

**From:** Boyle, Chris <fdfffc8466e2488e9733fab53b5669a4-boyle, chri@exchangelabs.com>  
**Sent:** Monday, July 23, 2018 8:12 PM  
**To:** Menke, Sean <Sean.Menke@sabre.com>; Simonson, Rick (Rick.Simonson@sabre.com); Shirk, Dave <Dave.Shirk@sabre.com>; Barnett, Doug <Doug.Barnett@sabre.com>  
**Subject:** Deal Recommendation Summary  
**Attach:** Marlins Deal Recommendation Summary 7.23.18 vF.pptx

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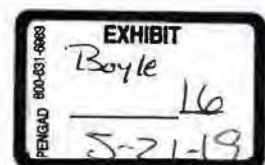
Sean,

For your reference, this is a slight edit to the materials shared on Friday with a page added to speak to key LOI terms that we would propose and also key diligence items outstanding. This is meant as reference, if we wanted to share this we could format or cut down as needed.

Thanks,  
Chris

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**Chris Boyle**  
VP / Corporate Development and M&A  
Office: [REDACTED] Mobile: [REDACTED]



SABR-000008184

**Sabre**

# Project Marlins Recommendation

Draft Subject to  
Legal Review

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**Corporate Development**

23 July 2018

SABR-000008185



# Project Marlins Recommendation

Draft Subject to  
Legal Review



**Corporate Development**

23 July 2018

# Deal Rationale & Recommendation

## Summary Rationale:

- Accelerate our technology and commercial objectives in delivering next generation Retailing, Distribution and Fulfillment to airlines
- Leverage Marlins market position with key products in merchandising and NDC content distribution to create a leadership position and bridge to longer term Sabre vision for Travel Solutions -- Marlins is a major component to make real the objective of bringing the PSS and GDS together in the basket of goods sought by airlines
- Utilize the Marlins "seat at the table" to strengthen and grow our PSS market position with end-to-end integration. Fits into our view on the future of PSS as microservices driven
- Meaningfully enhance our ability to work with airlines in commercializing NDC standards and evolving the GDS business model to align with a holistic view on enabling airlines to grow and optimize revenue across all channels
- Leverage the Marlins team that has successfully launched products focused on Retailing and Distribution with large carriers and who may influence our technology and commercial development

## Recommendation:

- Submit a non-binding LOI to acquire the stock of Marlins for cash consideration at close of \$250M, with ability to pay up to \$400M that may be somewhat subject to a 2019 revenue-based earnout



# Analysis at Various Prices

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## Sabre Base Case

*(\$ in Millions)*

Purchase Price	Revenue Multiple	EBITDA Multiple	ROIC	Q4 Net Debt Leverage
2018E	2018E	2018E	2018E	2018E
2019F	2019F	2019F	2019F	2019F
2020F	2020F	2020F	2020F	2020F
2021F				

## Sabre Synergy Case

*(\$ in Millions)*

Purchase Price	Revenue Multiple	EBITDA Multiple	ROIC	Q4 Net Debt Leverage
2018E	2018E	2018E	2018E	2018E
2019F	2019F	2019F	2019F	2019F
2020F	2020F	2020F	2020F	2020F
2021F				

## Non-Binding LOI Proposed Terms

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- Acquire the stock of Marlins in a reverse triangular merger for cash consideration at close of \$250M
  - Plan not to introduce possible earnout in initial letter
  - Next step would be cash consideration at close up to \$300M, possibly in combination with earnout to reach up to \$400M, depending on feedback we receive
- We will explain our approach to valuation and high level plan for company integration in transmittal email
- We will include some key terms such as employee retention, key employee non-competition, indemnification and escrow, purchase price adjustment for transaction expenses but not for working capital (any can change based on diligence)
- Deal will have HSR filing so will not be a simultaneous sign and close
- Will seek 60 days binding exclusivity from time that the Seller has released data room complying with DD requests
- We will not include reference to possible antitrust analysis or remedies but will invite a dialogue between counsel at the appropriate time



# Critical Valuation Factors

## Forecast Related:

- Marlins forecast shows very aggressive growth in 2019 and 2020, both in number of Offer product sales and in the hard-to-predict Order Transaction revenue
- The market seems to be available to sell products – current Marlins qualified pipeline is [REDACTED] for subscription product sales against [REDACTED] run rate go get for 2018 and [REDACTED] for 2019 (pipeline will likely grow)
- We don't believe that they can execute against growth plan with limited increases in sales, support, etc. and in this timeframe
  - Offer (FLX M, Avail, S&P, SB) and Order product sales are expected to be [REDACTED] in 2018, [REDACTED] in 2019 and [REDACTED] in 2020 (they were [REDACTED] in 2019), and at higher ASP
  - Sabre Case assumes a lower close rate for sales of [REDACTED] in 2018, [REDACTED] in 2019 and [REDACTED] in 2020 and at a lower average price
- The more significant driver is the adoption and integration to various POS for Open Connect that will drive transaction revenue (FLX OC contracts have both subscription and transaction components)
  - Transaction revenue from distributing tickets to non-GDS 3<sup>rd</sup> parties (NDC Connect) and to the GDS (NDC GDS Connect), with a target of ~[REDACTED]/ticket which equals [REDACTED] segment at [REDACTED] segments per ticket
  - NDC Connect is similar in concept to our AS Direct Connect, though priced lower
  - Question is really around NDC GDS Connect and [REDACTED]
  - If we take away all NDC GDS Connect revenue it decreases overall DCF Enterprise Value by [REDACTED]. Sabre Base Case assumes fewer tickets at a lower price

## Market Related:

- Trading comparables indicate a revenue multiple of [REDACTED] 2018E is reasonable, implying [REDACTED] purchase price and multiples of 2019E Sabre Case revenue of [REDACTED]
- Sabre trades at just under [REDACTED] 2018E revenue. Amadeus at [REDACTED] PROS at [REDACTED] and application software comps at [REDACTED] average
- Precedent transactions are mixed in usefulness as comparisons, but there are certainly vertical software deals traded for [REDACTED] revenue

## Key Diligence Issues

- Continued business diligence including named pipeline analysis
- Contract evaluation and tie to revenue
  - We believe majority of contracts have change of control termination, though commercial benefits should persist
  - Evaluate details of revenue model, obligations
- Continued and more detailed technology diligence, including cyber / data security
- Implications of likely Marlins product sunset for Shop & Price, Schedule Builder
- Legal diligence
- Capitalization and employee ownership and implications on retention
- Accounting diligence, including full balance sheet diligence and impact of applying 606
- HR diligence
- Product / tech more detailed diligence and integration planning with implications on organic roadmap / capex, etc.
- Team and brand integration plan



# Adding Marlins technology creates an opportunity to accelerate the vision of Travel Solutions

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## GDS + Marlins

### Airline Value

- NDC Offers integrated in the GDS sooner
- Tighter collaboration decreases delivery timeliness and increases quality

### Sabre Value

- Opportunity to define standards (tech and commercial)
- Immediate access to NDC API
- Ability to scale NDC volume quickly
- Mitigate risk from potential GDS bypass

## PSS + Marlins

### Airline Value

- Adds NDC platform to existing product offering
- Integrate production merchandising engine with PSS for E2E tech stack solution

### Sabre Value

- Ability to drive tech conversations with non-hosted carriers
- Capture value from non-hosted airline direct connect and other GDS bookings

## PSS + GDS + Marlins

### Airline Value

- Fully integrated E2E solution across tech stack and all distribution channels

### Sabre Value

- Accelerate Travel Solutions vision on retailing, distribution, and fulfillment
- Deeper relationships with carriers



# Marlins Product Summary

## Offer

## Order

### Products (# customers)

- Merch (18), Availability (2), Shop & Price (4), Schedule Builder (2)
- Open Connect, incl. NDC APIs (15)



### Sabre Use Hypotheses

- FLX M replaces DR and ANCS, integrate to Sabre POS
- Availability – use calculator for SSI, evaluate rules engine use
- No clear use for Shop & Price or Schedule Builder
- Maintain FLX OC for current and near-term customers
- Continue organic build for modern NDC Offer and Order management solutions
- Evaluate ticketing tech for possible TPF offload savings

# Deal Model Case Comparison

Mgmt. Case      Sabre Base Case      Sabre Synergy Case

	2018E	2019F	2020F	2018E	2019E	2020E	2018E	2019E	2020E
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Revenue Drivers	2018E	2019F	2020F	2018E	2019E	2020E	2018E	2019E	2020E
Offer Products New Sales									
Offer Cumulative Sales									
Offer Products ASP									
Order Product New Sales									
Order Cumulative Sales									
Order Products ASP									
NDC Connect Tickets									
NDC Connect Rev / Ticket									
NDC GDS Connect Tickets									
NDC GDS Connect Rev / Ticket									
Offer Subscription Revenue									
Order Subscription Revenue									
Order Dedicated Team Revenue									
NDC Connect Transaction Rev									
NDC GDS Connect Transaction Rev									
Sabre Product Synergy Revenue									
Total Revenue									
% growth									
Gross Profit Margin									
Opex Synergy									
SG&A									
SG&A % of revenue									
EBITDA									
% margin									
Capex Synergy									
Integration Costs									
DCF EV Range									
30% Discount to DCF EV Range									

## Comments

- Biggest unknown driving value is how many and what airlines will pay for tickets being distributed to the GDS
  - Mgmt. Case has [redacted] GDS tickets in 2020 and removing all would result in [redacted] valuation reduction
  - We do think that airlines will connect to the GDS via Marlin in places and near term as NDC develops, just more slowly and may pay less for the IT to do this
- Sabre Base Case derisks by:
  - Reducing # of product sales and ASP [redacted] of forecast [redacted] sales are closed)
  - Reducing # of transactions and price / ticket
  - Increasing SG&A
- Synergy includes:
  - More product sales with our embedded base and global sales and support
  - Winning [redacted] PSS deals with Medium carriers, [redacted] each at [redacted] Large carrier, [redacted] at [redacted]
  - Winning [redacted] Very Large Carrier Shopping deal at [redacted]
  - Minor Opex, Capex synergy largely offset by integration costs

# Go To Market and Integration Highlights

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## External:

- Coordinated multi-prong approach to announce deal and its benefits to airlines in delivering on the promise of next gen retailing, distribution and fulfillment
  - Leverage industry conference if possible
  - Tailored customer roadshow
- Messaging not just about Marlins benefits but also should include Sabre specific highlights, activity, etc. to bring together an integrated story for end-to-end, intelligent Offer – Order – Fulfillment

## Internal:





# Pro Forma Sabre Financials

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## Sabre Base Case

## Sabre Synergy Case

	2018E	2019F	2020F	2021F	CAGR '17-'21
<i>(Millions of US\$)</i>					
<b>Revenue</b>					
Sabre Revenue					
Growth					
Marriotts Revenue					
Growth					
<b>Pro Forma Total Revenue</b>					
Growth					
<b>Gross Profit</b>					
Sabre Gross Profit					
Margin					
Marriotts Gross Profit					
Margin					
<b>Pro Forma Total Gross Profit</b>					
Margin					
<b>EBITDA</b>					
Sabre EBITDA					
Margin					
Marriotts EBITDA					
Margin					
<b>Pro Forma Total EBITDA</b>					
Margin					
<b>Free Cash Flow</b>					
Sabre Free Cash Flow					
Margin					
Marriotts Free Cash Flow					
Margin					
<b>Pro Forma Total Free Cash Flow</b>					
Margin					
<b>Net Income</b>					
Sabre Net Income					
Margin					
Marriotts Net Income					
Margin					
<b>Pro Forma Total Net Income</b>					
Margin					