2025 guidance to remove the revenue and Adjusted EBITDA associated with the Hospitality Solutions business, which will be treated as discontinued operations for the full year and all prior periods beginning in the second quarter.

For full year 2025, excluding the effects from the sale of Hospitality Solutions, our expectations remain the same. We continue to expect high single digit year-on-year revenue growth, driven by expected double digit air and hotel B2B distribution bookings growth.

For the second quarter, we expect year-on-year revenue growth in the low single digits, driven by our expectation of low single digit air distribution bookings growth. We expect pro forma Adjusted EBITDA of approximately \$140 million. We expect to generate positive Free Cash Flow in the second quarter on a pro forma basis.

As Kurt mentioned, we remain confident in our ability to achieve double digit distribution bookings growth for the year, despite lower-than-expected Q1 air distribution bookings. To provide more context, we expect the Q1 to Q2 sequential change in air distribution bookings growth rate to be driven by stronger APAC group booking trends in Q2, which we are currently experiencing, as well as ongoing agency implementations from contracts signed in 2024.

In the second half of 2025, we anticipate further acceleration resulting in growth of at least 20% year-on-year in air distribution bookings. As mentioned on our February earnings call, we expect the majority of growth in air distribution bookings will come from a number of signed, but not yet fully implemented agency agreements. More specifically, the three larger agency contracts highlighted last year are expected to drive nearly half of our anticipated year-on-year growth in Q3 and Q4. We expect the other half will be driven by mid-size agency implementations signed in 2024, in addition to growth from LCC bookings within our multi-source content platform.

Based on that outlook, we expect full-year 2025 pro forma Adjusted EBITDA of greater than \$630 million, which reflects the full impact of the removal of Hospitality Solutions Adjusted EBITDA from the full-year.

Slide 21 – Pro forma 2025 outlook

On to slide 21.

On a pro forma basis, the only change to our financial outlook is the removal of the Hospitality Solutions contribution to Adjusted EBITDA of approximately \$15 million for the second quarter and approximately \$70 million for the full year.

We expect to generate pro forma Free Cash Flow of greater than \$200 million. The pro forma removal of Hospitality Solutions Adjusted EBITDA of approximately \$70 million is expected to be offset by \$5 million of lower capex and the implied pro forma cash interest savings of approximately \$65 million.

Slide 22 – Executing against our strategic focus

Please turn to slide 22.

In closing, our strategic focus remains unchanged – to generate Free Cash Flow and delever the balance sheet and drive sustainable growth and innovation. We believe the progress we have made so far this year positions us well to deliver shareholder value in 2025 and beyond.

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

END