

A blurred background image of a modern office hallway with large glass windows and people walking. The floor is highly reflective, showing the silhouettes of the people and the windows.

Sabre

Q1 2019 Earnings Report

April 30, 2019

Forward-looking statements

Forward-looking Statements

Certain statements herein are forward-looking statements about trends, future events, uncertainties and our plans and expectations of what may happen in the future. Any statements that are not historical or current facts are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as “guidance,” “outlook,” “medium term,” “momentum,” “believe,” “trend,” “expect,” “estimate,” “medium term,” “anticipate,” “plan,” “preliminary,” “project,” “may,” “should,” “would,” “intend,” “potential,” or the negative of these terms or other comparable terminology. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sabre’s actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. The potential risks and uncertainties include, among others, dependency on transaction volumes in the global travel industry, particularly air travel transaction volumes, travel suppliers’ usage of alternative distribution models, exposure to pricing pressure in the Travel Network business, changes affecting travel supplier customers, maintenance of the integrity of our systems and infrastructure and the effect of any security breaches, failure to adapt to technological advancements, competition in the travel distribution market and solutions markets, implementation of software solutions, reliance on third parties to provide information technology services, the implementation and effects of new or renewed agreements, dependence on establishing, maintaining and renewing contracts with customers and other counterparties and collecting amounts due to us under these agreements, dependence on relationship with travel buyers our collection, processing, storage, use and transmission of personal data and risks associated with PCI compliance, our ability to recruit, train and retain employees, including our key executive officers and technical employees, adverse global and regional economic and political conditions, including, but not limited to, economic conditions in countries or regions with traditionally high levels of exports to China or that have commodities-based economies and the effect of “Brexit” and uncertainty due to related negotiations, risks arising from global operations, reliance on the value of our brands, the effects of litigation and regulatory investigations, failure to comply with regulations, use of third-party distributor partners, the financial and business effects of acquisitions, including costs, closing and integration, the effects of the implementation of new accounting standards, and tax-related matters, including the effect of the Tax Cuts and Jobs Act. More information about potential risks and uncertainties that could affect our business and results of operations is included in the “Risk Factors” and “Forward Looking Statements” sections in our Annual Report on Form 10-K filed with the SEC on February 15, 2019 and in our other filings with the SEC. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, outlook, guidance, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. Unless required by law, Sabre undertakes no obligation to publicly update or revise any forward-looking statements to reflect circumstances or events after the date they are made.

Non-GAAP Financial Measures

This presentation includes unaudited non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted Operating Income margin, Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development, Adjusted EPS, Free Cash Flow, and the ratios based on these financial measures. In addition, we provide certain forward guidance with respect to Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development, Adjusted Operating Income, Adjusted Net Income, Adjusted EPS and Free Cash Flow. We are unable to provide this forward guidance on a GAAP basis without unreasonable effort; however, see “2019 Business Outlook and Financial Guidance” in the appendix for additional information including estimates of certain components of the non-GAAP adjustments contained in the guidance.

We present non-GAAP measures when our management believes that the additional information provides useful information about our operating performance. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See “Non-GAAP Financial Measures” below for an explanation of the non-GAAP measures and “Tabular Reconciliations for Non-GAAP Measures” in the appendix for a reconciliation of the non-GAAP financial measures to the comparable GAAP measures.

Industry Data/Certain Definitions

This presentation and accompanying comments contain industry data, forecasts and other information that we obtained from industry publications and surveys, public filings and internal company sources, and there can be no assurance as to the accuracy or completeness of the included information. Statements as to our ranking, market position, bookings share and market estimates are based on independent industry publications, government publications, third-party forecasts and management’s estimates and assumptions about our markets and our internal research. We have not independently verified this third-party information nor have we ascertained the underlying economic assumptions relied upon in those sources, and we cannot assure you of the accuracy or completeness of this information.

This presentation and the related materials include references to “recurring revenue.” See the appendix for additional information.

Today's presenters



Sean Menke
President & CEO



Doug Barnett
EVP & CFO

Solid Q1'19 results; progressing against our initiatives



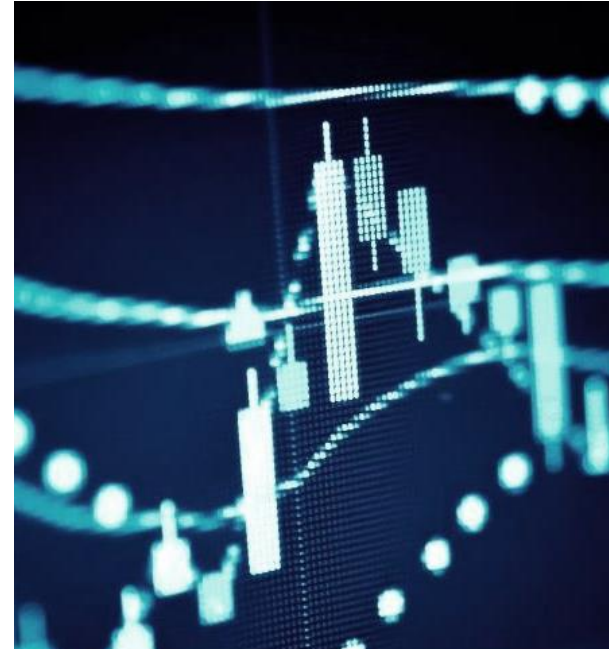
LEADERSHIP

Technology-led expertise on executive leadership team



STRATEGY

Strategic focus on retailing, distribution and fulfillment



TECHNOLOGY

Gaining velocity in technology transformation



CUSTOMER ENGAGEMENT

Evolved customer engagement approach



Q1'19 Accomplishments

Gained 140 basis points of global air bookings share

Well-positioned with investment in Sabre Red 360, lodging content services and global cloud deployment of shopping complex

Released first set of NDC APIs with United Airlines

Enabling shopping, pricing, booking and payment workflows

Launched Next Generation Storefront in collaboration with Delta Air Lines

Evolves retail experience to display complex and diverse offers in an easily comparable way

Received official certification as IATA ONE Order Capable

First passenger service system to achieve this designation

Completed SynXis Central Reservation System and Property Management System implementation at La Quinta

Marks the full completion of the industry's first large-scale, enterprise-grade migration

Progressing on cloud migration

Over 50% of total compute footprint now in the cloud

Sabre Virtual Payments

Increased focus in travel payments space

Supported by new Sabre Virtual Payments partnership

VISA

Sabre

Seamless integration into travel systems and workflows

Fast, easy and safe payment solutions

Enhanced competitive offering in the B2B & C2B payments space

- Broad acceptance
- More comprehensive, flexible and evolving approach
- Broad multi-scheme, multi-issuer network
- Broad range of funding methods

Revised FY 2019 expectations

**Reflect an airline customer's suspended flight operations
and global impact of the 737 MAX situation;
No change to underlying business performance**

	2019	Growth
Revenue	\$3,965M - \$4,045M	3% - 5%
Free Cash Flow	~\$455M	~3%

Q1'19 Financial highlights

	Q1 2019	Growth
Revenue	\$1,049M	+6%
<i>% Recurring Revenue</i>	93%	
Adjusted EBITDA	\$262M	(13%)
Adjusted EBITDA Less Capitalized Software Dev.	\$235M	(4%)
Adjusted Op Income	\$156M	(21%)
Adjusted EPS	\$0.34	(23%)
Free Cash Flow	\$114M	(13%)



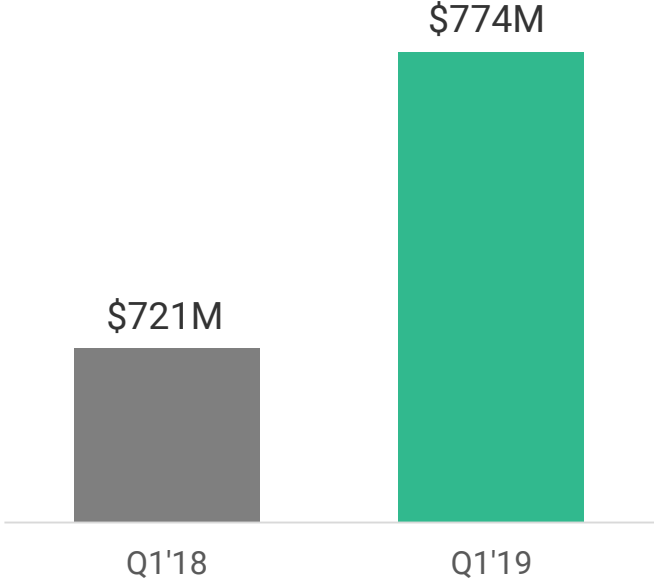
(3%) excluding shift in capitalization mix & increase in amortization of previous capitalization

Flat excluding shift in capitalization mix & increase in amortization of previous capitalization

+13% excluding insurance reimbursement received in prior year

Q1'19 Travel Network

Q1'19 Revenue



+7.3%

Q1'19 Adjusted Operating Income

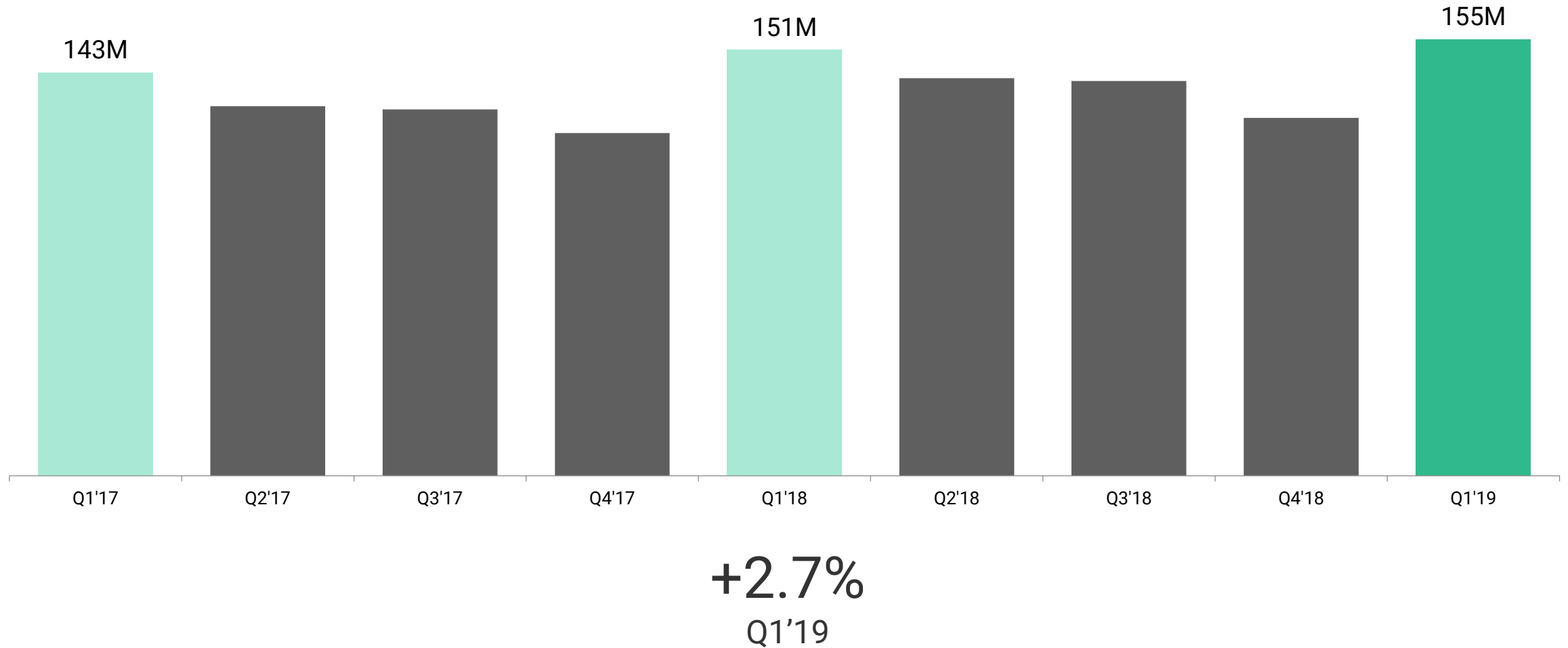


(8.8%)

+1.9% growth excluding the increase in technology operating expenses primarily due to change in capitalization mix



Total Travel Network bookings



Q1'19 Travel Network total bookings growth by region

NAM



+6.0%

APAC



+0.3%

EMEA



(1.3%)

LAC



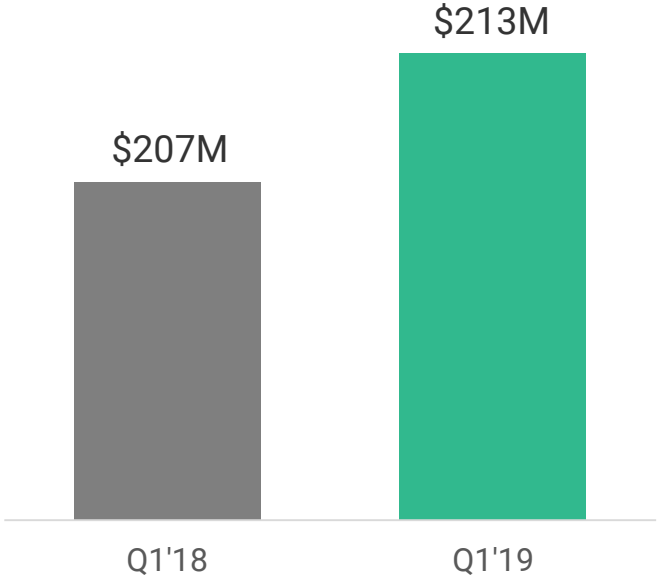
(3.5%)

38.3%

Global Air Bookings Share
+140 basis points YOY

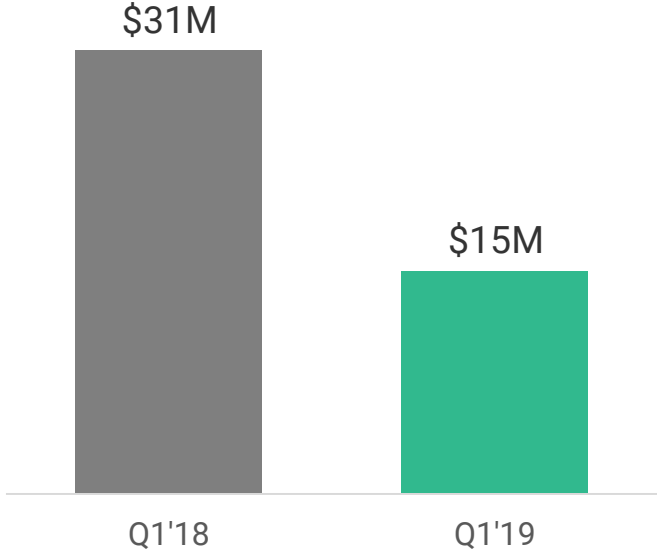
Q1'19 Airline Solutions

Q1'19 Revenue



+3.1%

Q1'19 Adjusted Operating Income

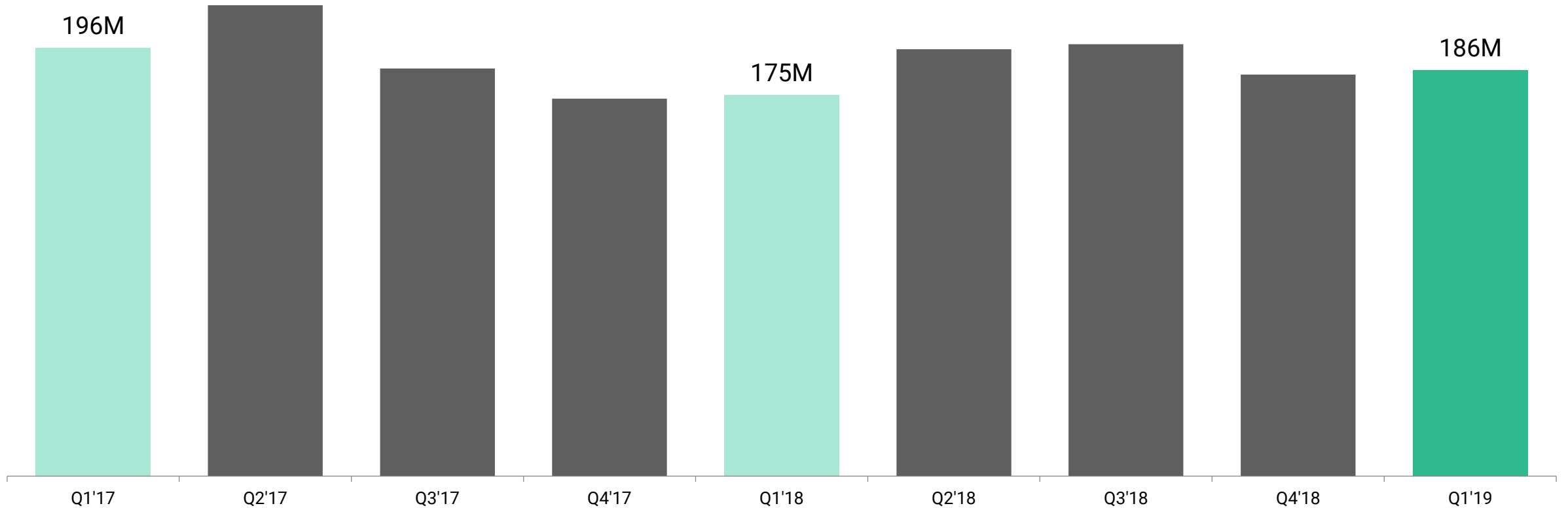


(49.8%)

+8.0% growth excluding the increase in technology operating expenses primarily due to change in capitalization mix



Total Airline Solutions passengers boarded

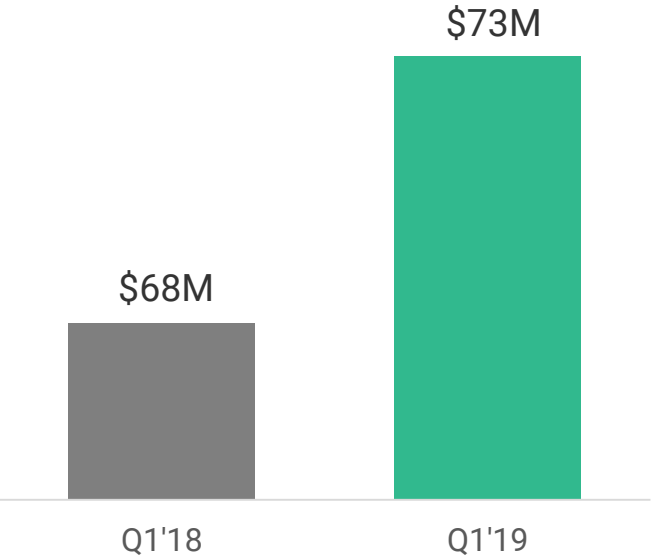


+6.6%

+3.2% consistent carrier growth

Q1'19 Hospitality Solutions

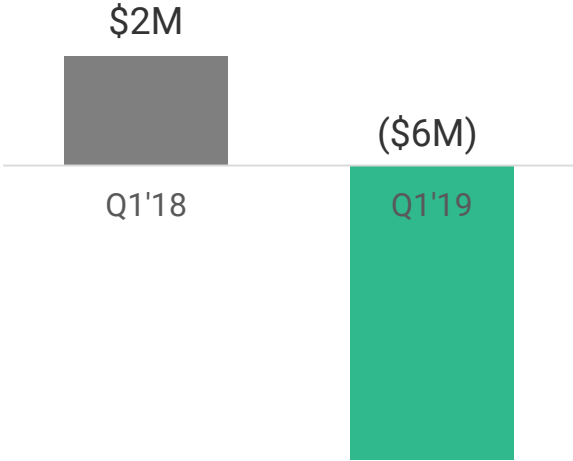
Q1'19 Revenue



+6.9%

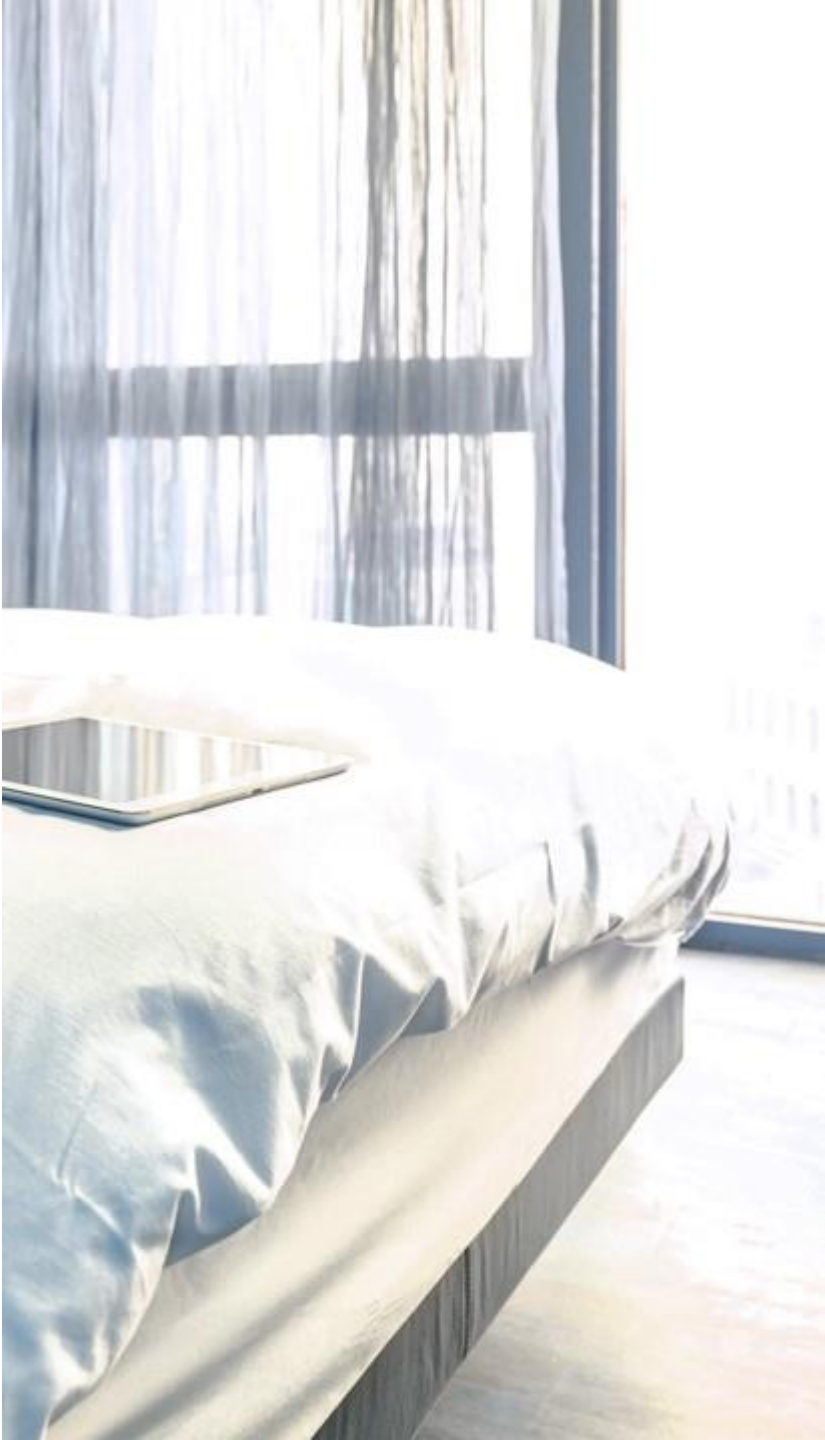
+35.7% growth in central reservation system transactions

Q1'19 Adjusted Operating Income



(367.5%)

+97.3% growth excluding the increase in technology operating expenses primarily due to change in capitalization mix and increase in amortization of previous capitalization

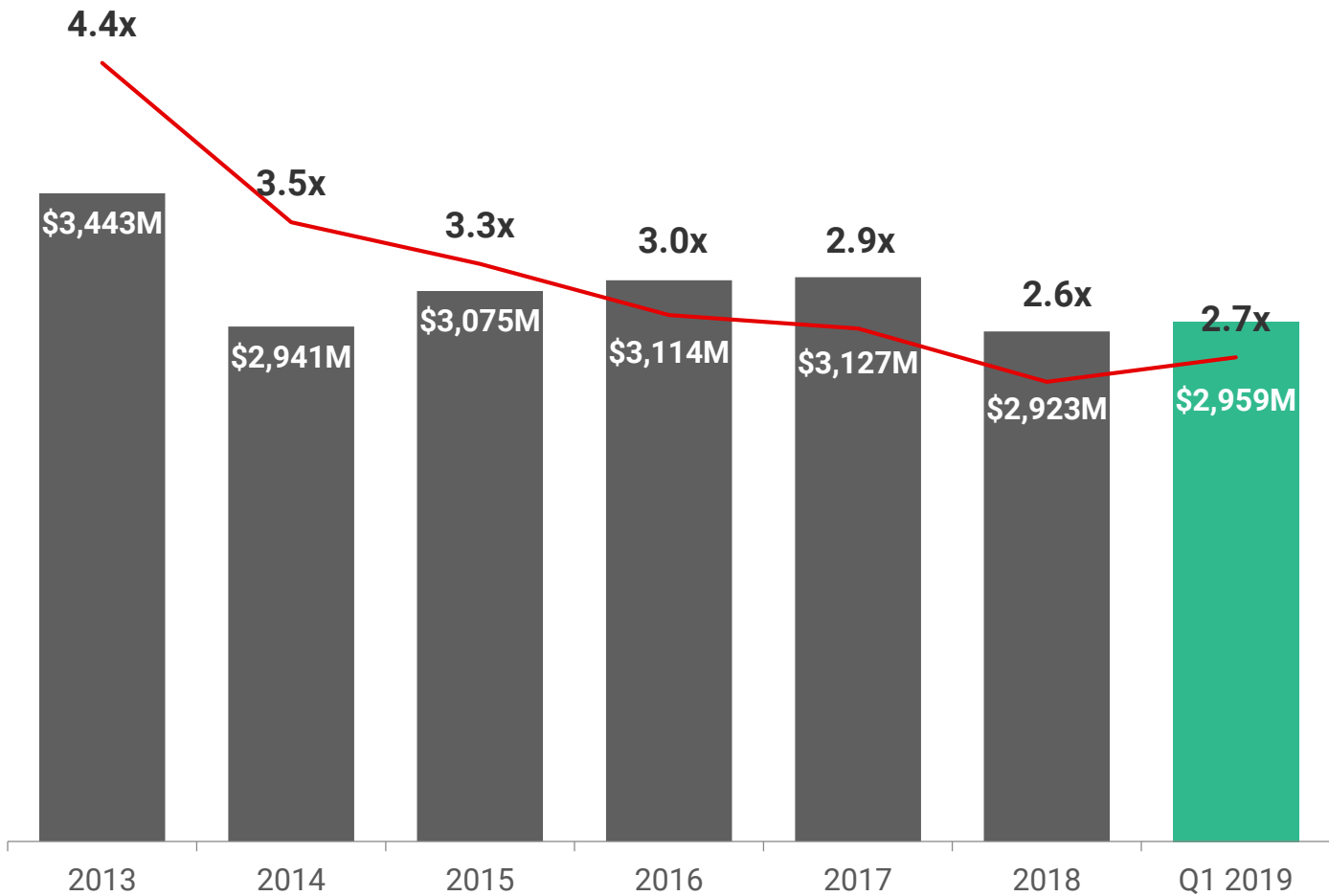


Q1'19 Technology expenditures

	Q1 2018	Q1 2019	\$ YOY	% YOY
Total technology spend	\$249	\$261	\$12	5%
Capitalized software development	(\$57)	(\$27)	\$30	53%
<i>% Capitalized</i>	23%	10%	(13 pts)	
Amortization of previous capitalization	\$70	\$73	\$3	4%
Net technology operating expense impacting operating results	\$262	\$307	\$45	17%

Total technology spend includes research and development, hosting and third-party software. Total technology spend and capitalized software development exclude certain additions to property, plant and equipment.

Q1'19 Net debt, leverage¹ and cash flow



\$152M
Cash provided by operating activities

\$114M
Free Cash Flow
Growth of **+13%** excluding insurance reimbursement received in prior year

\$71M
Returned to Shareholders

¹Net Debt/LTM Adjusted EBITDA.

FY 2019 Guidance

	Previous 2019 Guidance	Impact of an airline customer's suspended flight operations & the global impact of the 737 MAX situation	Updated 2019 Guidance
Revenue	\$4,005M - \$4,085M 4% - 6%	———— (\$40M) —————>	\$3,965M - \$4,045M 3% - 5%
Adjusted EBITDA	\$975M - \$1,015M (13%) - (10%)	———— (\$30M) —————>	\$945M - \$985M (16%) - (12%)
Adj. EBITDA Less Capitalized Software Development	\$880M - \$920M 1% - 6%	———— (\$30M) —————>	\$850M - \$890M (2%) - 2%
Adjusted Operating Income	\$515M - \$555M (27%) - (21%)	———— (\$30M) —————>	\$485M - \$525M (31%) - (25%)
Adjusted Net Income	\$270M - \$310M (37%) - (28%)	———— (\$25M) —————>	\$245M - \$285M (43%) - (33%)
Adjusted EPS	\$0.98 - \$1.12 (36%) - (27%)	———— (\$0.09) —————>	\$0.89 - \$1.03 (42%) - (33%)
Free Cash Flow	~ \$485M ~ 10%	———— (\$30M) —————>	~ \$455M ~ 3%
CapEx	\$130M - \$150M (56%) - (49%)		\$130M - \$150M (56%) - (49%)



Sabre

Thank you

APPENDIX



Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to Adjusted Net Income, Adjusted EBITDA and Adjusted Operating Income (in thousands, except per share amounts; unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income attributable to common stockholders	\$ 56,850	\$ 87,880
Loss from discontinued operations, net of tax	1,452	1,207
Net income attributable to noncontrolling interests ⁽¹⁾	912	1,362
Income from continuing operations	59,214	90,449
Adjustments:		
Acquisition-related amortization ^(2a)	15,984	17,590
Loss on extinguishment of debt	–	633
Other, net ⁽⁴⁾	1,870	1,106
Acquisition-related costs ⁽⁶⁾	11,706	–
Litigation costs ⁽⁵⁾	1,438	828
Stock-based compensation	15,694	12,606
Tax impact of net income adjustments ⁽⁷⁾	(11,707)	(2,002)
Adjusted Net Income from continuing operations	\$ 94,199	\$ 121,210
Adjusted Net Income from continuing operations per share	\$ 0.34	\$ 0.44
Diluted weighted-average common shares outstanding	277,605	276,844
Adjusted Net Income from continuing operations	\$ 94,199	\$ 121,210
Adjustments:		
Depreciation and amortization of property and equipment ^(2b)	75,348	74,463
Amortization of capitalized implementation costs ^(2c)	12,111	9,823
Amortization of upfront incentive consideration ⁽³⁾	19,128	19,456
Interest expense, net	38,013	38,109
Remaining provision for income taxes	23,550	38,277
Adjusted EBITDA	\$ 262,349	\$ 301,338
Less:		
Depreciation and amortization ⁽²⁾	103,443	101,876
Amortization of upfront incentive consideration ⁽³⁾	19,128	19,456
Acquisition-related amortization ^(2a)	(15,984)	(17,590)
Adjusted Operating Income	\$ 155,762	\$ 197,596

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to Adjusted Net Income, Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development

(in thousands, except per share amounts; unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income attributable to common stockholders	\$ 56,850	\$ 87,880
Loss from discontinued operations, net of tax	1,452	1,207
Net income attributable to noncontrolling interests ⁽¹⁾	912	1,362
Income from continuing operations	59,214	90,449
Adjustments:		
Acquisition-related amortization ^(2a)	15,984	17,590
Loss on extinguishment of debt	—	633
Other, net ⁽⁴⁾	1,870	1,106
Acquisition-related costs ⁽⁶⁾	11,706	—
Litigation costs ⁽⁵⁾	1,438	828
Stock-based compensation	15,694	12,606
Tax impact of net income adjustments ⁽⁷⁾	(11,707)	(2,002)
Adjusted Net Income from continuing operations	\$ 94,199	\$ 121,210
Adjusted Net Income from continuing operations per share	\$ 0.34	\$ 0.44
Diluted weighted-average common shares outstanding	277,605	276,844
Adjusted Net Income from continuing operations	\$ 94,199	\$ 121,210
Adjustments:		
Depreciation and amortization of property and equipment ^(2b)	75,348	74,463
Amortization of capitalized implementation costs ^(2c)	12,111	9,823
Amortization of upfront incentive consideration ⁽³⁾	19,128	19,456
Interest expense, net	38,013	38,109
Remaining provision for income taxes	23,550	38,277
Adjusted EBITDA	\$ 262,349	\$ 301,338
Less:		
Capitalized Software Development	27,212	57,452
Adjusted EBITDA Less Capitalized Software Development	\$ 235,137	\$ 243,886

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Three Months Ended March 31, 2019				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 192,639	\$ 15,424	\$ (5,717)	\$ (91,939)	\$ 110,407
Add back:					
Selling, general and administrative	43,460	22,677	9,960	75,294	151,391
Cost of revenue adjustments:					
Depreciation and amortization ⁽²⁾	27,453	40,030	11,467	5,970	84,920
Amortization of upfront incentive consideration ⁽³⁾	19,128	—	—	—	19,128
Stock-based compensation	—	—	—	7,244	7,244
Adjusted Gross Profit	282,680	78,131	15,710	(3,431)	373,090
Selling, general and administrative	(43,460)	(22,677)	(9,960)	(75,294)	(151,391)
Joint venture equity income	533	—	—	—	533
Selling, general and administrative adjustments:					
Depreciation and amortization ⁽²⁾	3,102	2,940	1,255	11,226	18,523
Acquisition-related costs ⁽⁶⁾	—	—	—	11,706	11,706
Litigation costs ⁽⁵⁾	—	—	—	1,438	1,438
Stock-based compensation	—	—	—	8,450	8,450
Adjusted EBITDA	\$ 242,855	\$ 58,394	\$ 7,005	\$ (45,905)	\$ 262,349
Less:					
Depreciation and amortization ⁽²⁾	30,555	42,970	12,722	17,196	103,443
Amortization of upfront incentive consideration ⁽³⁾	19,128	—	—	—	19,128
Acquisition-related amortization ^(2a)	—	—	—	(15,984)	(15,984)
Adjusted Operating Income (Loss)	\$ 193,172	\$ 15,424	\$ (5,717)	\$ (47,117)	\$ 155,762
Operating income margin	24.9 %	7.2 %	NM	NM	10.5 %
Adjusted Operating Income Margin	25.0 %	7.2 %	NM	NM	14.8 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of operating income (loss) to Adjusted Gross Profit, Adjusted EBITDA, Adjusted Operating Income (Loss) and Adjusted Operating Income margin by business segment
(in thousands; unaudited)

	Three Months Ended March 31, 2018				
	Travel Network	Airline Solutions	Hospitality Solutions	Corporate	Total
Operating income (loss)	\$ 210,674	\$ 30,712	\$ 2,137	\$ (78,122)	\$ 165,401
Add back:					
Selling, general and administrative	40,505	18,217	9,416	61,973	130,111
Cost of revenue adjustments:					
Depreciation and amortization ⁽²⁾	27,382	40,835	8,690	7,019	83,926
Amortization of upfront incentive consideration ⁽³⁾	19,456	—	—	—	19,456
Stock-based compensation	—	—	—	5,686	5,686
Adjusted Gross Profit	298,017	89,764	20,243	(3,444)	404,580
Selling, general and administrative	(40,505)	(18,217)	(9,416)	(61,973)	(130,111)
Joint venture equity income	1,171	—	—	—	1,171
Selling, general and administrative adjustments:					
Depreciation and amortization ⁽²⁾	2,905	2,872	932	11,241	17,950
Litigation costs ⁽⁵⁾	—	—	—	828	828
Stock-based compensation	—	—	—	6,920	6,920
Adjusted EBITDA	\$ 261,588	\$ 74,419	\$ 11,759	\$ (46,428)	\$ 301,338
Less:					
Depreciation and amortization ⁽²⁾	30,287	43,707	9,622	18,260	101,876
Amortization of upfront incentive consideration ⁽³⁾	19,456	—	—	—	19,456
Acquisition-related amortization ^(2a)	—	—	—	(17,590)	(17,590)
Adjusted Operating Income (Loss)	\$ 211,845	\$ 30,712	\$ 2,137	\$ (47,098)	\$ 197,596
Operating income margin	29.2 %	14.9 %	3.1 %	NM	16.7 %
Adjusted Operating Income Margin	29.4 %	14.9 %	3.1 %	NM	20.0 %

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to LTM Adjusted EBITDA (for Net Debt Ratio)
(in thousands; unaudited)

	Three Months Ended				LTM
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	
Net income attributable to common stockholders	\$ 92,246	\$ 73,005	\$ 84,400	\$ 56,850	\$ 306,501
(Income) loss from discontinued operations, net of tax	(760)	(3,664)	1,478	1,452	(1,494)
Net income attributable to noncontrolling interests ⁽¹⁾	1,079	1,538	1,150	912	4,679
Income from continuing operations	92,565	70,879	87,028	59,214	309,686
Adjustments:					
Acquisition-related amortization ^(2a)	17,588	16,407	16,423	15,984	66,402
Other, net ⁽⁴⁾	7,735	1,905	(2,237)	1,870	9,273
Acquisition-related costs ⁽⁶⁾	—	—	3,266	11,706	14,972
Litigation costs ⁽⁵⁾	1,020	5,225	1,250	1,438	8,933
Stock-based compensation	13,594	15,245	15,818	15,694	60,351
Depreciation and amortization of property and equipment ^(2b)	74,960	76,226	77,963	75,348	304,497
Amortization of capitalized implementation costs ^(2c)	10,395	10,099	11,407	12,111	44,012
Amortization of upfront incentive consideration ⁽³⁾	19,661	18,207	20,298	19,128	77,294
Interest expense, net	39,409	39,291	40,208	38,013	156,921
Provision for income taxes	75	25,021	(3,879)	11,843	33,060
Adjusted EBITDA	<u>\$ 277,002</u>	<u>\$ 278,505</u>	<u>\$ 267,545</u>	<u>\$ 262,349</u>	<u>\$ 1,085,401</u>
Net Debt (total debt, less cash)					\$ 2,958,827
Net Debt / LTM Adjusted EBITDA					2.7x

Please reference SABR HISTORICAL Excel spreadsheet at investors.sabre.com for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2018, 12/31/2017, 12/31/2016, 12/31/2015, 12/31/2014 and 12/31/2013.

Tabular reconciliations for Non-GAAP measures

Reconciliation of net income (loss) attributable to common shareholders to LTM Adjusted EBITDA (for Net Debt Ratio)
(in thousands; unaudited)

	Three Months Ended				
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	LTM
Net (loss) income attributable to common stockholders	\$ (6,487)	\$ 90,989	\$ 82,090	\$ 87,880	\$ 254,472
Loss (income) from discontinued operations, net of tax	1,222	529	(296)	1,207	2,662
Net income attributable to noncontrolling interests ⁽¹⁾	1,113	1,307	1,387	1,362	5,169
(Loss) income from continuing operations	(4,152)	92,825	83,181	90,449	262,303
Adjustments:					
Impairment and related charges ⁽⁸⁾	92,022	—	(10,910)	—	81,112
Acquisition-related amortization ^(2a)	20,259	20,226	20,194	17,590	78,269
Loss on extinguishment of debt	—	1,012	—	633	1,645
Other, net ⁽⁴⁾	752	3,802	(56,318)	1,106	(50,658)
Restructuring and other costs ⁽⁶⁾	25,304	—	(1,329)	—	23,975
Litigation costs (reimbursements), net ⁽⁵⁾	958	(40,929)	963	828	(38,180)
Stock-based compensation	14,724	11,655	10,276	12,606	49,261
Depreciation and amortization of property and equipment ^(2b)	63,810	66,332	73,438	74,463	278,043
Amortization of capitalized implementation costs ^(2c)	8,948	10,484	11,510	9,823	40,765
Amortization of upfront incentive consideration ⁽³⁾	16,161	18,005	17,113	19,456	70,735
Interest expense, net	38,097	38,919	37,348	38,109	152,473
Provision for income taxes	(15,466)	40,595	71,201	36,275	132,605
Adjusted EBITDA	<u>\$ 261,417</u>	<u>\$ 262,926</u>	<u>\$ 256,667</u>	<u>\$ 301,338</u>	<u>\$ 1,082,348</u>
Net Debt (total debt, less cash)					\$ 3,113,248
Net Debt / LTM Adjusted EBITDA					2.9x

Please reference SABR HISTORICAL Excel spreadsheet at investors.sabre.com for reconciliation of Net Debt / LTM Adjusted EBITDA for twelve months ended 12/31/2018, 12/31/2017, 12/31/2016, 12/31/2015, 12/31/2014 and 12/31/2013.

Tabular reconciliations for Non-GAAP measures

Reconciliation of Free Cash Flow (in thousands; unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash provided by operating activities	\$ 152,000	\$ 195,192
Cash used in investing activities	(37,864)	(64,699)
Cash used in financing activities	(164,314)	(128,471)

	Three Months Ended March 31,	
	2019	2018
Cash provided by operating activities	\$ 152,000	\$ 195,192
Additions to property and equipment	(37,864)	(64,699)
Free Cash Flow	\$ 114,136	\$ 130,493

2019 Business outlook and financial guidance

With respect to the 2019 guidance, full-year Adjusted EBITDA guidance consists of Adjusted Operating Income guidance adjusted for the impact of depreciation and amortization of property and equipment, amortization of capitalized implementation costs and amortization of upfront incentive consideration of approximately \$460 million.

Full-year Adjusted EBITDA Less Capitalized Software Development consists of Adjusted EBITDA guidance adjusted for the impact of capitalized software development spend of approximately \$95 million.

Full-year Adjusted Operating Income guidance consists of Adjusted Net Income guidance adjusted for the impact of interest expense, net of approximately \$170 million and provision for income taxes less tax impact of net income adjustments of approximately \$75 million.

Full-year Adjusted Net Income guidance consists of full-year expected net income attributable to common stockholders adjusted for the estimated impact of loss from discontinued operations, net of tax, of approximately \$5 million; net income attributable to noncontrolling interests of approximately \$5 million; acquisition-related amortization of approximately \$65 million; stock-based compensation expense of approximately \$75 million; other costs including litigation, other foreign non-income tax matters and foreign exchange gains and losses of \$10 million; and the tax benefit of the above adjustments of approximately \$20 million.

Full-year Adjusted EPS guidance consists of Adjusted Net Income divided by the projected weighted-average diluted common share count for the full year of approximately 278 million.

Full-year Free Cash Flow guidance consists of expected full-year cash provided by operating activities of \$585 million to \$605 million less additions to property and equipment of \$130 million to \$150 million.

Definitions

The “recurring revenue” figures for our:

- (i) Travel Network business is comprised of transaction, subscription and other revenue that is of a recurring nature from travel suppliers and travel buyers, and excludes revenue of a non-recurring nature, such as set-up fees;
- (ii) Airline Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as license fees and consulting fees; and
- (iii) Hospitality Solutions business is comprised of volume-based and subscription fees and other revenue that is of a recurring nature associated with various solutions, and excludes revenue of a non-recurring nature, such as set-up fees and website development fees.

Transaction revenues in (i), (ii) and (iii) are tied to a travel suppliers’ transaction volumes rather than unit pricing for airplane tickets, hotel rooms or other travel products. However, this revenue is not generally contractually committed to recur annually under our agreements with our travel suppliers. As a result, our recurring revenue is highly dependent on the global travel industry and directly correlates with global travel, tourism and transportation transaction volumes.

Non-GAAP financial measures

We have included both financial measures compiled in accordance with GAAP and certain non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income from continuing operations ("Adjusted Net Income"), Adjusted Net Income from continuing operations per share ("Adjusted EPS"), Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development, Free Cash Flow and ratios based on these financial measures.

We define Adjusted Gross Profit as operating income (loss) adjusted for selling, general and administrative expenses, the cost of revenue portion of depreciation and amortization, amortization of upfront incentive consideration and stock-based compensation included in cost of revenue.

We define Adjusted Operating Income (Loss) as operating income (loss) adjusted for joint venture equity income, acquisition-related amortization, acquisition-related costs, litigation costs (reimbursements), net and stock-based compensation.

We define Adjusted Net Income as net income attributable to common stockholders adjusted for income (loss) from discontinued operations, net of tax, net income attributable to noncontrolling interests, acquisition-related amortization, loss on extinguishment of debt, other, net, acquisition-related costs, litigation costs (reimbursements), net, stock-based compensation and tax impact of net income adjustments.

We define Adjusted EBITDA as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net, and the remaining provision for income taxes.

We define Adjusted EBITDA Less Capitalized Software Development as Adjusted Net Income adjusted for depreciation and amortization of property and equipment, amortization of capitalized implementation costs, amortization of upfront incentive consideration, interest expense, net, the remaining provision for income taxes and capitalized software development.

We define Adjusted EPS as Adjusted Net Income divided by diluted weighted-average common shares outstanding.

We define Free Cash Flow as cash provided by operating activities less cash used in additions to property and equipment.

Non-GAAP financial measures

These non-GAAP financial measures are key metrics used by management and our board of directors to monitor our ongoing core operations because historical results have been significantly impacted by events that are unrelated to our core operations as a result of changes to our business and the regulatory environment. We believe that these non-GAAP financial measures are used by investors, analysts and other interested parties as measures of financial performance and to evaluate our ability to service debt obligations, fund capital expenditures and meet working capital requirements. We also believe that Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development and Adjusted EPS assist investors in company-to-company and period-to-period comparisons by excluding differences caused by variations in capital structures (affecting interest expense), tax positions and the impact of depreciation and amortization expense. In addition, amounts derived from Adjusted EBITDA are a primary component of certain covenants under our senior secured credit facilities.

Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development, Adjusted EPS, Free Cash Flow, and ratios based on these financial measures are not recognized terms under GAAP. These non-GAAP financial measures and ratios based on them are unaudited and have important limitations as analytical tools, and should not be viewed in isolation and do not purport to be alternatives to net income as indicators of operating performance or cash flows from operating activities as measures of liquidity. These non-GAAP financial measures and ratios based on them exclude some, but not all, items that affect net income or cash flows from operating activities and these measures may vary among companies. Our use of these measures has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- these non-GAAP financial measures exclude certain recurring, non-cash charges such as stock-based compensation expense and amortization of acquired intangible assets;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted Gross Profit, Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect cash requirements for such replacements;
- Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
- Adjusted EBITDA and Adjusted EBITDA Less Capitalized Software Development do not reflect tax payments that may represent a reduction in cash available to us;
- Free Cash Flow removes the impact of accrual-basis accounting on asset accounts and non-debt liability accounts, and does not reflect the cash requirements necessary to service the principal payments on our indebtedness; and
- other companies, including companies in our industry, may calculate Adjusted Gross Profit, Adjusted Operating Income (Loss), Adjusted Net Income, Adjusted EBITDA, Adjusted EBITDA Less Capitalized Software Development, Adjusted EPS or Free Cash Flow differently, which reduces their usefulness as comparative measures.

Non-GAAP footnotes

- 1) Net income attributable to noncontrolling interests represents an adjustment to include earnings allocated to noncontrolling interests held in (i) Sabre Travel Network Middle East of 40%, (ii) Sabre Seyahat Dagitim Sistemleri A.S. of 40%, (iii) Abacus International Lanka Pte Ltd of 40%, and (iv) Sabre Bulgaria of 40%.
- 2) Depreciation and amortization expenses:
 - a) Acquisition-related amortization represents amortization of intangible assets from the take-private transaction in 2007 as well as intangibles associated with acquisitions since that date.
 - b) Depreciation and amortization of property and equipment includes software developed for internal use.
 - c) Amortization of capitalized implementation costs represents amortization of upfront costs to implement new customer contracts under our SaaS and hosted revenue model, as well as amortization of contract acquisition costs.
- 3) Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years. This consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. These service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided up front. These service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met.
- 4) Other, net primarily includes foreign exchange gains and losses related to the remeasurement of foreign currency denominated balances included in our consolidated balance sheets into the relevant functional currency.
- 5) Litigation costs, net represent charges associated with antitrust litigation.
- 6) Acquisition-related costs represent fees and expenses incurred associated with the 2018 agreement to acquire Farelogix Inc. ("Farelogix"), which is anticipated to close in 2019.
- 7) The tax impact on net income adjustments includes the tax effect of each separate adjustment based on the statutory tax rate for the jurisdiction(s) in which the adjustment was taxable or deductible, and the tax effect of items that relate to tax specific financial transactions, tax law changes, uncertain tax positions and other items.