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Sabre Corporation
RESEARCH INITIATION

Stan Manoukian
smanoukian@researchdistressed.com

We are bullish on the company's balance sheet. It was rescued by the market during COVID-19, and we do not anticipate any secular challenges that will be able to shake the company's position in the hierarchy of global GDS providers. The only serious threat to the balance sheet is related to another force majeure similar to the one that happened in 2020. To offset this potential threat, we suggest that investors take a small short hedging position in the stock of Expedia or other travel agencies. Otherwise, we like the company's turnaround story, although it has taken a little longer than expected.

Overview

Sabre was producing cash EBITDA of $945mm in 2019, and its business was booming. The company was moderately 3.5x levered, generating over $330mm of free cash flow annually. However, COVID-19 made certain corrections in consumers' travel plans, and the company had to find rescue financing to buy itself liquidity to avoid bankruptcy. It raised over $1.5bn of additional debt (similar to cruise companies and other travel-related businesses) to withstand lower industry demand. Unfortunately, Sabre has annual SG&A fixed costs exceeding $600mm, and the company's high operating leverage has been keeping EBITDA margins lower than usual through recovery years, including 2021 and 2022. It appears that the company will likely get to the pre-Covid-19 revenue level no earlier than 2025. However, it will likely be able to start covering its fixed charges in 2024. After all, it must generate just north of $550mm of cash EBITDA to cover its $475mm cash interest expense and $75mm of maintenance Capex.

Maturity	Coupon		Face Value	*Market Price*	Market Price	Leverage	Cash interest	YTM
12/17/27	S+3.5%	Term Loan B-1 - 2021	$393.0	*88.50%*	$347.8		$34.8	*12.6%*
12/17/27	S+3.5%	Term Loan B-2 - 2021	$614.2	*88.50%*	$543.5		$54.3	*12.6%*
06/30/28	S+4.25%	Term Loan B-1 - 2022	$603.4	*89.75%*	$541.6		$58.5	*12.7%*
06/30/28	S+5.0%	Term Loan B-2 - 2022	$645.3	*90.00%*	$580.8		$67.4	*13.5%*
12/15/28	13.00%	New Term Loan	$726.4	*100.00%*	$726.4		$94.4	*13.0%*
01/15/25	S+2.25%	AR Facility	$130.0	*100.00%*	$130.0		$9.8	
04/15/25	9.25%	1st-lien Secured Notes	$38.9	*99.00%*	$38.5		$3.6	
09/01/25	7.375%	1st-lien Secured Notes	$63.0	*95.00%*	$59.9		$4.6	
06/01/27	8.625%	1st-lien Secured Notes	$853.0	*90.00%*	$767.7		$73.6	*12.3%*
12/15/27	11.25%	1st-lien Secured Notes	$555.0	*97.00%*	$538.4		$62.4	*12.2%*
		Cash	$601.6				$463.5	
		Net 1st-lien debt	$4,020.6		$3,672.9	10.25x		
04/15/25	4.00%	Convertible unsec. notes	$333.2	*97.0%*	$323.22		$13.3	
		Total Net Debt	$4,353.8		$3,996.1	12.12x	$476.8	
		Common Shares	379.5	*$4.37*	$1,658.4			
		Enterprise Value	$6,012.3		$5,654.6	16.78x		
		2023 est. cash EBITDA	$358.3					

Sabre is the second GDS we are covering (see our coverage of Travelport at our website). The industry has become more consolidated during the last 10 years when we started covering Travelport. Sabre acquired Abacus in 2015, and its market share has been stable since this acquisition in the neighborhood of 34%-36%. Amadeus, the largest global GDS, has been increasing its market share at the expense of Travelport. For your information, Travelport was acquired by a group of private equity companies in 2019 for $4.4bn. Travelport was generating around $2.55bn of annual sales and $590mm of adjusted EBITDA at the time of acquisition.

We estimate that Travelport's market share has dropped from 40% in 2022 to 26% in 2012 and to 21.7% in 2023, whilst the share of Amadeus has grown from 26% in 2000 to 39% in 2012 and to 43.5% in 2023. In the meantime, the market share of Sabre has remained unchanged at 35%. The company has stated on the recent call that Sabre has been growing its market share for three consecutive quarters.

	Q3 2022	Q3 2023
Air bookings share	33.4%	34.1%
Air bookings share, excluding Expedia	36.5%	36.7%

The GDS industry has been surrounded by various ominous speculations of secular challenges during the last 20 years. However, airlines have not been able to come up with anything meaningful to eliminate the intermediary between travel agencies and travel providers. Even the new NDC created by the IATA uses GDS for fulfillment. As a result, we do not see any serious structural competitive threat for the industry. Moreover, as our analysis of Travelport shows (see our research of Travelport at our website), economy slowdowns do not affect the travel industry as severely as the debacle of 2020.

After two years of stagnation in the air traffic growth in 2008 and 2009, the industry experienced strong turnaround – air traffic grew by 8.2%, 5.9% and 5.3% in 2010, 2011, 2012, respectively, exceeding the 5.0% historical average over the past 20 years. Most of travel increase derived from emerging markets. The strongest performance were registered by airlines in the Middle East and Latin America, whilst North American traffic slowing down considerably.

The industry turnaround in the GDS industry after the 2008-2009 crisis was more modest – after two years of consecutive contraction in 2008 and 2009 by 6.0% and 7.9% (compare to 0.4% and 2.1% contraction of air traffic during the same years), GDS industry rebounded by 7.9%, 2.2% and 1.2% in 2010, 2011 and 2012, respectively. Clearly, the GDS industry experiences steeper downside and slower upside through economy downturns. Also, slow GDS growth reflects a more conservative capacity growth by large airlines in Europe and North America.

The future upside of GDS industry relates to further defragmentation of the hotel industry, particularly in Europe and emerging markets. The growth of airline passengers globally has started to slow down recently, whilst even 5 years, it significantly outpaced the GDP growth. The number of airline passengers increased by CAGR of 6.2% between 2015 and 2019, and the 2022 level is still far from the one in 2019.

	2015	2016	2017	2018	2019	2020	2021	2022
Airline pasengers globally (mm)	3,569	3,817	4,095	4,378	4,543	1,807	2,185	3,781
Change		*6.9%*	*7.3%*	*6.9%*	*3.8%*	*-60.2%*	*20.9%*	*73.0%*

Recovery in the number of air transactions has been mostly parallel between Amadeus and Sabre:

Booking Air Transactions	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023
Amadeus	580.4	107.6	206.4	91.7	109.2	99.8	95.6	396.3	121.8	113.7	112.5
Change		*-81.5%*	*91.8%*					*92.0%*	*32.8%*	*4.1%*	*12.7%*
Sabre	566.3	124.7	207.0	65.0	80.7	80.1	76.0	301.8	96.6	90.4	89.5
Change		*-78.0%*	*66.0%*					*45.8%*	*48.7%*	*12.0%*	*11.7%*

However, total revenues during the first none months of 2023 have grown by 23% at Amadeus, compared to the same period of 2022. In the meantime, sales at Sabre during the same period increased only by 16.5%. This is mainly explained by the fact that Amadeus is focused on European markets, and average sales per transaction in Europe is higher than in the U.S. – the area of focus for Sabre. Amadeus also has high percentage of sales related to hotel solutions:

Hospitality - %ge of sales	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023
Sabre	*12.0%*	*9.6%*	*10.1%*	*10.2%*	*10.3%*	*10.0%*	*9.9%*	*10.4%*	*10.6%*
Amadeus	*20.2%*	*17.2%*	*16.0%*	*16.8%*	*18.9%*	*17.2%*	*15.8%*	*16.1%*	*15.9%*

Overall, Sabre looks fairly competitive with Amadeus in terms of revenue generation:

Sabre-%-ge of Amadeus	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023
%-ge of air transactions	*100.3%*	*70.9%*	*73.9%*	*80.3%*	*79.5%*	*76.2%*	*79.3%*	*79.5%*	*79.5%*
%-ge of air revenues	*84.9%*	*76.9%*	*72.9%*	*75.2%*	*77.7%*	*75.5%*	*77.5%*	*77.8%*	*78.7%*

The only disadvantage of Sabre is related to smaller size – it makes a crucial difference in the industry with the high operating leverage. And unfortunately, Sabre has not been able to win any market share through the last 10 years – all market share has been lost by Travelport to Amadeus. As such, Amadeus enjoys higher EBITDA margins and low leverage. Certainly, cash EBITDA margin of Amadeus still has not recovered to the one of 2019. However, it is still higher now than it was for Sabre in 2019…

Amadeus	**2018**	**2019**	**2020**	**2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**
Revenue	€ 4,935.7	€ 5,570.1	€ 2,174.0	€ 2,670.0	€ 917.2	€ 1,182.6	€ 1,217.6	€ 1,168.5	€ 4,485.9	€ 1,311.3	€ 1,380.8	€ 1,394.4
Change		*12.9%*	*-61.0%*	*22.8%*					*68.0%*	*43.0%*	*16.8%*	*14.5%*
COGS	€ 1,206.9	€ 1,429.5	€ 276.6	€ 495.0	€ 203.7	€ 302.6	€ 310.4	€ 282.6	€ 1,099.3	€ 325.3	€ 359.5	€ 340.5
%-ge of sales	*24.5%*	*25.7%*	*12.7%*	*18.5%*	*22.2%*	*25.6%*	*25.5%*	*24.2%*	*24.5%*	*24.8%*	*26.0%*	*24.4%*
Personnel exp.	€ 1,382.1	€ 1,543.2	€ 1,597.6	€ 1,340.1	€ 347.8	€ 377.0	€ 386.1	€ 403.6	€ 1,514.5	€ 399.0	€ 419.1	€ 421.3
%-ge of sales	*28.0%*	*27.7%*	*73.5%*	*50.2%*	*37.9%*	*31.9%*	*31.7%*	*34.5%*	*33.8%*	*30.4%*	*30.4%*	*30.2%*
Other opex	€ 318.4	€ 365.0	€ 241.2	€ 236.0	€ 69.9	€ 7.1	€ 147.7	€ 7.1	€ 231.8	€ 77.3	€ 143.1	€ 228.1
Cash EBITDA	€ 2,028.3	€ 2,232.4	€ 58.6	€ 598.9	€ 295.8	€ 495.9	€ 373.4	€ 475.2	€ 1,640.3	€ 509.7	€ 459.1	€ 404.5
Cash EBITDA margin	*41.1%*	*40.1%*	*2.7%*	*22.4%*	*32.3%*	*41.9%*	*30.7%*	*40.7%*	*36.6%*	*38.9%*	*33.2%*	*29.0%*
Revenue												
Air Distribution				€ 1,061.9	€ 446.0	€ 591.8	€ 573.1	€ 536.9	€ 2,147.8	€ 678.9	€ 681.6	€ 667.1
%-ge of total				*39.8%*	*48.6%*	*50.0%*	*47.1%*	*45.9%*	*47.9%*	*51.8%*	*49.4%*	*47.8%*
Air IT Solutions				€ 1,069.5	€ 313.1	€ 401.7	€ 439.7	€ 410.9	€ 1,565.4	€ 424.9	€ 477.5	€ 506.1
%-ge of total				*40.1%*	*34.1%*	*34.0%*	*36.1%*	*35.2%*	*34.9%*	*32.4%*	*34.6%*	*36.3%*
Hospitality Solutions				€ 538.6	€ 158.1	€ 189.1	€ 204.8	€ 220.7	€ 772.7	€ 207.5	€ 221.7	€ 221.2
%-ge of total				*20.2%*	*17.2%*	*16.0%*	*16.8%*	*18.9%*	*17.2%*	*15.8%*	*16.1%*	*15.9%*
Total Sales				€ 2,670.0	€ 917.2	€ 1,182.6	€ 1,217.6	€ 1,168.5	€ 4,485.9	€ 1,311.3	€ 1,380.8	€ 1,394.4
Bookings Air	580.2	580.4	107.6	206.4	91.7	109.2	99.8	95.6	396.3	121.8	113.7	112.5
Change		*0.0%*	*-81.5%*	*91.8%*					*92.0%*	*32.8%*	*4.1%*	*12.7%*
Capex	€ 718.1	€ 736.1	€ 501.5	€ 460.2	€ 117.6	€ 139.2	€ 145.5	€ 164.4	€ 566.7	€ 149.0	€ 160.6	€ 152.9
Capex/Sales	*14.5%*	*13.2%*	*23.1%*	*17.2%*	*12.8%*	*11.8%*	*11.9%*	*14.1%*	*12.6%*	*11.4%*	*11.6%*	*11.0%*

Cash EBITDA margin of Sabre has been declining from 23.8% in 2019 to 15.6% in Q3 2023. It is projected to grow to 16.4% in 2024. Absent any major industry bifurcation, we are confident that the company will be able to grow cash EBITDA to the level that will cover all its fixed charges. Steps to facilitate this growth include the following:

- Sales recovery, driven by improvements in APAC and Europe:

Revenue	2019	2020	2021	2022	2023e	2024e	Decline in 2020	Recovery in 2021	Recovery in 2022	Est. Rec. in 2023	Est. Rec. in 2024	2024 -%ge of 2019
United States	$1,306,450	$636,854	$734,568	$958,927	$1,100,848	$1,183,412						
%-ge of total	*32.9%*	*47.7%*	*43.5%*	*37.8%*	*37.3%*	*35.9%*	*-51.3%*	*15.3%*	*30.5%*	*14.8%*	*7.5%*	*90.6%*
Europe	$913,245	$287,421	$341,862	$627,772	$718,799	$808,649						
%-ge of total	*23.0%*	*21.5%*	*20.2%*	*24.7%*	*24.4%*	*24.5%*	*-68.5%*	*18.9%*	*83.6%*	*14.5%*	*12.5%*	*88.5%*
APAC	$822,679	$151,206	$184,075	$335,056	$435,573	$533,577						
%-ge of total	*20.7%*	*11.3%*	*10.9%*	*13.2%*	*14.8%*	*16.2%*	*-81.6%*	*21.7%*	*82.0%*	*30.0%*	*22.5%*	*64.9%*
Other	$932,614	$258,619	$428,370	$615,260	$695,000	$775,000	*-72.3%*	*65.6%*	*43.6%*	*13.0%*	*11.0%*	*83.1%*
Total	$3,974,988	$1,334,100	$1,688,875	$2,537,015	$2,950,220	$3,300,637	*-66.4%*	*26.6%*	*50.2%*	*16.3%*	*11.9%*	*83.0%*

- Savings in Technology and SG&A costs are expected to be $200mm annually.

Overall, we do not expect business travel to return to its level of 2019. However, there is a clear disconnect between rosy future indicated by stocks of travel agencies and the performance of GDSs. This disconnect represents arbitrage opportunities.

Sabre	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023
Revenues											
Distribution	$2,730,843	$582,115	$901,478	$342,888	$431,538	$430,826	$417,293	$1,622,545	$525,886	$530,405	$524,801
Change yoy	*3.0%*	*-78.7%*	*54.9%*					*80.0%*	*53.4%*	*22.9%*	*21.8%*
IT Solutions	$992,152	$594,579	$602,061	$191,110	$167,611	$172,821	$157,188	$688,730	$151,555	$140,356	$147,128
Change yoy	*1.5%*	*-40.1%*	*1.3%*					*14.4%*	*-20.7%*	*-16.3%*	*-14.9%*
Total Travel Solutions	$3,722,995	$1,176,694	$1,503,539	$533,998	$599,149	$603,647	$574,481	$2,311,275	$677,441	$670,761	$671,929
Change yoy	*2.6%*	*-68.4%*	*27.8%*					*53.7%*	*26.9%*	*12.0%*	*11.3%*
Total bookings	*566,308*	*124,684*	*207,013*	*64,978*	*80,729*	*80,101*	*76,034*	*301,842*	*96,643*	*90,429*	*89,460*
Change yoy	*1.3%*	*-78.0%*	*66.0%*					*45.8%*	*48.7%*	*12.0%*	*11.7%*
Average sales/ booking	*$6.6*	*$9.4*	*$7.3*	*$8.2*	*$7.4*	*$7.5*	*$7.6*	*$7.7*	*$7.0*	*$7.4*	*$7.5*
Change yoy		*43.6%*	*-23.0%*					*5.4%*	*-14.7%*	*-0.1%*	*-0.3%*
Hospitality Solutions	$292,888	$174,628	$202,628	$56,004	$66,204	$67,497	$64,915	$254,620	$73,812	$76,671	$78,581
Change yoy	*7.3%*	*-40.4%*	*16.0%*					*25.7%*	*31.8%*	*15.8%*	*16.4%*
Transactions	*108,482*	*67,046*	*91,802*	*23,028*	*29,533*	*31,640*	*27,258*	*111,459*	*27,746*	*31,916*	*33,790*
Change yoy	*22.4%*	*-38.2%*	*36.9%*					*21.4%*	*20.5%*	*8.1%*	*6.8%*
Average sales/ transaction	$2.7	$2.6	$2.2	$2.4	$2.2	$2.1	$2.4	$2.3	$2.7	$2.4	$2.3
Change yoy		*-3.5%*	*-15.3%*					*3.5%*	*9.4%*	*7.2%*	*9.0%*
Eliminations	($40,892)	($17,222)	($17,292)	($5,092)	($7,821)	($7,750)	($8,217)	($28,880)	($8,558)	($9,903)	($10,049)
Total Revenues	$3,974,991	$1,334,100	$1,688,875	$584,910	$657,532	$663,394	$631,179	$2,537,015	$742,695	$737,529	$740,461
COGS, excluding technology											
Total Travel Solutions	$1,566,089	$438,300	$564,137					$894,556			
%-ge of sales	*42.1%*	*37.2%*	*37.5%*					*38.7%*			
Hospitality Solutions	$153,162	$91,149	$96,487					$126,543			
%-ge of sales	*52.3%*	*52.2%*	*47.6%*					*49.7%*			
Eliminations	($40,879)	($17,222)	($17,292)					($28,880)			
Segment COGS	$1,678,372	$512,227	$643,332					$992,219			
%-ge of sales	*42.2%*	*38.4%*	*38.1%*					*39.1%*			
Corporate COGS	$8,094	$27,867	$8,363					$8,624			
D&A	$39,691	$38,916	$39,756					$39,976			
Total COGS	$1,726,157	$579,010	$691,451					$1,040,819			
Technology Costs											
Total Travel Solutions	$1,100,873	$946,080	$876,499					$910,219			
%-ge of sales	*29.6%*	*80.4%*	*58.3%*					*39.4%*			
Hospitality Solutions	$111,877	$96,928	$96,059					$122,476			
%-ge of sales	*38.2%*	*55.5%*	*47.4%*					*48.1%*			
Corporate Technology Costs	$72,454	$113,715	$80,275					$63,402			
Total Technology Costs	$1,285,204	$1,156,723	$1,052,833					$1,096,097			
SG&A											
Total Travel Solutions	$298,623	$282,078	$253,438					$260,318			
%-ge of sales	*8.0%*	*24.0%*	*16.9%*					*11.3%*			
Hospitality Solutions	$43,454	$45,716	$45,495					$52,116			
%-ge of sales	*14.8%*	*26.2%*	*22.5%*					*20.5%*			
Corporate SG&A	$258,133	$258,612	$311,145					$348,725			
Total SG&A	$600,210	$586,406	$610,078					$661,159			
D&A											
Travel Solutions	$292,097	$250,540	$170,673	$28,254	$28,031	$28,043	$26,185	$110,513	$24,606	$20,273	$20,050
Hospitality Solutions	$53,098	$42,789	$26,354	$5,800	$5,487	$5,216	$5,282	$21,785	$5,684	$6,344	$6,256
Corporate	$69,426	$70,414	$65,158	$16,054	$15,707	$10,100	$10,474	$52,335	$10,029	$10,271	$10,357
Total D&A	$414,621	$363,743	$262,185	$50,108	$49,225	$43,359	$41,941	$184,633	$40,319	$36,888	$36,663
Capex											
Travel Solutions	$52,642	$23,481	$25,128	$7,397	$11,000	$12,129	$9,870	$40,396	$13,051	$18,700	$14,155
%-ge of sales	*1.4%*	*2.0%*	*1.7%*	*1.4%*	*1.8%*	*2.0%*	*1.7%*	*1.7%*	*1.9%*	*2.8%*	*2.1%*
Hospitality Solutions	$11,324	$3,177	$224	$3,529	$237	$1,118	$1,127	$6,011	$1,928	$2,225	$1,489
%-ge of sales	*3.9%*	*1.8%*	*0.1%*	*6.3%*	*0.4%*	*1.7%*	*1.7%*	*2.4%*	*2.6%*	*2.9%*	*1.9%*
Corporate	$51,200	$38,762	$28,950	$6,477	$4,743	$6,843	$5,024	$23,087	$3,131	$9,155	$4,776
Total Capex	$115,166	$65,420	$54,302	$17,403	$15,980	$20,090	$16,021	$69,494	$18,110	$30,080	$20,420
Adjusted EBITDA											
Travel Solutions	$1,021,363	($272,582)	($52,006)	$73,560	$85,915	$97,354	$66,974	$323,803	$114,708	$136,641	$162,139
%-ge of sales	*27.4%*	*-23.2%*	*-3.5%*	*13.8%*	*14.3%*	*16.1%*	*11.7%*	*14.0%*	*16.9%*	*20.4%*	*24.1%*
Hospitality Solutions	$31,466	($21,126)	($13,452)	($9,317)	($6,553)	($6,096)	($7,828)	($29,794)	($2,811)	$4,307	$6,363
%-ge of sales	*10.7%*	*-12.1%*	*-6.6%*	*-16.6%*	*-9.9%*	*-9.0%*	*-12.1%*	*-11.7%*	*-3.8%*	*5.6%*	*8.1%*
Corporate	($189,404)	($153,821)	($195,818)	($59,093)	($54,897)	($57,007)	($57,675)	($228,672)	($53,835)	($67,899)	($89,483)
Total Adjusted EBITDA	$863,425	($447,529)	($261,276)	$5,150	$24,465	$34,251	$1,471	$65,337	$58,062	$73,049	$79,019
Adjusted EBITDA	*21.7%*	*-33.5%*	*-15.5%*	*0.9%*	*3.7%*	*5.2%*	*0.2%*	*2.6%*	*7.8%*	*9.9%*	*10.7%*

Sabre	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	2023e	2024e
Total Net Revenue	3,974,988	1,334,100	1,688,875	584,910	657,532	663,394	631,179	2,537,015	742,695	737,529	740,461	729,535	2,950,220	3,300,637
Growth Y/Y	*2.8%*	*-66.4%*	*26.6%*	*78.6%*	*56.7%*	*50.4%*	*26.1%*	*50.2%*	*27.0%*	*12.2%*	*11.6%*	*15.6%*	*16.3%*	*11.9%*
COGS	1,726,157	579,010	691,451	223,034	274,245	274,330	269,210	1,040,819	307,042	316,370	294,120	303,859	1,221,391	1,356,562
Gross Profit	2,248,831	755,090	997,424	361,876	383,287	389,064	361,969	1,496,196	435,653	421,159	446,341	425,676	1,728,829	1,944,075
Gross Margin	*56.6%*	*56.6%*	*59.1%*	*61.9%*	*58.3%*	*58.6%*	*57.3%*	*59.0%*	*58.7%*	*57.1%*	*60.3%*	*58.3%*	*58.6%*	*58.9%*
Technology Costs	1,285,204	1,156,723	1,052,833	273,730	277,172	273,240	271,955	1,096,097	271,438	284,279	243,404	236,406	1,035,527	1,095,812
% of Sales	*32.3%*	*86.7%*	*62.3%*	*46.8%*	*42.2%*	*41.2%*	*43.1%*	*43.2%*	*36.5%*	*38.5%*	*32.9%*	*32.4%*	*35.1%*	*33.2%*
SG&A	600,210	586,406	610,078	167,678	176,308	172,359	144,814	661,159	164,428	179,063	150,736	145,773	640,000	611,000
% of Sales	*15.1%*	*44.0%*	*36.1%*	*28.7%*	*26.8%*	*26.0%*	*22.9%*	*26.1%*	*22.1%*	*24.3%*	*20.4%*	*20.0%*	*21.7%*	*18.5%*
Operating Loss	363,417	(988,039)	(665,487)	(79,532)	(70,193)	(56,535)	(54,800)	(261,060)	(213)	(42,183)	52,201	43,497	53,302	237,264
% of Sales	*9.1%*	*-74.1%*	*-39.4%*	*-13.6%*	*-10.7%*	*-8.5%*	*-8.7%*	*-10.3%*	*0.0%*	*-5.7%*	*7.0%*	*6.0%*	*1.8%*	*7.2%*
Other expense	9,432	66,961	1,748	(191,241)	43,937	7,687	2,972	(136,645)	(2,407)	(17,225)	11,548	9,084	1,000	1,000
D&A	414,621	363,743	262,185	50,108	49,226	43,359	41,940	184,633	40,319	36,888	36,664	36,129	150,000	135,000
Gain on sale of assets	0	0	(14,532)	0	0	0	(180,081)	(180,081)	0	0	0	0	0	0
Other non-cash items	174,355	144,623	178,462	40,927	43,593	31,074	37,364	152,958	34,911	7,763	38,994	39,332	121,000	135,000
Adjustments to EBITDA	2,272	116,812	9,468	(189,368)	42,937	(171)	162,507	15,905	7,018	9,282	(868)	19,568	35,000	35,000
Cash EBITDA	945,233	(429,822)	(231,652)	13,376	21,626	10,040	3,958	49,000	84,442	28,975	115,443	129,442	358,302	541,264
Cash EBITDA Margin	*23.8%*	*-32.2%*	*-13.7%*	*2.3%*	*3.3%*	*1.5%*	*0.6%*	*1.9%*	*11.4%*	*3.9%*	*15.6%*	*17.7%*	*12.1%*	*16.4%*
Company's Adj. EBITDA	946,360	(447,529)	(261,276)	5,150	24,465	34,251	1,471	65,337	58,062	73,049	110,168	103,721	345,000	541,264
Liquidity														
Cash EBITDA	945,233	(429,822)	(231,652)	13,376	21,626	10,040	3,958	49,000	84,442	28,975	115,443	129,442	358,302	541,264
Capex	(115,166)	(65,420)	(54,302)	(17,403)	(15,981)	(20,090)	(16,020)	(69,494)	(18,110)	(30,080)	(20,420)	(11,390)	(80,000)	(75,000)
Acquisitions, divestitures	(127,860)	64,129	24,874	392,268	(86,986)	(65,557)	3,746	243,471	0	(13,355)	1,334	21	(12,000)	0
Interest Expense	(157,648)	(186,235)	(246,933)	(61,058)	(66,884)	(77,120)	(81,077)	(286,139)	(99,784)	(106,134)	(92,986)	(76,096)	(375,000)	(465,000)
Income Taxes	(55,137)	(24,505)	(14,659)	(1,974)	(11,420)	5,989	(8,215)	(15,620)	(21,418)	(5,909)	8,538	789	(18,000)	(15,000)
Change in Working Capitlal	(151,188)	(129,683)	78,590	(89,427)	(16,551)	(41,367)	123,646	(23,699)	(35,649)	56,289	28,412	(6,525)	42,527	(34,000)
Free Cash Flow	338,234	(771,536)	(444,082)	235,782	(176,196)	(188,105)	26,038	(102,481)	(90,519)	(70,214)	40,321	36,241	(84,171)	(47,736)
Cash flow from operations	581,260	(770,245)	(414,654)	(139,083)	(73,229)	(102,458)	38,312	(276,458)	(72,409)	(26,779)	59,407	47,610	7,829	27,264
Cash flow from investments	(243,026)	(1,291)	(29,428)	374,865	(102,967)	(85,647)	(12,274)	173,977	(18,110)	(43,435)	(19,086)	(11,369)	(92,000)	(75,000)
Cash flow from financing	(409,721)	1,837,741	(50,558)	(25,835)	(14,573)	(21,238)	(13,724)	(75,370)	111,939	(41,579)	(142,878)	(36,241)	(108,759)	47,736
Total cash flow	(71,487)	1,066,205	(494,640)	209,947	(190,769)	(209,343)	12,314	(177,851)	21,420	(111,793)	(102,557)	0	(192,930)	0

Sabre	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023e	2023e	2023e
Balance Sheet														
Unrestricted Cash	436,176	1,499,665	978,352	1,186,414	992,180	782,763	794,888	794,888	817,075	706,148	601,604	601,604	601,604	601,604
Accounts Receivable	546,533	255,468	259,934	333,579	395,920	400,559	353,587	353,587	414,458	441,214	392,939	400,000	400,000	445,000
Days Accounts Receivable	*49.5*	*68.9*	*55.4*	*51.9*	*54.8*	*54.9*	*51.0*	*50.2*	*50.8*	*54.4*	*48.3*	*49.9*	*48.8*	*48.5*
Other Current Assets	139,211	132,972	142,949	137,393	177,243	188,301	191,979	191,979	189,811	177,365	180,253	175,000	175,000	150,000
Days other assets	*12.6*	*35.9*	*30.5*	*21.4*	*24.5*	*25.8*	*27.7*	*27.2*	*23.3*	*21.9*	*22.2*	*21.8*	*21.4*	*16.4*
Accounts Payable	187,187	115,229	122,934	155,813	145,619	135,256	171,068	171,068	192,306	216,601	215,107	228,000	228,000	220,000
Days Accounts Payable	*39.0*	*71.6*	*64.0*	*63.6*	*48.3*	*44.9*	*57.8*	*59.2*	*57.0*	*62.3*	*66.6*	*68.3*	*67.2*	*58.4*
Accrued Liabilities	756,742	480,646	564,281	521,986	583,140	578,912	621,023	621,023	647,870	678,670	688,610	671,000	671,000	665,000
Days Accrued Liabilities	*157.8*	*298.8*	*293.8*	*210.6*	*191.4*	*189.9*	*207.6*	*214.8*	*189.9*	*193.1*	*210.7*	*198.7*	*197.8*	*176.5*
Debt														
Total Debt	3,342,985	4,665,850	4,752,975	4,749,441	4,749,262	4,742,450	4,740,571	4,740,571	4,854,910	4,801,594	4,820,926	4,784,685	4,784,685	4,675,927
Net Debt	2,906,809	3,166,185	3,774,623	3,563,027	3,757,082	3,959,687	3,945,683	3,945,683	4,037,835	4,095,446	4,219,322	4,183,081	4,183,081	4,074,323
LTM EBITDA	945,233	(429,822)	(231,652)	(117,410)	(24,214)	32,574	49,000	49,000	120,066	127,415	232,818	358,302	358,302	541,264
LTM Interest Expense, cash	157,648	186,235	246,933	243,890	246,502	258,161	286,139	286,139	324,865	364,115	379,981	375,000	375,000	465,000
LTM Capex	115,166	65,420	54,302	65,270	70,446	77,367	69,494	69,494	70,201	84,300	84,630	80,000	80,000	75,000
Ratios														
Leverage	3.5x	-10.9x	-20.5x	-40.5x	-196.1x	145.6x	96.7x	96.7x	40.4x	37.7x	20.7x	13.4x	13.4x	8.6x
Net Leverage (net of excess)	3.1x	-7.4x	-16.3x	-30.3x	-155.2x	121.6x	80.5x	80.5x	33.6x	32.1x	18.1x	11.7x	11.7x	7.5x
EBITDA / LTM Interest Exp	6.0x	-2.3x	-0.9x	-0.5x	-0.1x	0.1x	0.2x	0.2x	0.4x	0.3x	0.6x	1.0x	1.0x	1.2x
(LTM EBITDA - LTM Cape	5.3x	-2.7x	-1.2x	-0.7x	-0.4x	-0.2x	-0.1x	-0.1x	0.2x	0.1x	0.4x	0.7x	0.7x	1.0x
Adjusted WC	($258,185)	($207,435)	($284,332)	($206,827)	($155,596)	($125,308)	($246,525)	($246,525)	($235,907)	($276,692)	($330,525)	($324,000)	($324,000)	($290,000)
Adjusted WC / Sales	*-6.5%*	*-15.5%*	*-16.8%*	*-35.4%*	*-23.7%*	*-18.9%*	*-39.1%*	*-9.7%*	*-31.8%*	*-37.5%*	*-44.6%*	*-44.4%*	*-11.0%*	*-8.8%*
Changes in WC formula		($50,750)	$76,897	($77,505)	($51,231)	($30,288)	$121,217	($37,807)	($10,618)	$40,785	$53,833	($6,525)	$77,475	($34,000)
Changes in WC actual		($129,683)	$78,590	($89,427)	($16,551)	($41,367)	$123,646	($23,699)	($35,649)	$56,289	$28,412			
Capex/Sales	*2.9%*	*4.9%*	*3.2%*	*3.0%*	*2.4%*	*3.0%*	*2.5%*	*2.7%*	*2.4%*	*4.1%*	*2.8%*			

Balance Sheet

The company's capital structure consists mostly of secured debt.

Maturity	Coupon		Face Value	*Market Price*	Market Price	Leverage	Cash interest	YTM
12/17/27	S+3.5%	Term Loan B-1 - 2021	$393.0	*88.50%*	$347.8		$34.8	*12.6%*
12/17/27	S+3.5%	Term Loan B-2 - 2021	$614.2	*88.50%*	$543.5		$54.3	*12.6%*
06/30/28	S+4.25%	Term Loan B-1 - 2022	$603.4	*89.75%*	$541.6		$58.5	*12.7%*
06/30/28	S+5.0%	Term Loan B-2 - 2022	$645.3	*90.00%*	$580.8		$67.4	*13.5%*
12/15/28	13.00%	New Term Loan	$726.4	*100.00%*	$726.4		$94.4	*13.0%*
01/15/25	S+2.25%	AR Facility	$130.0	*100.00%*	$130.0		$9.8	
04/15/25	9.25%	1st-lien Secured Notes	$38.9	*99.00%*	$38.5		$3.6	
09/01/25	7.375%	1st-lien Secured Notes	$63.0	*95.00%*	$59.9		$4.6	
06/01/27	8.625%	1st-lien Secured Notes	$853.0	*90.00%*	$767.7		$73.6	*12.3%*
12/15/27	11.25%	1st-lien Secured Notes	$555.0	*97.00%*	$538.4		$62.4	*12.2%*
		Cash	$601.6				$463.5	
		Net 1st-lien debt	$4,020.6		$3,672.9	10.25x		
04/15/25	4.00%	Convertible unsec. notes	$333.2	*97.0%*	$323.22		$13.3	
		Total Net Debt	$4,353.8		$3,996.1	12.12x	$476.8	
		Common Shares	379.5	*$4.37*	$1,658.4			
		Enterprise Value	$6,012.3		$5,654.6	16.78x		
		2023 est. cash EBITDA	$358.3					

Debt profile allows the company certain flexibility, since the new Term Loan facility is PIKable, and there is no significant debt maturity until 2026. Liquidity is adequate, and there is no reason to believe that the company will face any difficulties refinancing its debt any time soon, in our opinion. That said, we would definitely short equities of online travel agencies as a hedge in small quantities to hedge a potential force majeure. We believe that 12%-13% YTM generated by the company's debt represents an attractive opportunity. Alternatively, you can short the company's stock as a hedge.

Disclosure Regarding Research Report

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