From: Boyle, Chris
Sent: Monday, July 23, 2018 8:00:16 PM
To: Eli.Gross@morganstanley.com; Magee, Ryan (Ryan.Magee@morganstanley.com)
CC: Simonson, Rick
Subject: Proj Marlins
Attachments: image001.png; 2018.05 Firebird CIM_SABRE.PDF; 2018.07 FLX Forecast Detail.xlsx; Marlins Deal Recommendation_DRAFT 7.23.18.pptx; Project Marlins Management Meeting Prep 7.5.2018.pptx; image002.png

Eli and Ryan,

An update with some materials attached for you to check out our thinking on Project Marlins, regarding FLX. I attached their CIM, a supplemental excel spreadsheet from company which updated the CIM numbers and our latest internal exec team deal recommendation deck. We went through a series of questions with the Evercore guys and held a business focused mgmt. meeting and technology calls after reading the CIM in order to come to our current perspective. I think it would be useful to get your thoughts if you have a chance to review. Our recommendation deck is summary, but gets the major points across and solves for what could be confusion in their numbers and our Meeting Prep deck is more a walk through of major issues that we were working through.

And there are a few specific areas that you may give some supporting thinking:

Precedent deals with meaningful earnouts -- we know that they can be complicated and not the first choice. But you will see that the mgmt. forecast has revenue go from ▮ in 2018E to ▮ in 2019E. So, it is difficult to pay up front for that growth and we believe they maintain a price expectation that is probably min.

M&A comps for vertical application software. If course, other side argues that growth, margin, recurring revenue, etc all points to "10x" club type valuation. Obvious arguments against especially size of overall end market. But Amadeus trading at ~6.5x 2018E revenue, so things are a bit heady.

General impressions, etc.

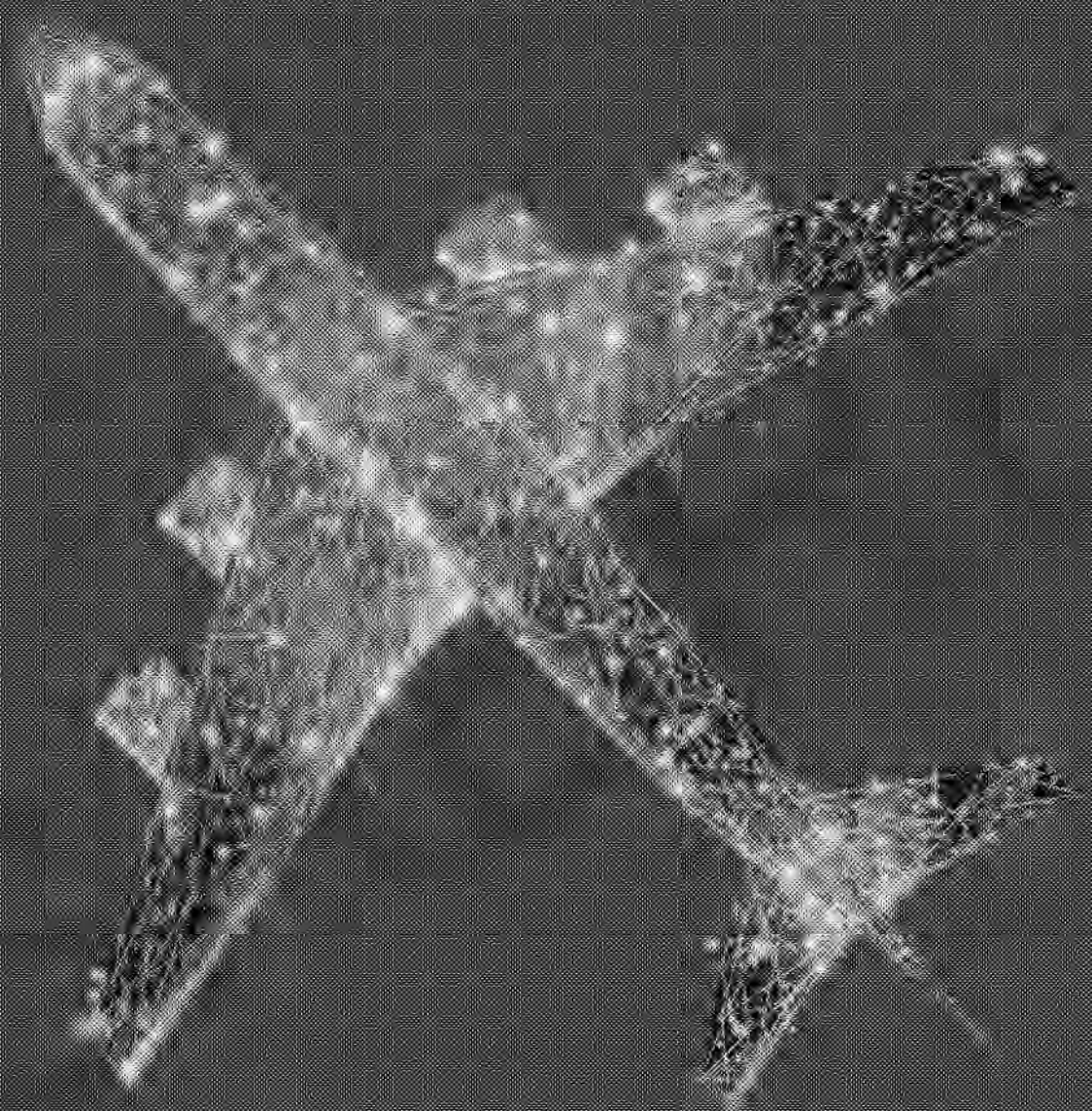Let me know if you can review and discuss at all by end of week.

Thanks,
Chris

IMG [cid:image002.png@01D4228F.B6DD95A0]

Chris Boyle
VP / Corporate Development and M&A
Office ▮▮▮▮▮▮ / Mobile ▮▮▮▮▮▮

Confidential Information Memorandum

June 2018

FARELOGIX

Table of Contents

I. Executive Summary

Farelogix Positioned for Market Leadership

Industry-leading SaaS Platform for Next Generation Airline Retailing and NDC Distribution

✓ Highly scalable and interoperable, spanning Offer Management and NDC Order Delivery deployed by many of the world's largest airlines and has never lost a customer in production

✓ Unique connectivity across nine leading airline reservation systems (PSS) and the only platform implementing NDC integrations with every global GDS

✓ High growth SaaS platform, combining recurring subscription and transaction revenue

FARELOGIX
Airline Commerce Gateway
FLX OPEN CONNECT
FLX NDC

Airline Retailing and Distribution

o Airlines globally sell approximately 1.6 billion tickets annually

  o Farelogix estimates that approximately ~50% of these tickets are sold directly to consumers through airline websites, call centers and tour operators (the "Direct Channel"), with the remaining ~50% sold indirectly by travel agencies and major online travel sites (the "Indirect Channel")

  o The Indirect Channel relies on the global distribution systems – Amadeus, Sabre, Travelport, TravelSky, etc, ("GDSs") for airline content

o Airline-controlled retailing strategies are critical to the shift from commoditized selling of seat inventory to true product and brand differentiation and have allowed airlines to increase revenue by offering customers more choice and convenience in the form of ancillary sales

  o The scope of ancillary revenue has evolved from bag fees, to the selling of Wi-Fi, extra legroom, preferred boarding, lounge passes and premium seats, meals and beverages

  o Ancillary revenue totaled $57 billion in 2017, growing ~20% annually and representing a key source of profit for the industry
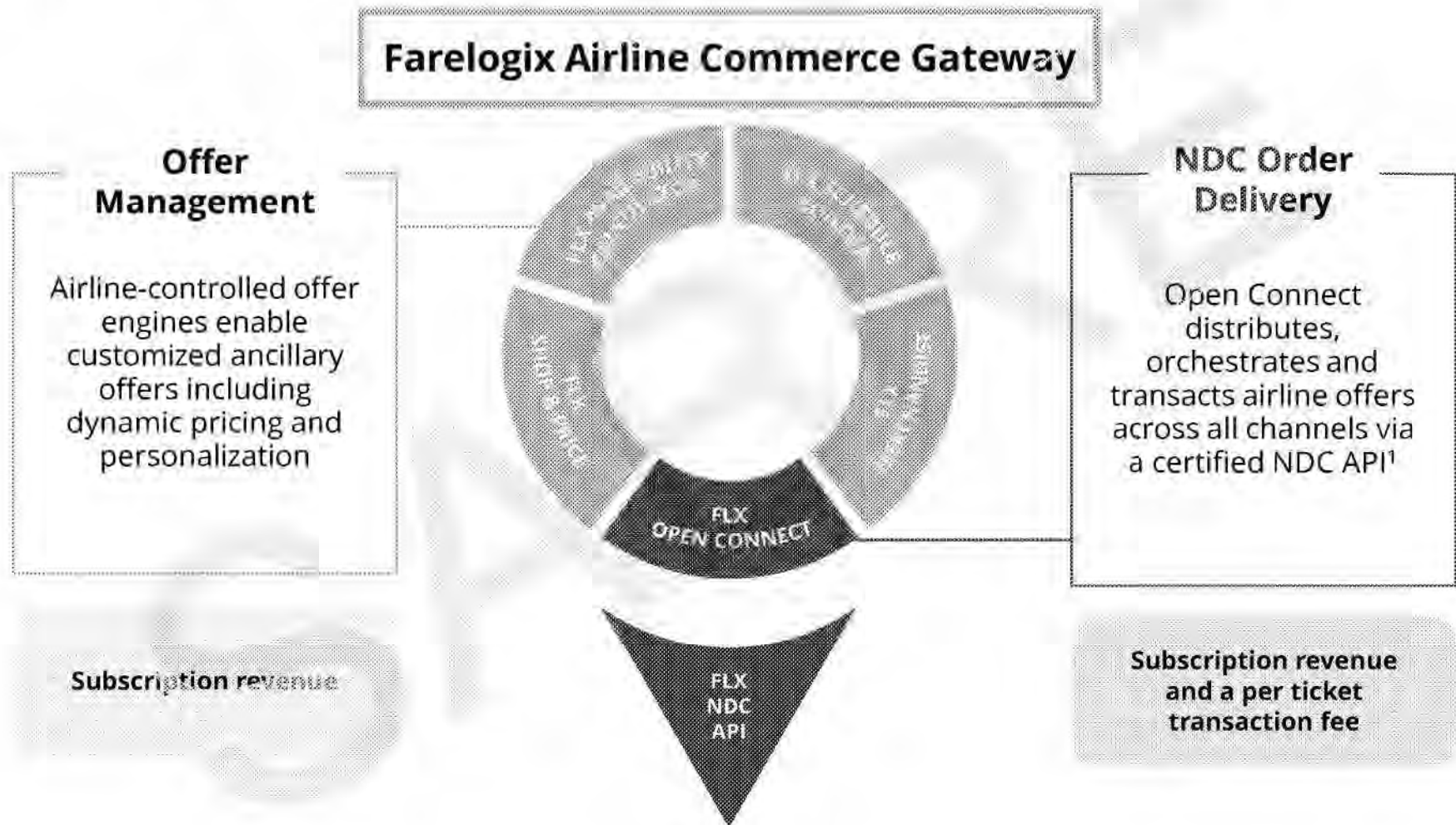
Current Technology Limitations

o Airlines require robust retailing software solutions that enable airline to create, control, bundle, modify, and price its offers ("Offer Management") across all sales channels in real time

o Most ancillary revenue growth has historically been generated through the Direct Channel, as Indirect Channels are constrained by technological limitations of the GDS systems

  o Airlines have sought to address these limitations through their largest trade group, the International Air Transport Association ("IATA"), which passed Resolution 787, New Distribution Capability ("NDC"), to allow airlines to distribute new products to the Indirect Channel as efficiently as they do to their Direct Channel ("NDC Order Delivery")

  o NDC has been endorsed by the world's largest airlines and the GDSs

3
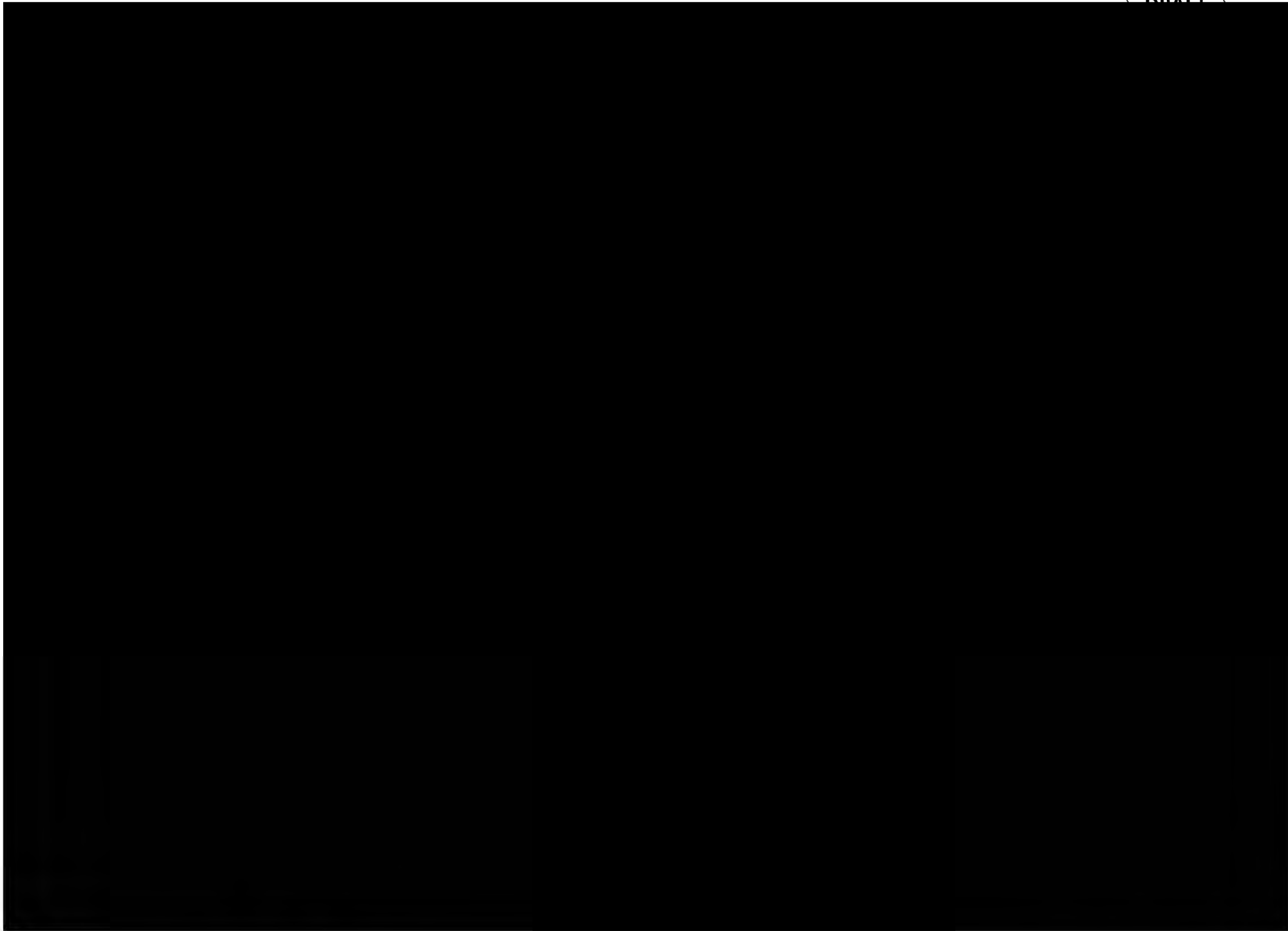
Investment Highlights

1 Farelogix's Airline Commerce Gateway is the Industry-Leading SaaS Platform for Next Generation Airline Retailing and NDC Distribution Across all Channels

2 Retailing and Distribution Capabilities are Critical to Airline Revenue Growth and Profitability

3 Large and Growing Market for Airline-Controlled Retailing and NDC Distribution Software

4 Global, Blue Chip Customer Base

5 High Growth, High Margin SaaS Platform with Significant Operating Leverage Driven by Accelerating Customer Adoption

6 Highly Visible Recurring Revenue Comprised of Subscription and Transaction Growth

7 Highly Experienced and Tenured Management Team with Unmatched Industry Depth
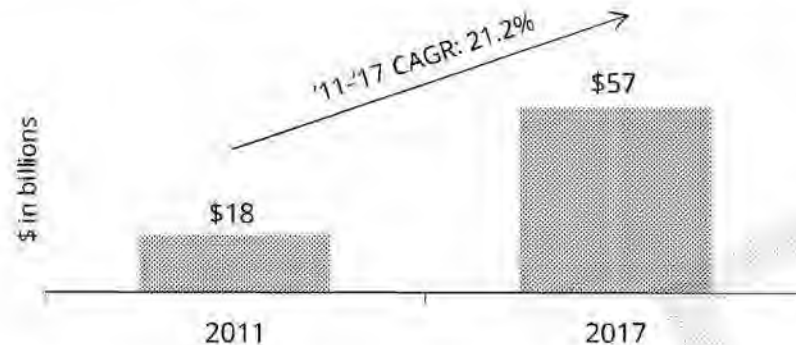
5

1 Farelogix's Airline Commerce Gateway is the Industry-Leading SaaS Platform for Next Generation Airline Retailing and NDC Distribution Across All Channels

Farelogix Airline Commerce Gateway

Offer Management

Airline-controlled offer engines enable customized ancillary offers including dynamic pricing and personalization

NDC Order Delivery

Open Connect distributes, orchestrates and transacts airline offers across all channels via a certified NDC API[1]

FLX OPEN CONNECT

FLX NDC API

Subscription revenue

Subscription revenue and a per ticket transaction fee

1. NDC API is next generation airline connectivity technology which will replace existing legacy EDIFACT airline distribution connectivity.

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2 Retailing and Distribution Capabilities are Critical to Airline Revenue Growth and Profitability

Airline Ancillary Revenue Continues to Grow, Reaching $57B in 2017[1]

'11-'17 CAGR: 21.2%

$57

$18

$ in billions

2011   2017

Travelers Seek Customized Travel Experiences

- Seat Upgrades
- Airport Parking, Airport & In-flight Wi-Fi
- Mobile Boarding Pass
- In-Flight Purchases
- Mobile Host (e.g., booking updates, directions)
- Passport-Scanning
- Additional Baggage
- Additional Miles
- Automated Payment Capabilities (e.g., iPay)

Airlines Require Technologies that Enable Airline Controlled Dynamic and Personalized Offers (Offer Management)

- o Engagement with hyperconnected travelers require the airline to react in real time and deliver personalized offers consistently across channels

- o Dynamic pricing can increase network airline EBIT by 20%

- o The above requires new, performance-built technology capable of handling massive transaction volumes and customized offers across all distribution channels

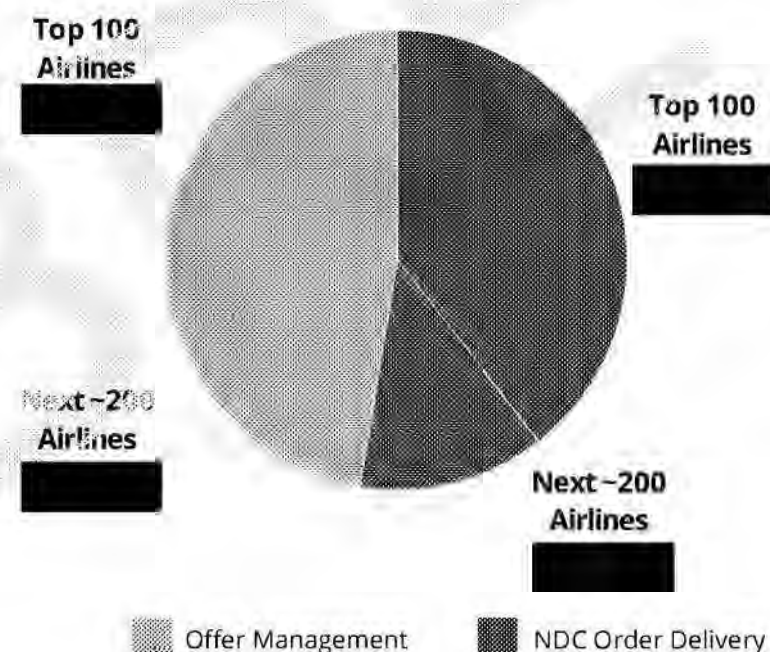## Airlines are Increasingly Adopting NDC (NDC Order Delivery)

- o Traditional distribution models show only static prices and flight times with no flexibility to provide additional functionalities, challenging airlines that are increasingly seeking new revenue streams

- o NDC enables airlines to offer a wide range of ancillary services to indirect distribution channels, increasing airline revenue opportunities

- o The shift to NDC is being led by IATA

1. CarTrawler Yearbook of Ancillary Revenue (2017), PWC

3 Large and Growing Market for Airline-Controlled Retailing and NDC Distribution Software

Farelogix Products Today Address a ▮▮▮ Annual Revenue Opportunity

- Today, airlines spend ~$13 billion on GDS and PSS solutions for retailing and distribution[1]

- Farelogix products today represent a ▮▮▮ ▮▮▮ opportunity across the world's 300 largest airlines[2]

- The ▮▮▮ opportunity compares to airline ancillary revenues of $57bn in 2017[3]

Top 100 Airlines ▮▮▮

Top 100 Airlines ▮▮▮

Next ~200 Airlines ▮▮▮

Next ~200 Airlines ▮▮▮

Offer Management   NDC Order Delivery

Top 100 Airlines & Next ~200 Airlines[2]

1. GDS spend comprised of Amadeus, Sabre, Travelport; PSS spend comprised of Amadeus and Sabre
2. ▮▮▮▮▮▮▮
3. CarTrawler, Yearbook of Ancillary Revenue (2017), PwC
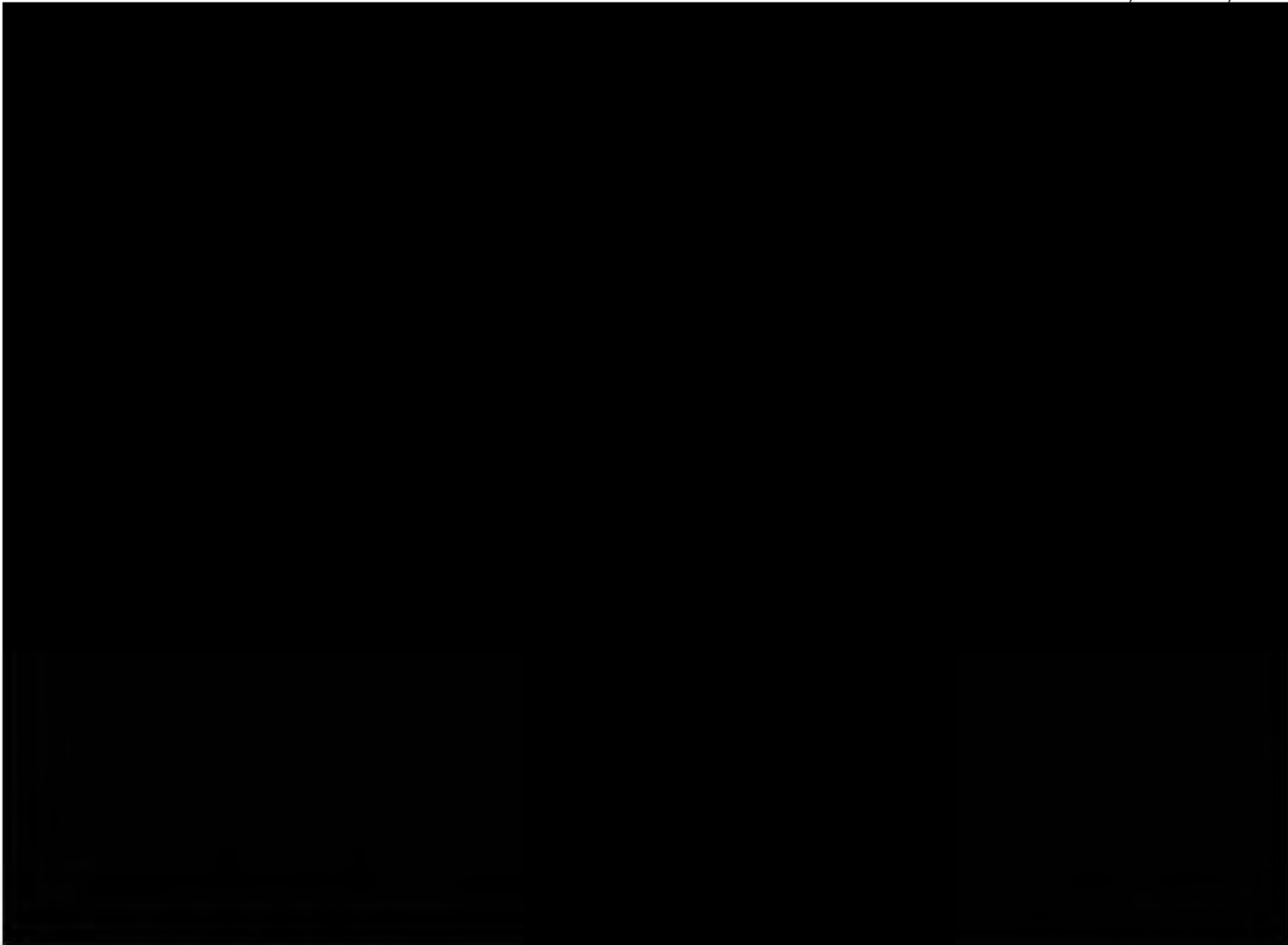
8

4 Global, Blue Chip Customer Base

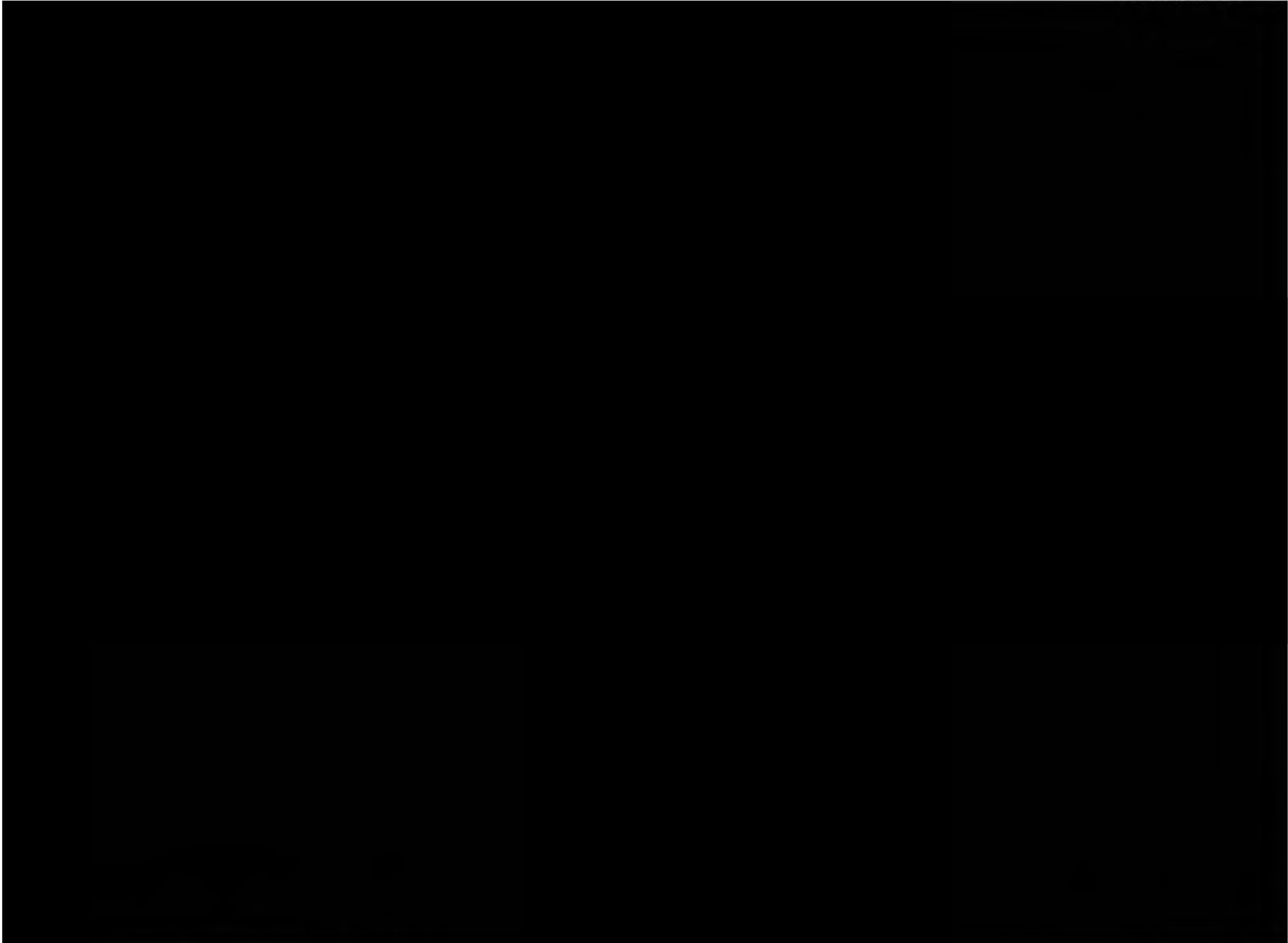Farelogix serves many of the largest airlines in the world and has never lost a customer in production

Offer Management
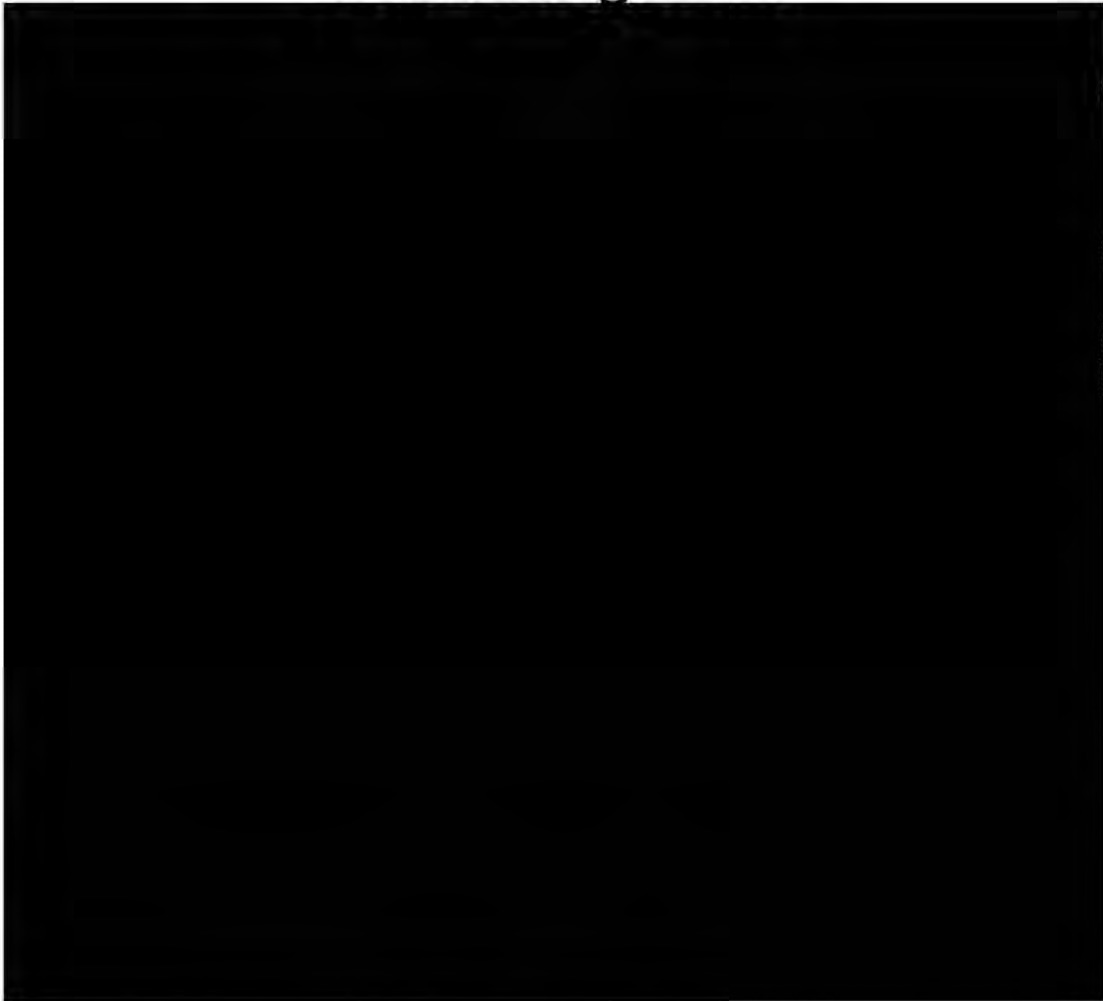
NDC Order Delivery

Highly Experienced and Tenured Management Team with Unmatched Industry Depth

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All members of the management team have over 25 years of relevant industry experience

Jim Davidson
President and CEO

30+ years of experience in the travel industry with demonstrated success leading both large multi-national organizations and start-ups

Prior to joining Farelogix in 2005, Jim was President and CEO of NTE, an Internet-based supply chain technology company. Before NTE, he held several senior leadership roles, including President and CEO of Amadeus Global Travel (North America), head of sales and marketing at System One, and Vice President of Marketing at Reed Travel Group/OAG

Named one of 25 Most Influential Executives in the Business Travel Industry by Business Travel News

Tim Reiz
CTO

25+ years of experience in the travel industry. Tim is the architect and leader behind

Theo Kruijssen
CFO

25+ years of international financial planning and analysis experience with both large multi-national corporations and start-ups

Edna Wehby Lopez
SVP and General Counsel

25+ years of experience in the legal and travel industries, including diverse corporate and in-house roles in human resources, legal and strategy

Susan Carter
SVP, Marketing

25+ years of experience in marketing, product management, business analysis, and software development

John Stewart
SVP, Business Development

25+ years in software development with a focus on the travel industry, with experience at both Fortune 500 companies and start-ups

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II.   Airline Retailing & NDC Distribution Market

Consumer Buying Patterns and NDC are Driving a Significant Evolution in Airline Retailing and Distribution

1 Ancillary Revenues, Captured Primarily in the Direct Channel to Date, are Increasingly Important for Airline Profitability

2 Airlines are Seeking to Take Control of Offer Management and NDC Order Delivery to Become Effective Retailers

3 NDC Addresses Longstanding Distribution Limitations that Have Prevented Airlines from Retailing in the Indirect Channel

4 Farelogix is the Leading Platform for Offer Management and NDC Order Delivery, Enabling Next Generation Retailing Across All Channels

5 GDSs are Now Endorsing NDC and are Implementing 8 Airlines with 11 NDC API Integrations with Farelogix Accelerating NDC Order Delivery Transactions

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1 Ancillary Revenues, Captured Primarily in the Direct Channel to Date, are Increasingly Important for Airline Profitability

Ancillary Revenue is Often the Difference Between Profit and Loss for Airlines

($ in billions)

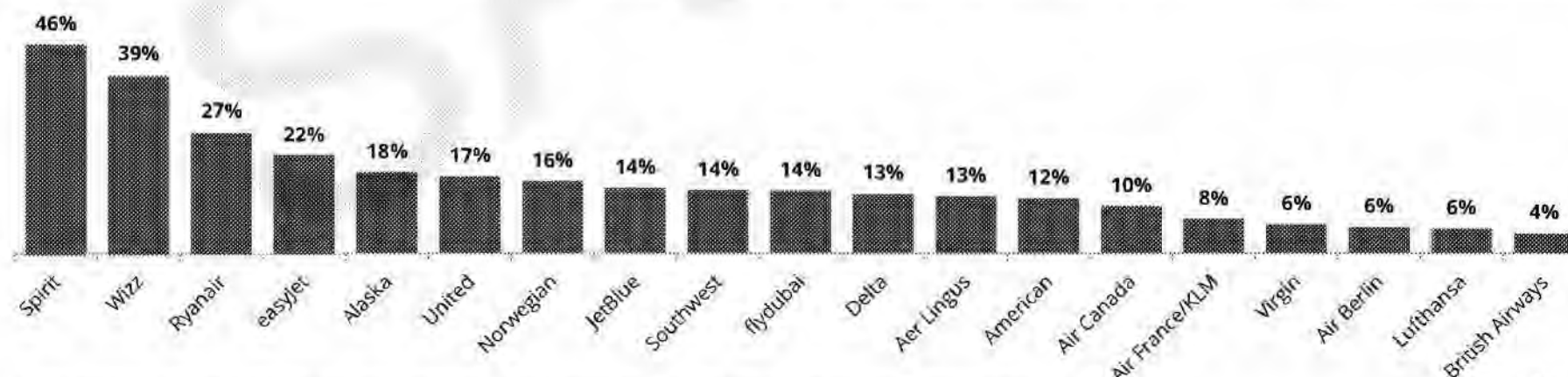Legend: --- Fuel Expenses — Ancillaries Revenue — Operating Profit Margin

- Total ancillary revenue in 2010 was $23bn. By 2017, it increased to $82bn

- In 2016, the top 10 airlines by ancillary revenue generated ~40% of the $67bn of total airline ancillary revenue

- According to industry experts, ancillary revenue contributed ~$20.00 per passenger in 2017. This translated to profits of ~$7.50 per passenger, a driver of industry-wide margins

- According to CarTrawler, it is reasonable to expect ancillary revenue to someday exceed the airline industry's annual fuel bill

While the Proportion of Revenue from Ancillary Revenue is Significant for Low Cost Carriers, it is Becoming just as Vital for Traditional Carriers

Spirit 46%, Wizz 39%, Ryanair 27%, easyJet 22%, Alaska 18%, United 17%, Norwegian 16%, JetBlue 14%, Southwest 14%, flydubai 14%, Delta 13%, Aer Lingus 13%, American 12%, Air Canada 10%, Air France/KLM 8%, Virgin 6%, Air Berlin 6%, Lufthansa 6%, British Airways 4%

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2 Airlines are Seeking to Take Control of Offer Management and NDC Order Delivery to Become Effective Retailers

The Case for Airline-Controlled Offer Management

o Travelers seek custom travel experiences (Seat Upgrades, In-Flight Purchases, Priority Boarding, Premium Meals, Door-to-Door Service, etc.)

o Today, 33% of airline executives report that personalized offers are critical to their strategy; this number is forecast to grow to 79% by 2021[1]

o Airlines are looking to utilize retailing sciences, machine learning and artificial intelligence to better optimize their offers

The Case for Airline-Controlled NDC Order Delivery

o Airline industry initiatives such as NDC are delivering essential "Distribution Freedom[2]" to drive the ubiquity of airline retailing and increasing airline revenue and profitability

o Engagement with hyper-connected, mobile travelers requires the airline to deliver a consistent offer ubiquitously across channels

o Deleverages the traditional GDS-Airline commercial relationship

o Enables content differentiation by channel, e.g., leisure vs. corporate

o Strengthens commercial relationship between airline and strategic TMCs/OTAs/Corporations
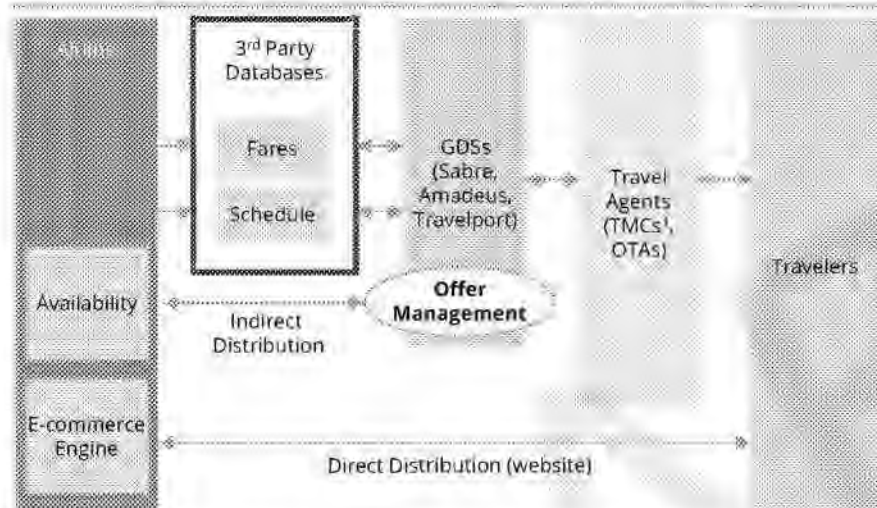
Fare   Schedule

Dynamic Information

Airline   Travel Agent
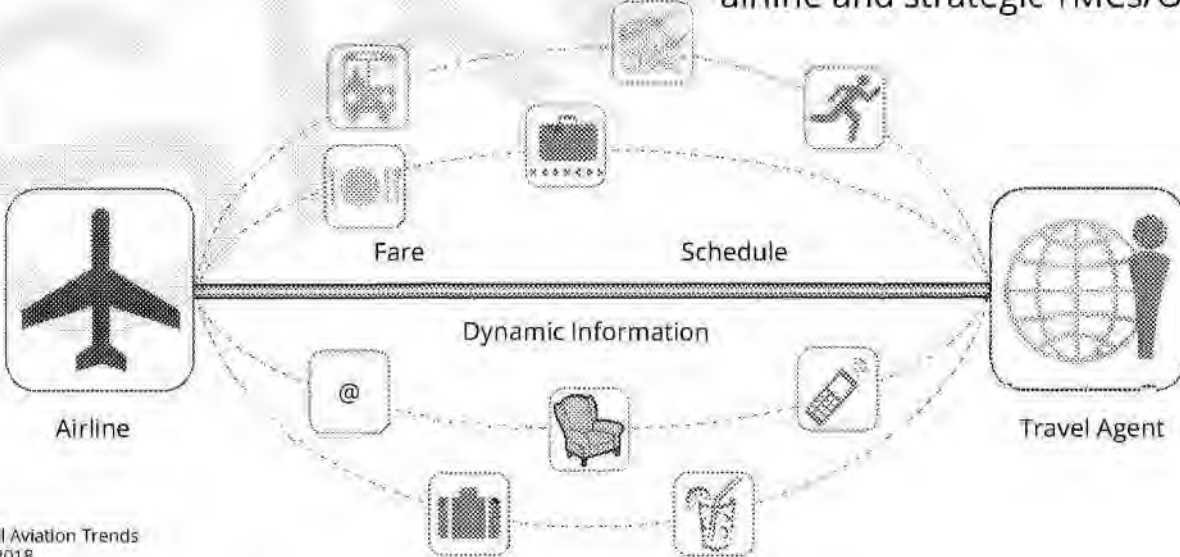
1. PWC 2017 Commercial Aviation Trends
2. Deutsche Bank, April 2018

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3 NDC Addresses Longstanding Distribution Limitations that Have Prevented Airlines from Retailing in the Indirect Channel

~50% of passenger bookings are completed through indirect channels, primarily relying on GDS systems for content and delivery

Traditional Airline Distribution

New Distribution Capability (NDC)

o Airlines forced to outsource offer management to the GDSs that can only generate commodity offers using static fares and schedule information in the indirect channel

o Airlines unable to generate ancillary revenue via indirect channels

o Airlines unable to leverage their own data in real time to optimize and personalize the offer

o Limited opportunity to engage travelers during the trip cycle, e.g., post booking ancillary sales
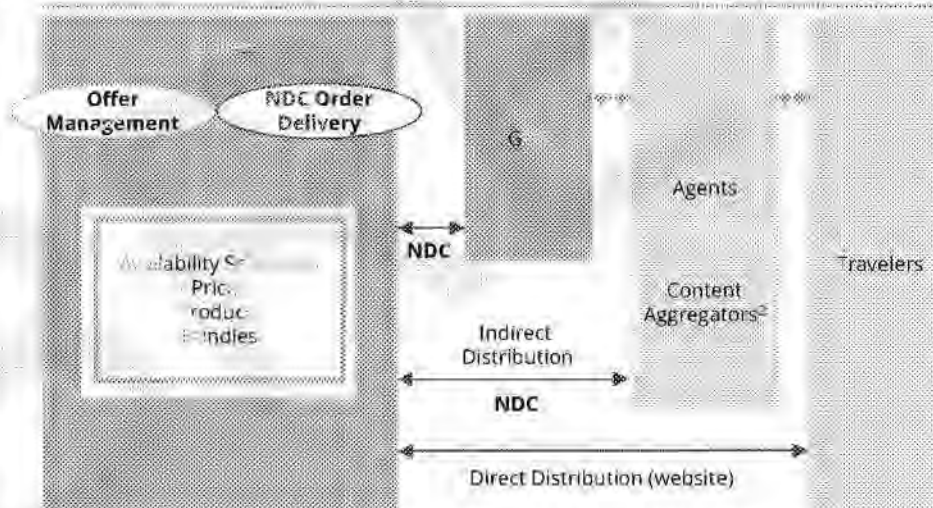
o Airlines control the technology to create and deliver customized offers to all channels

o Offers are customized and based on demand, real-time inventory, customer and airline data

o Airlines can deliver personalized offers throughout the trip cycle, including post-booking ancillary sales

o Enables airlines with two distinct distribution paths:

  o FLX NDC Connect enables airlines to connect their NDC API directly to aggregators, OTAs and agencies

  o FLX NDC GDS Connect enables airlines to connect their NDC APIs to the GDS

1. Travel Management Company is a type of travel agent that specializes in managing travel for large corporations
2. Content Aggregators are third party (non-GDS) technology companies that specialize in acquiring and aggregating content for travel agencies, OTAs and corporate booking tools

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Farelogix is the Leading Platform for Offer Management and NDC Order Delivery, Enabling Next Generation Retailing Across All Channels

(4)

Offer Management
Creating & Controlling the *Airline Offer*

NDC Order Delivery
"Single Source of Truth"
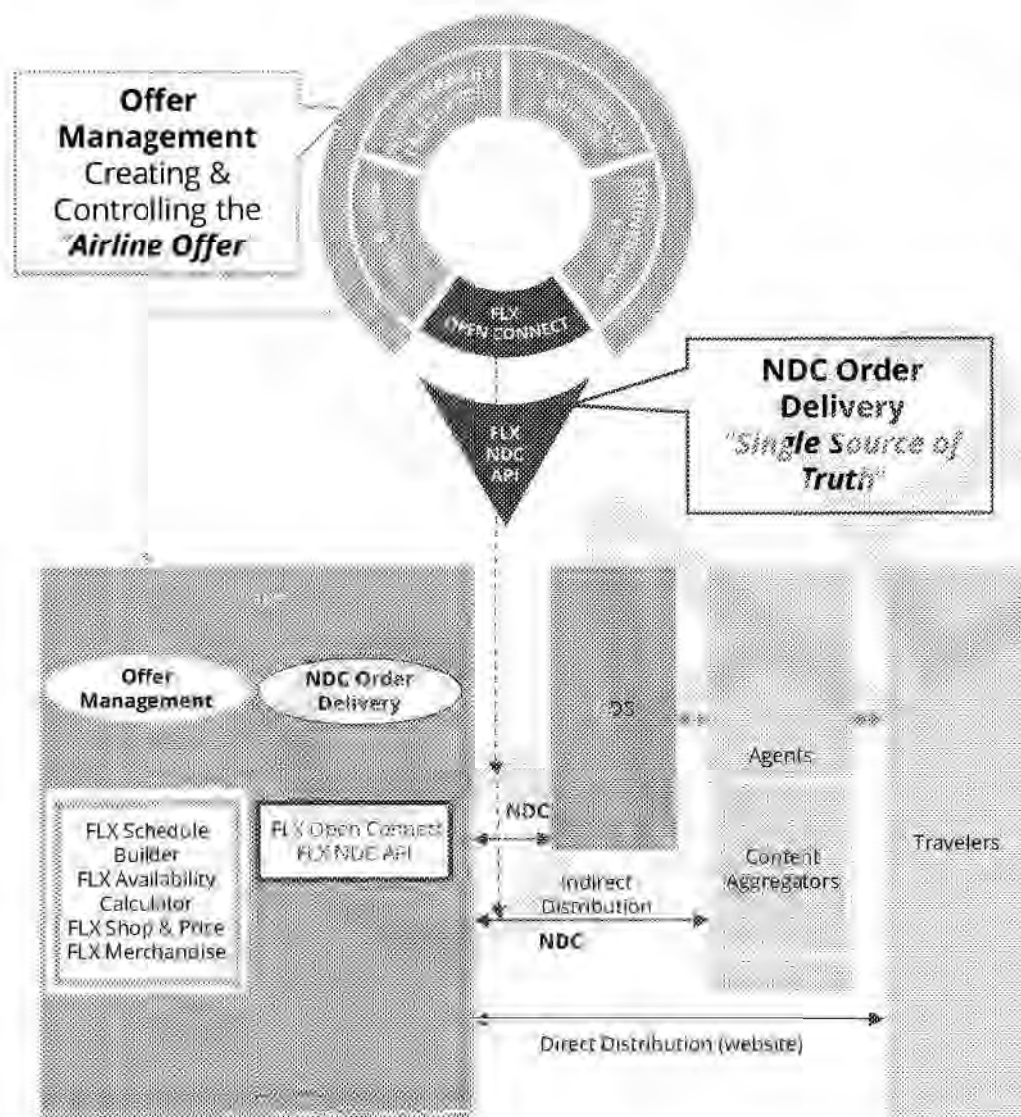
o Airlines have flexibility to create and distribute offers consistently across all channels based on demand and real-time inventory

o NDC standards enable airlines to make offers to sellers via the GDSs or directly to travel agencies/OTAs and independent third party content aggregators

o Airlines are in control to:

   o Personalize offers to reach customers through multiple touchpoints via single NDC API

   o Rebook complex itineraries, interlining and back-end functions

   o Advance merchandising capabilities delivered using a multi-channel business-rules engine

   o Issue documents and respond with guaranteed confirmations

   o Introduce fare and product bundles

   o Incorporate AI/predictive analytics for offer optimization

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III. FLX Airline Commerce Gateway
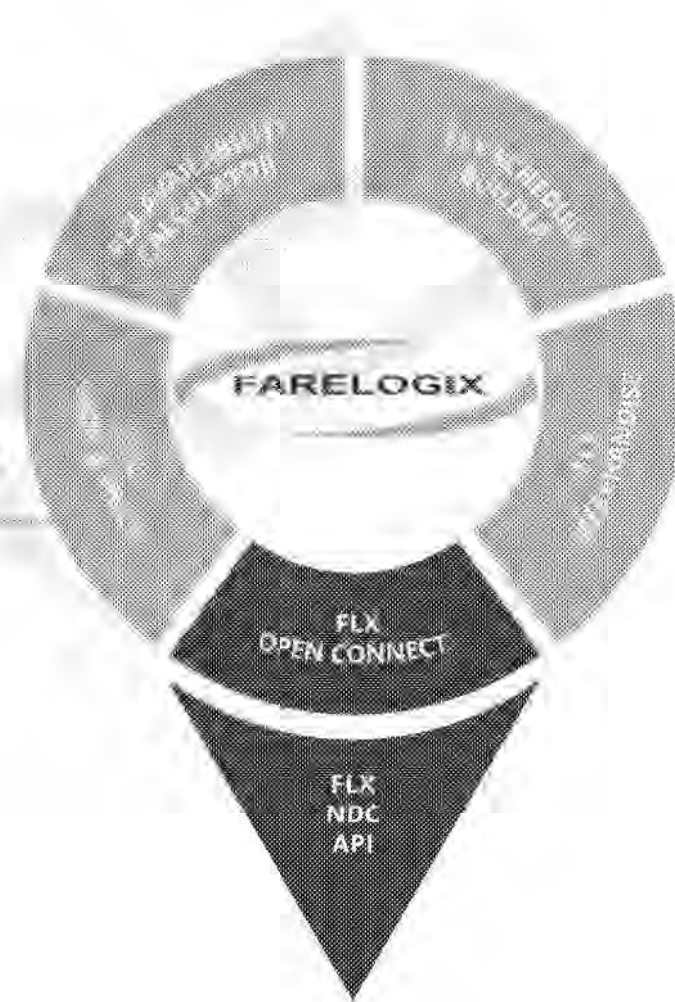
The Farelogix Airline Commerce Gateway is the Leading SaaS Solution for Airline-Controlled Offer Management and NDC Order Delivery

Offer Management

NDC Order Delivery

FLX Offer Engines

FLX Schedule Builder — Dynamic schedule building outside of the PSS

FLX Availability Calculator — High performance availability calculation outside of the PSS

FLX Shop & Price — Both traditional (ATPCO)[1] and dynamic shopping / pricing

FLX Merchandise — Merchandising of any type of ancillary or bundled offer

FLX NDC Distribution Solutions

FLX Open Connect — Connectivity to any PSS with orchestration for shopping, booking and servicing of airline reservations

FLX NDC API — NDC API for the indirect channel (travel agency / GDS)

Farelogix Offer Engines are fully interoperable, can be sold separately or bundled, and can be hosted by Farelogix or by the airline. This is a significant differentiator for the Company's platform

1. Airline Tariff Publishing Company

◯ FLX Schedule Builder

FLX Schedule Builder Optimizes Routes, Timing and Value

- Supports large data range processing, affinity and attribute shopping
- Millisecond response times
- Low cost of ownership, economically and linearly scalable, runs on commodity hardware
- Purpose-built proprietary Network Graph Algorithm
- Creates personalized, dynamic schedule routes in real time based on data and rules
- Enables airlines to define and manage rules using FLX Rules & Offer Designer UI
- Available as a stand-alone module or integrated with FLX Availability Calculator and/or FLX Shop & Price

Real World Challenges

- Airlines are challenged to handle an exponentially growing volume of schedule building requests, which is cost-prohibitive on the PSS
- Airlines seek to grow revenue and maximize yield by optimizing the most profitable schedules / routes, which is not possible using incumbent solutions
- Airlines want to support affinity and attribute shopping, e.g., search by ski locations

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FLX Availability Calculator

FLX Availability Calculator Returns Inventory Control to the Airline with Reduced Costs and Improved Performance

- Designed for high transaction volumes, including large date ranges, affinity and attribute shopping
- Dramatic PSS cost savings as well as new revenue from optimization of search results
- Unlimited linear and economic scalability, runs on commodity hardware (benchmarked at 250K TVLs/sec/server)
- No cache; all offers created in real time for accuracy
- Dynamic, rules-based availability searching with unlimited query capabilities
- Fully airline controlled, airline owns the IP for their Availability algorithm
- Support for O/D and journey controls as well as 'slice-and-dice', as required for some markets
- Available as a stand-alone module or integrated with FLX Shop & Price

Real World Challenges

o Airlines are challenged to handle an exponentially growing volume of availability searches

o Airlines seek to capture and apply business intelligence to search data

o PSSs are already slow and expensive, cannot support these requirements and often force airlines to rely on inaccurate cache-based solutions

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◯ FLX Shop & Price

FLX Shop & Price Supports Both Traditional and Dynamic Airline Shopping Requirements with Low Cost of Ownership

- Full ATPCO shopping and pricing capability
- Dynamic pricing capabilities, with option to base price on ATPCO, RM[2] price or other airline fare
- Low cost of ownership, economically and linearly scalable, runs on commodity hardware
- No cache; all offers created in real time with millisecond response times
- Rules engine capable of accepting inputs based on human, big data or AI-driven inputs
- Large data range processing, affinity and attribute shopping
- Available as a stand-alone module or integrated with FLX Availability Calculator or FLX Schedule Builder

Real World Challenges

- Airlines seek shopping/pricing technology that supports exponential growth in search volumes and dynamic pricing as required by retailing and NDC
- Incumbent solutions are limited to traditional (ATPCO) pricing and unable to accommodate high volumes
- Dynamic pricing capabilities are viewed by airlines as a way to increase revenues and improve customer experience[1]

1. Atmosphere Research
2. Revenue Management data

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FLX Merchandise

FLX Merchandise Enables Dynamic Retailing Across Channels

- Extremely high speed to market for ancillary products / bundles, fully under the airline's control
- No hard coding; easily integrated with airline systems; PSS, channel and IBE[1]-agnostic
- Serves multiple sales channels, including airline.com, mobile, check-in, kiosks, call centers and travel agencies
- Rules engine capable of accepting inputs based on human, big data or AI-driven inputs
- Additional seat revenue opportunity with optional interoperable Seat Manager engine (off-PSS seat inventory)
- Includes a developer tool fully integrated into an airline's proprietary technology stack

Real World Challenges

- Airlines see kto implement omni-channel merchandising strategies that enable fast speed to market for product updates and new product offers
- Airline revenue management leaders seek to dynamically price merchandising offers in real time based on a range of criteria such as frequent flyer status, corporation identity, channel, buying history and more
- Incumbent technologies do not enable these capabilities in a timely or cost-effective manner, nor are they fully under the airline's control

1.   IBE – Internet Booking Engine for corporate or leisure travel

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FLX Open Connect

FLX NDC API

FLX Open Connect and NDC API Deliver Dynamic Content and Merchandising to the Indirect Channel

- ✓ Makes and manages bookings and reservations out of the PSS
- ✓ Manages all required orchestration, including integration with the airline PSS and other systems
- ✓ ARC[1] and BSP[2] certified in over 100 countries
- ✓ Provides airlines with an NDC API with the option to brand it (e.g., Emirates B2B Online, American AANDC)
- ✓ Includes Developer Support program to promote and facilitate NDC API integrations with third party integrators
- ✓ Allows the airline to control order delivery through both direct and indirect channels

Real World Challenges

- o Airlines seek to deliver ancillary services and differentiated content in the Indirect Channel
- o NDC requires proven technology expertly integrated with the airlines' systems and with functionality required for agency adoption
- o Airlines wish to deploy a single, next generation, and cost-effective API for all indirect distribution channels

1. Airlines Reporting Corporation - provides ticket transaction settlement services between airlines and travel agencies
2. Billing and Settlement Plan - an electronic billing system designed to facilitate the flow of data and funds between travel agencies and airlines

Customer Milestones Over the Last 18 Months
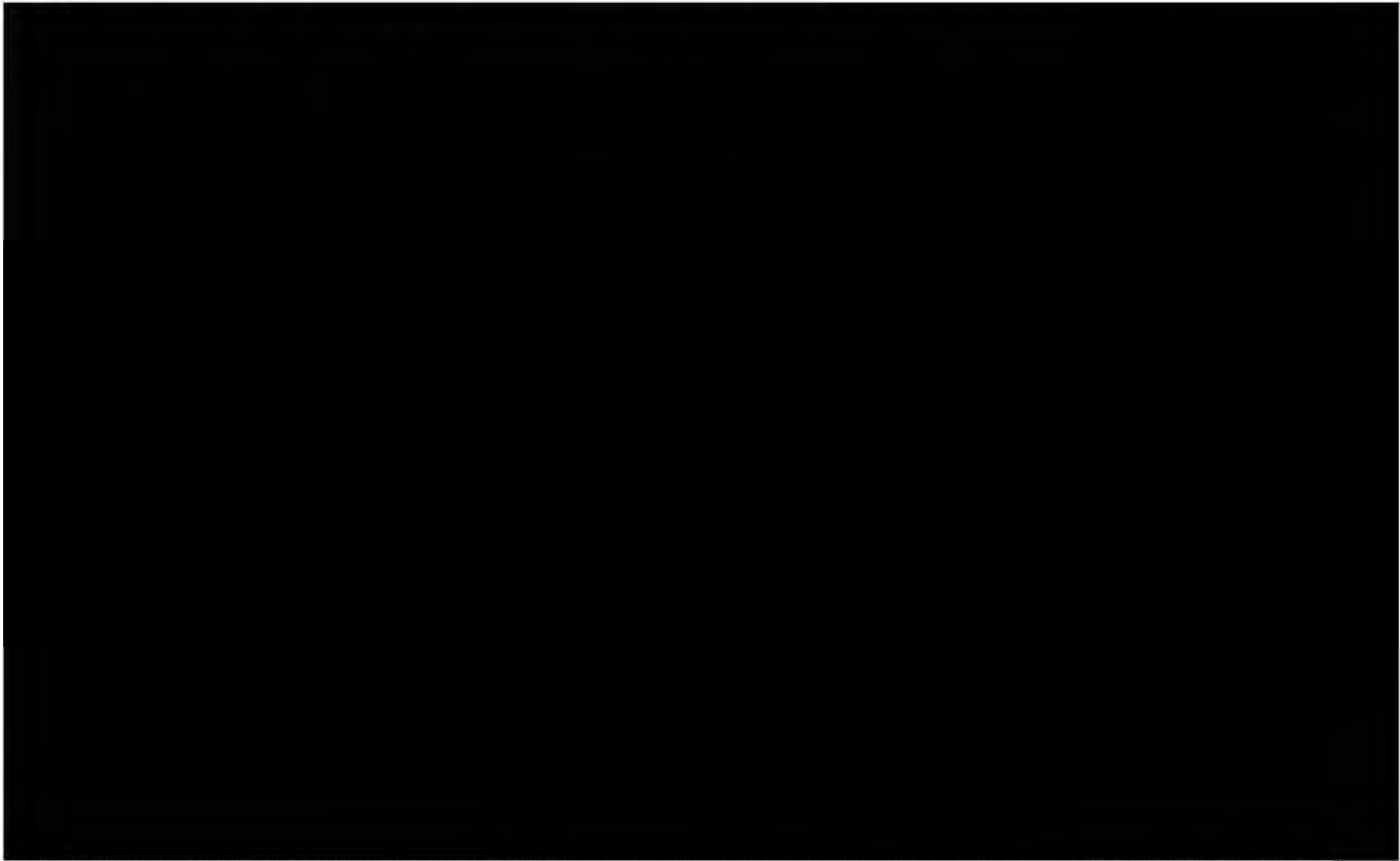
Farelogix Holds a Unique and Deeply Rooted Position in a Market with High Entry Barriers

How Farelogix Wins

- 15+ years of expertise with large airline customer relationships
- Offer Management and Offer Delivery technology that delivers increased speed, functionality and scalability at a lower cost of ownership than legacy PSS / GDS systems
- Futureproof technology built for the evolution of dynamic pricing and revenue management
- Unique connectivity across 9 leading PSSs and numerous airline systems
- Neutral 3rd party solution that gives airlines control and avoids lock-in with PSS vendor, with predictable annual pricing schemes
- NDC market leader. BSP certified in over 100 countries and ARC certified in the US
- Dedicated Farelogix technology teams tailor solutions for each airline customer

Other Industry Players

aMaDEUS Datalex DXC.technology

ita Software PROS VAYANT Travel Technologies Sabre

SITA Travelport TravelSky

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The Fully Integrated and Flexible Design of the Airline Commerce Gateway Limits Risk of Customer Churn

Built for Airline-Control and Low Cost of Ownership

- Limits PSS / GDS dependency
- Cloud and airline hosting option
- Unlimited scalability using commodity hardware
- Ability to off-load costly legacy transactions (availability, search/price)

Flexible and Futureproof

- Create, modify, and test new offers instantly
- Transitional support for traditional pricing and next generation dynamic / NDC offers
- PSS-agnostic enabling easier PSS change
- Functions as an airline-developer platform supporting airline-initiated innovation

Passionately Performant

- Millisecond transaction response time
- Single platform supports NDC volumes, affinity, & Large Date Range search
- Results never cached, always calculated for accuracy
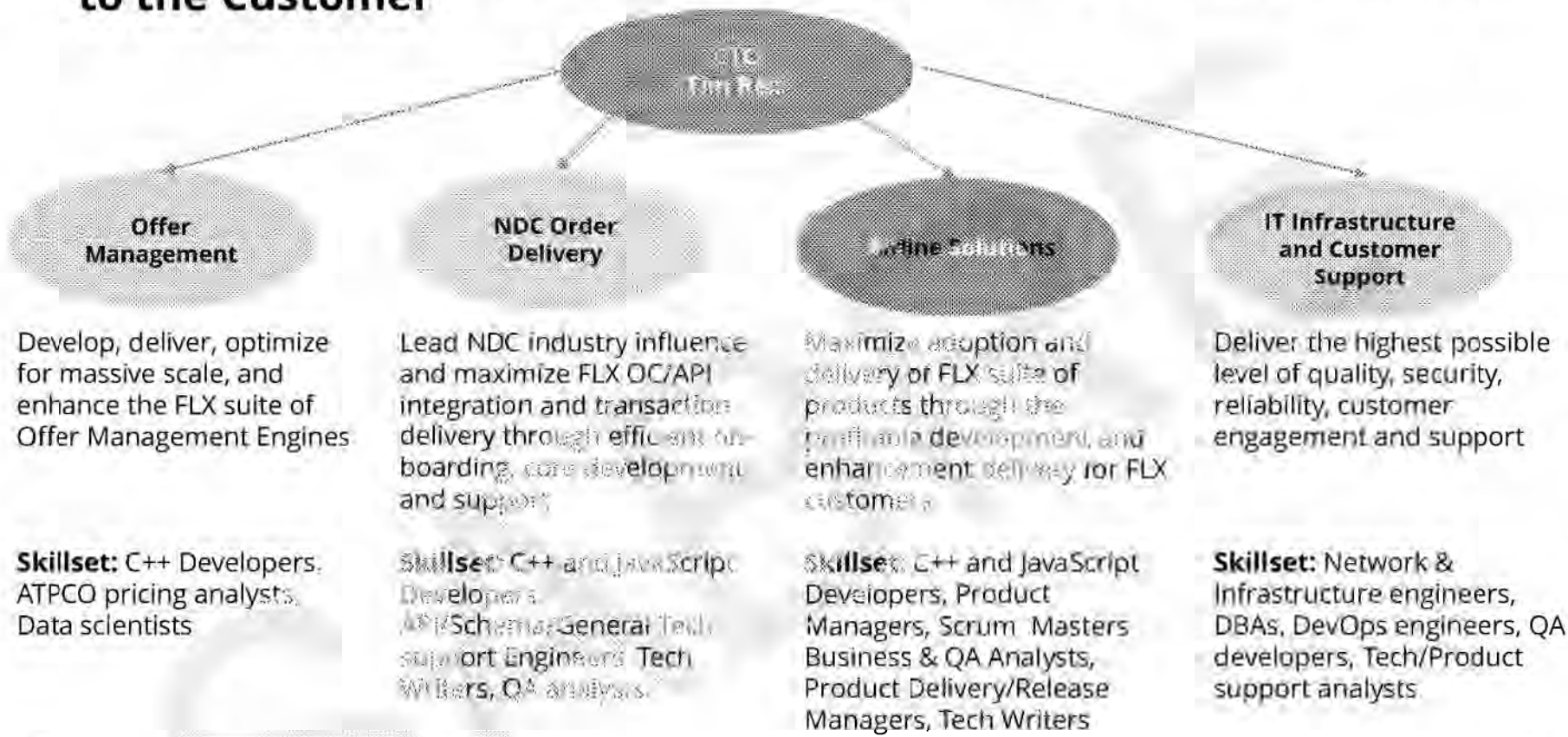- No Look-to-Book limitations

Fully Interoperable

- Engines work stand-alone or optimally together – expand at airline's timeline
- Common Rules Engine, User Interface, and BI module to engage with entire platform
- Services-based connectivity for easy application extension and integration
- Easily integrated with existing airline technology stack

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IV. Technology and Development

Technology Driven Organization, with ███ of Employees Dedicated to Delivering FLX Airline Commerce Gateway Solutions to the Customer

[center node] ███ ███

Offer Management	NDC Order Delivery	███line ███ons	IT Infrastructure and Customer Support
Develop, deliver, optimize for massive scale, and enhance the FLX suite of Offer Management Engines	Lead NDC industry influence and maximize FLX OC/API integration and transaction delivery through efficient on-boarding, core development and support	Maximize adoption and delivery of FLX suite of products through the profitable development and enhancement delivery for FLX customers	Deliver the highest possible level of quality, security, reliability, customer engagement and support
Skillset: C++ Developers, ATPCO pricing analysts, Data scientists	**Skillset:** C++ and JavaScript Developers, API/Schema/General Tech support Engineers, Tech Writers, QA analysts	**Skillset:** C++ and JavaScript Developers, Product Managers, Scrum Masters Business & QA Analysts, Product Delivery/Release Managers, Tech Writers	**Skillset:** Network & Infrastructure engineers, DBAs, DevOps engineers, QA developers, Tech/Product support analysts

1.

Farelogix Airline Commerce Gateway has Unmatched Flexibility through a PSS-Agnostic, Scalable Architecture

V. Financial Information

Farelogix Offer Management and NDC Order Delivery Products

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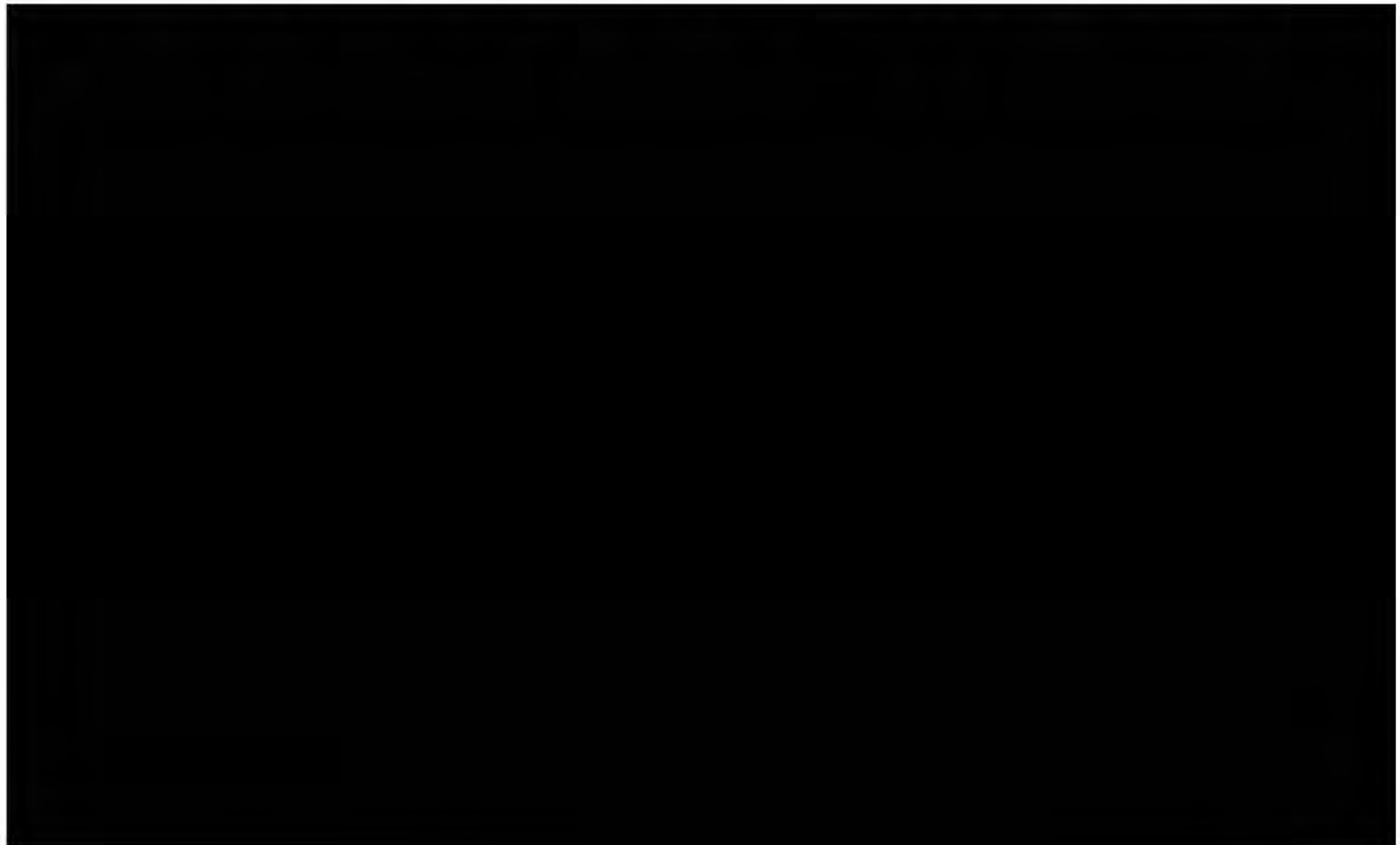
Track Record of Recurring Revenue Growth and Profitability
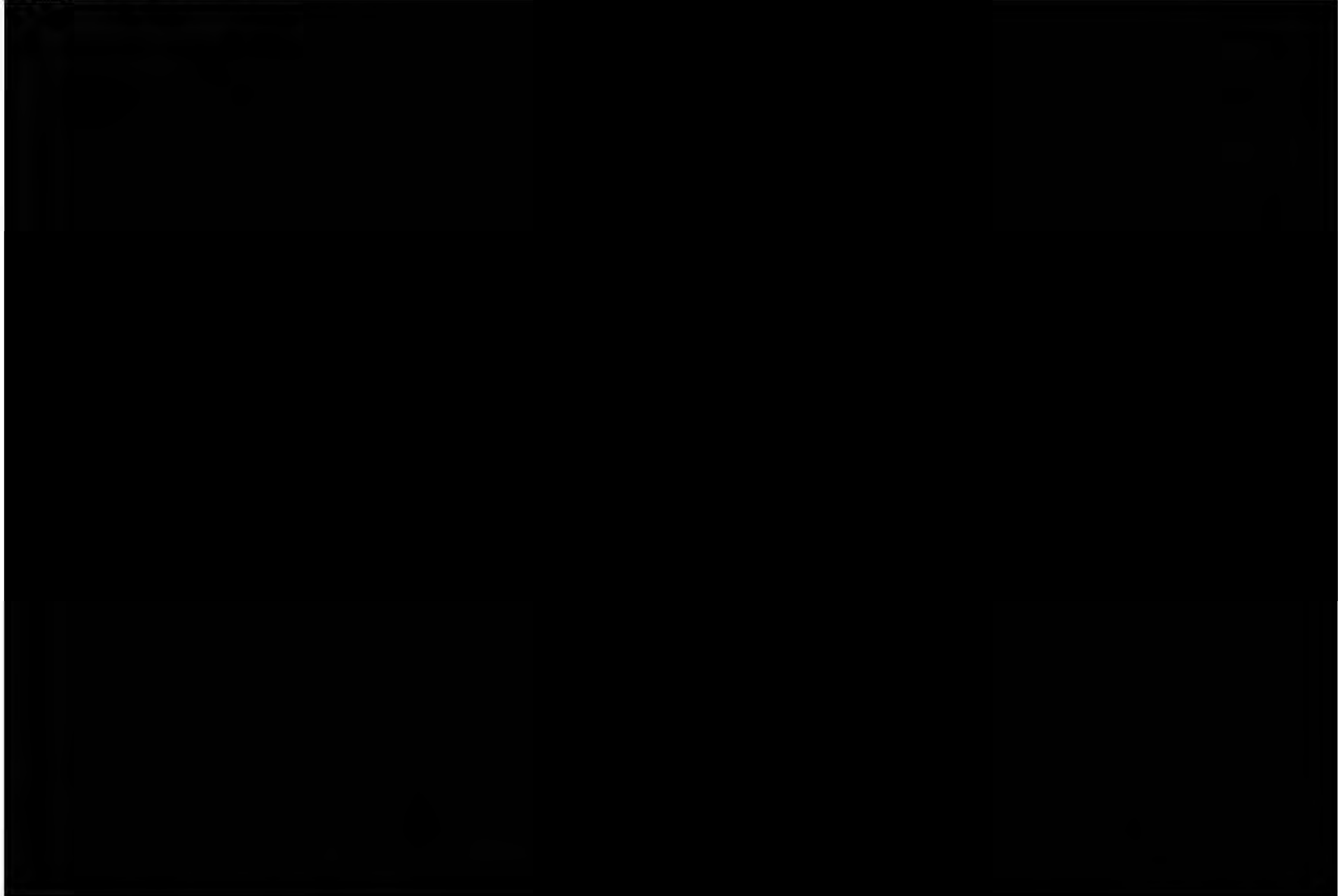
($ in millions)

Attractive Financial Profile: High Growth and High Margin, with Significant Operating Leverage
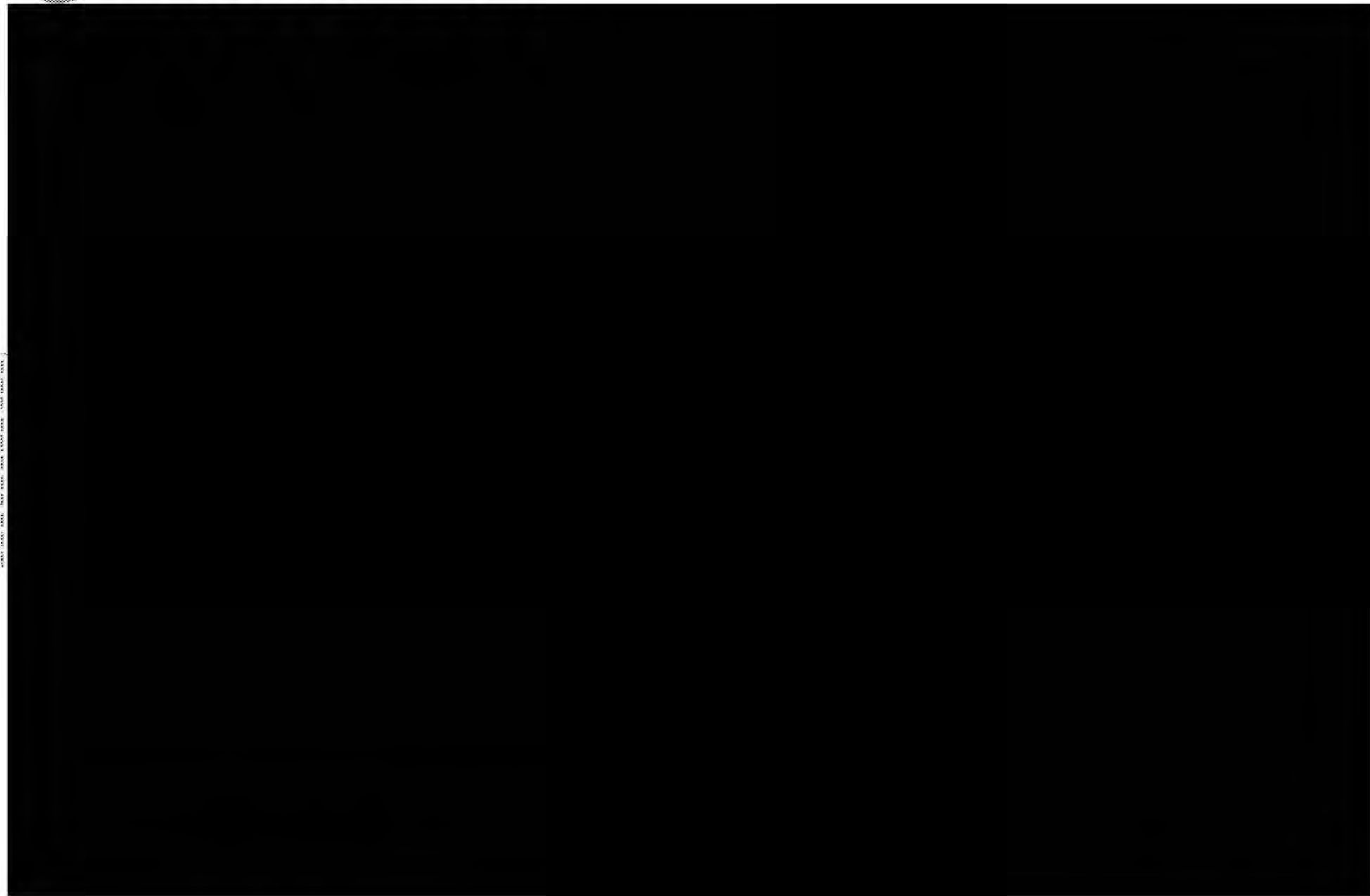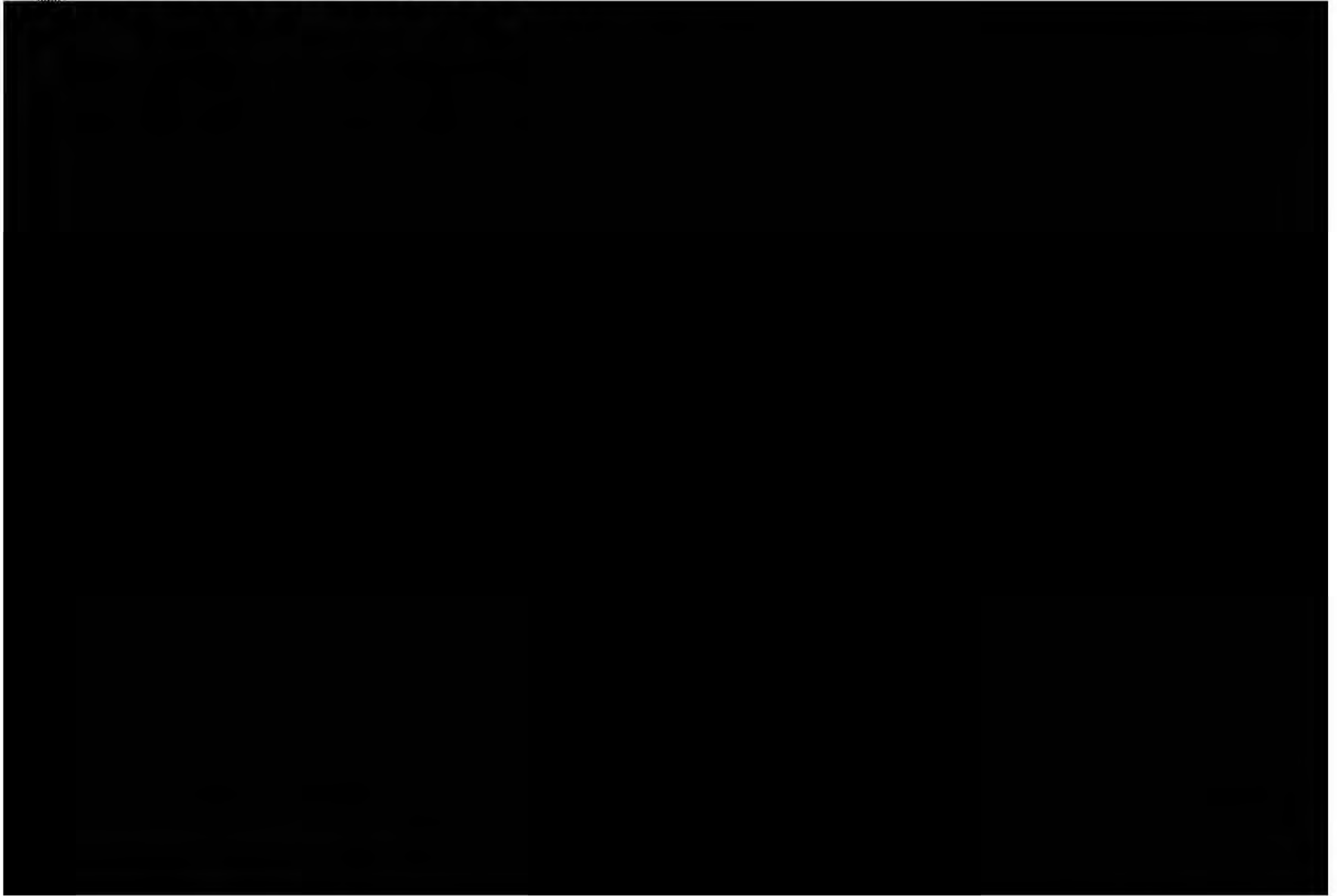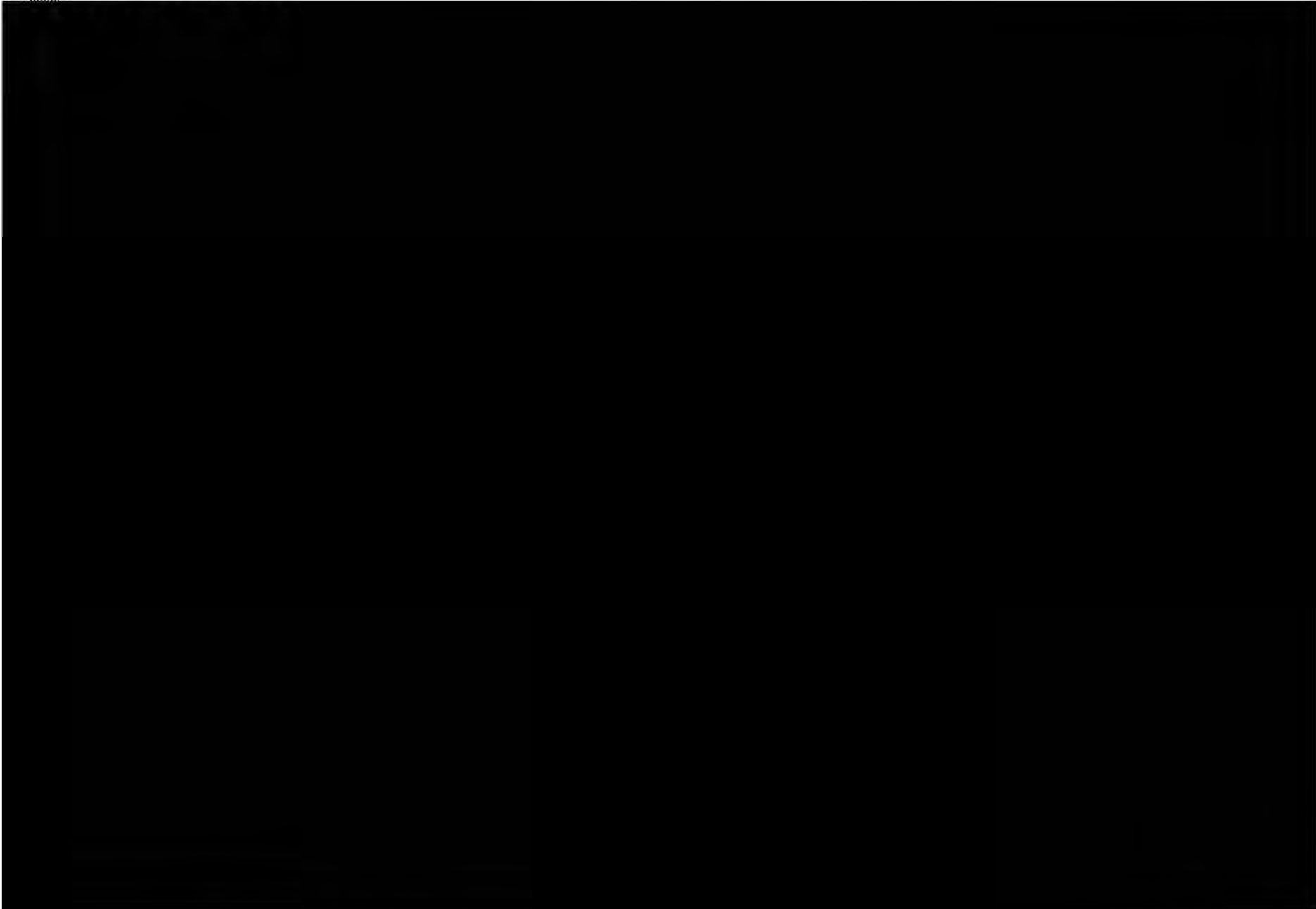
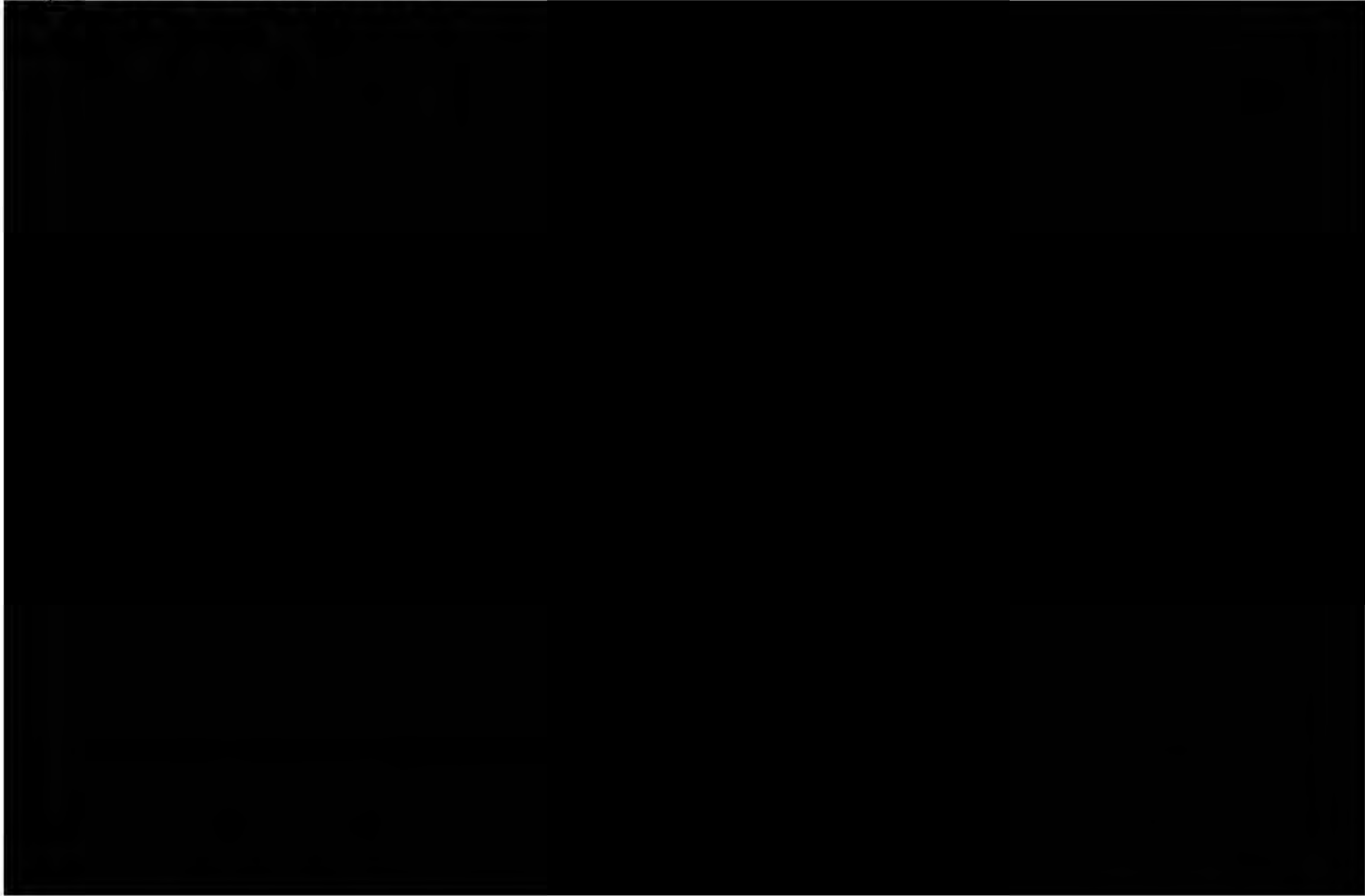*($ in millions)*

(A) Product Sales

B Offer Management Revenue

c **NDC Order Delivery Revenue**
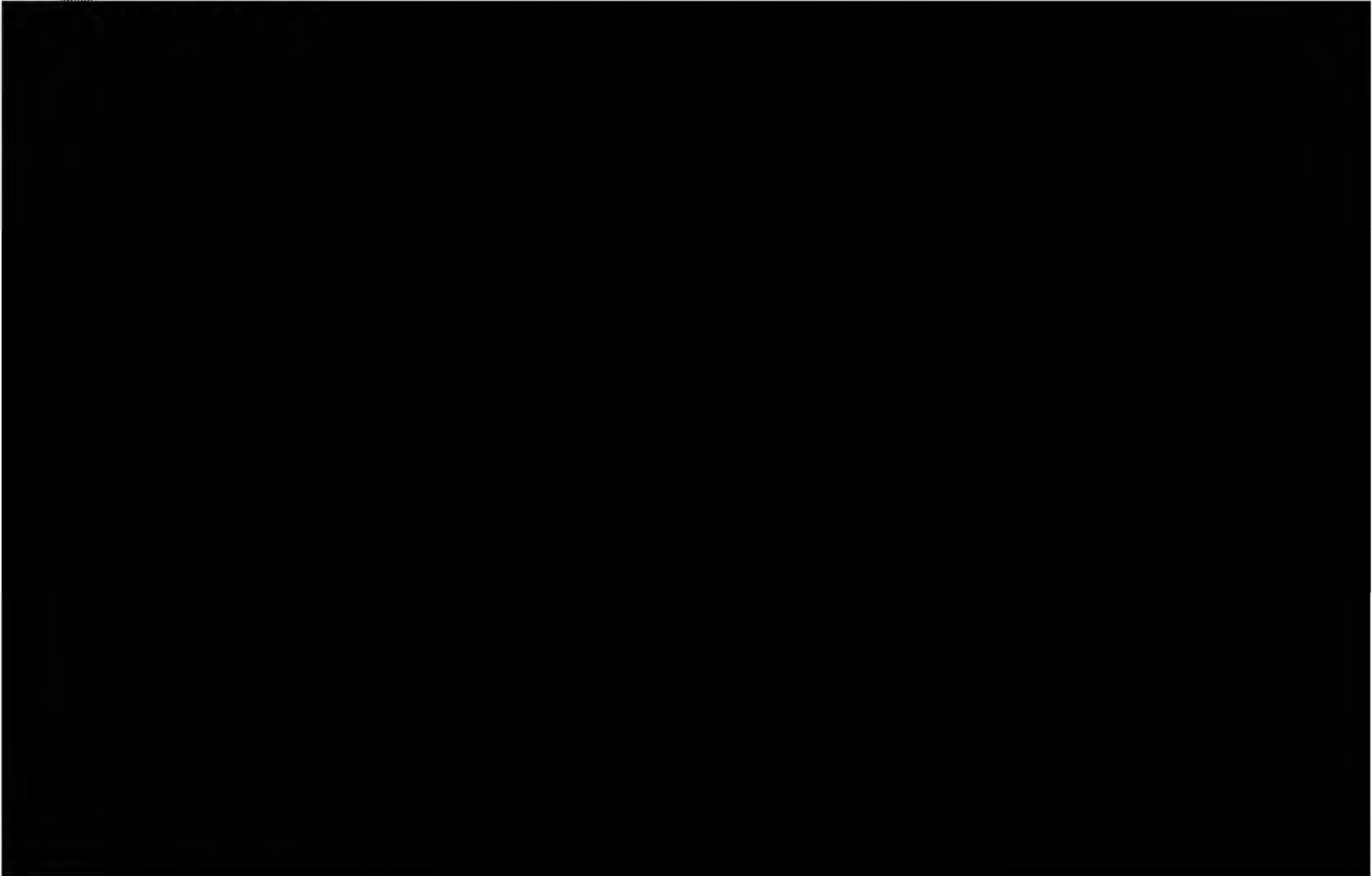
D Net Revenue

(E) Operating Expenses
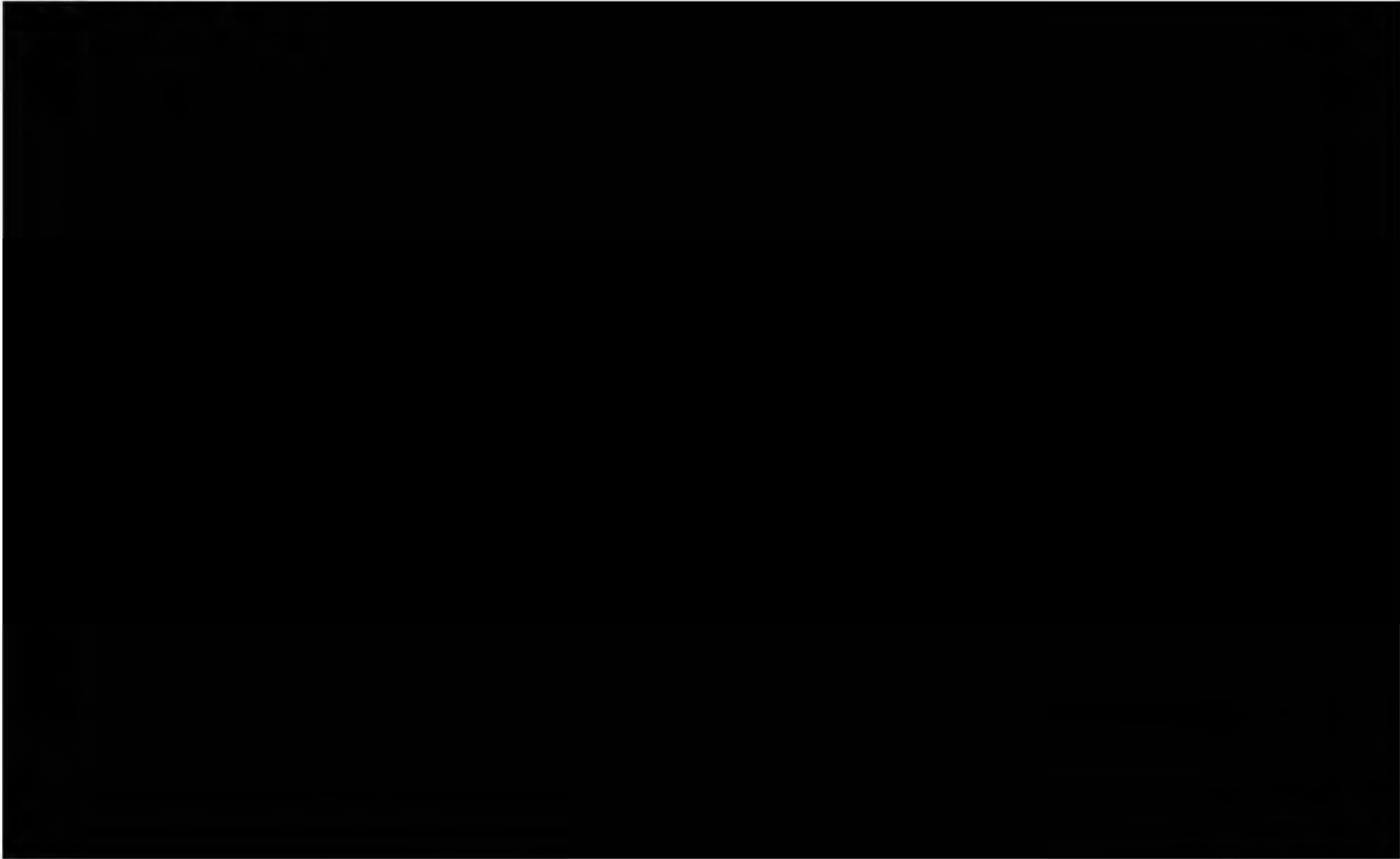
(F) **Headcount**

G **EBITDA**

G EBITDA

(H) Free Cash Flow

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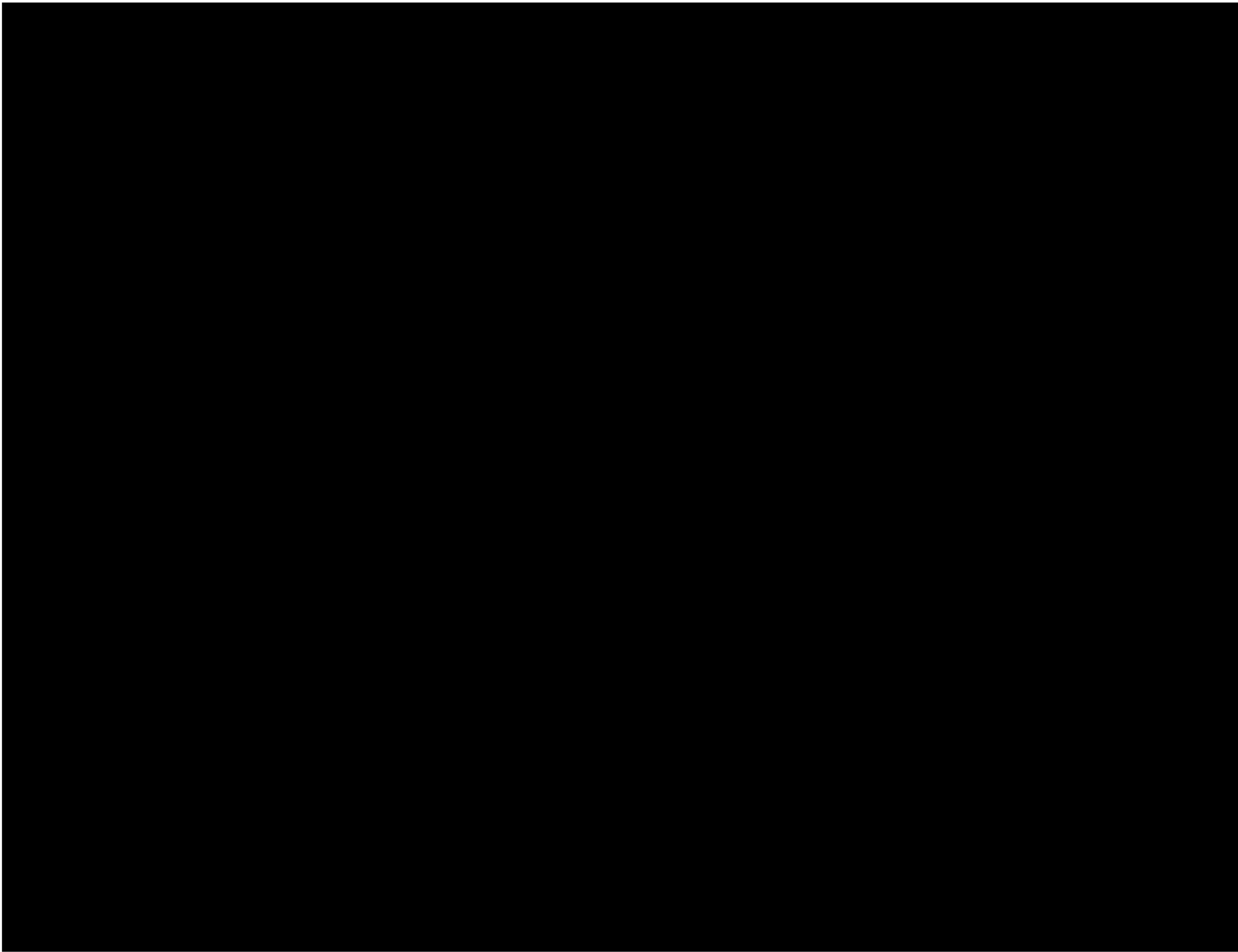
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Project Marlins Recommendation

DRAFT

Corporate Development

23 July 2018

Project Marlins Recommendation

DRAFT

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

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

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

GDS
Distributing non-hosted and hosted airline NDC content

Delivering integrated agency solutions

PSS
Connecting to Sabre and non-Sabre NDC retailing platforms for all channels

Marlins.
Offer/Order Mgmt.
GDS/PSS agnostic

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

Existing Sabre technology

New technology

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

Go To Market and Integration Highlights

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:
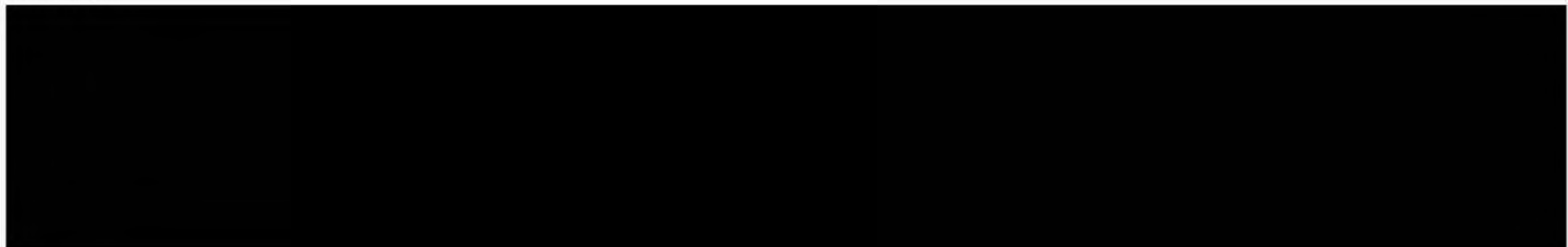
Critical Valuation Factors

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 ▮▮ for subscription product sales against ▮▮ run rate go get for 2018 and ▮▮ 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 ▮ in 2018, ▮ in 2019 and ▮ in 2020 (they were ▮ in 2019), and at higher ASP
    - Sabre Case assumes a lower close rate for sales of ▮ in 2018, ▮ in 2019 and ▮ 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 3rd parties (NDC Connect) and to the GDS (NDC GDS Connect), with a target of ~▮▮/ticket which equals ▮▮ /segment at ▮ 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 ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮
    - If we take away all NDC GDS Connect revenue it decreases overall DCF Enterprise Value by ▮▮ Sabre Base Case assumes fewer tickets at a lower price

Market Related:

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

Marlins Seller Logic / Thought Process

- We believe that they maintain a historical price expectation of ███████ value, and claim to be willing to wait to realize that if not now

- Built model to support price expectation -- aggressive build knowing we would cut it back
    - Supporting view on forecast through current robust market activity – ██ deals in 2018E forecast that builds to 2019E revenue of ██████ closed, █ in final contract negotiations, █ in earlier contract negotiations █ developing proposals
    - 2017 existing + 2018 new wins leads to █████ out of █████ 2019E subscription revenue and █████ out of █████ total revenue

- They believe that we can afford to pay a price that meets their expectation and have the deal still be "cheap"
    - We would have to believe in their forecast and/or a meaningful revenue synergy for this to be true – we currently only have minor synergy in PSS and Shopping, though may have greater opportunity to
        - ██
        - ██

- We have clearly communicated our skepticism on the forecast (# sales, transaction revenue), and have explained views and signaled our outcome to the advisor – this is unlikely to have changed their views, but should help in a negotiation process

- If they go route of raising capital, assume ████ raised at █████ post money, investor needs to sell for █████ to get █ cash
    - Not clear that Marlins Exec team wants to deliver on this and how much they will push for a deal now at a lower price than Sandler expects

Deal Model Case Comparison

$millions, ex per ticket	Mgmt. Case			Sabre Base Case			Sabre Synergy Case		
	2018E	2019F	2020F	2018E	2019E	2020E	2018E	2019E	2020E
Revenue Drivers									
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 ▮ GDS tickets in 2020 and removing all would result in a ▮ valuation reduction
  - We do think that airlines will connect to the GDS via Marlins 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 ▮ of forecast ▮ 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 ▮ PSS deals with Medium carriers, ▮ each, at ▮ Large carrier, ▮ at ▮
  - Winning ▮ Very Large Carrier Shopping deal at ▮
  - Minor Opex, Capex synergy largely offset by Integration costs
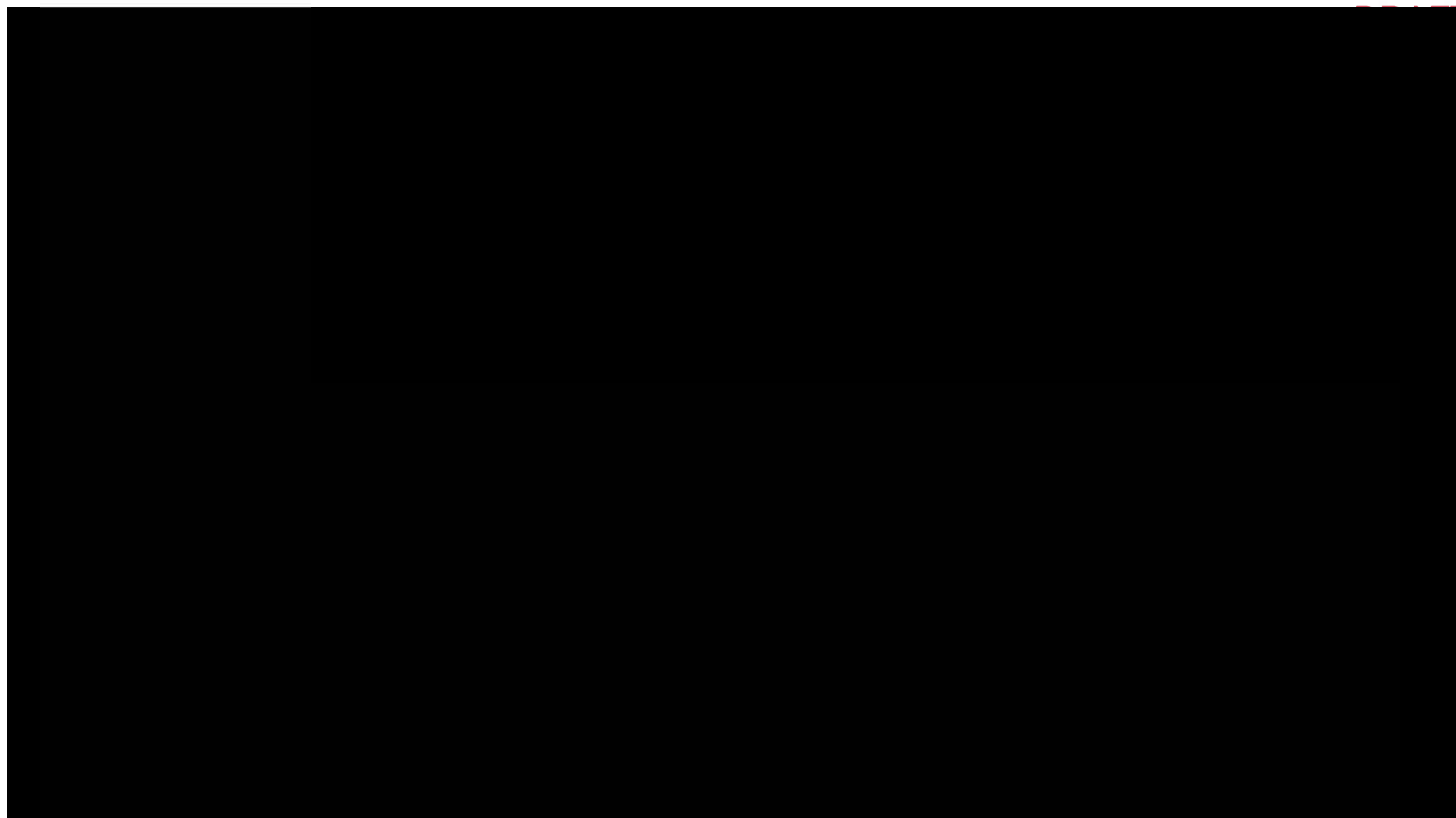
Analysis at Various Prices

Sabre Base Case

($ in Millions)

Purchase Price

Revenue Multiple
- 2018E
- 2019F
- 2020F

EBITDA Multiple
- 2018E
- 2019F
- 2020F

ROIC
- 2018E
- 2019F
- 2020F
- 2021F

Q4 Net Debt Lever
- 2018E
- 2019F
- 2020F

Sabre Synergy Case

(5 in Millions)

Purchase Price

Revenue Multiple
- 2018E
- 2019F
- 2020F

EBITDA Multiple
- 2018E
- 2019F
- 2020F

ROIC
- 2018E
- 2019F
- 2020F
- 2021F

Q4 Net Debt Levera
- 2018E
- 2019F
- 2020F

Pro Forma Sabre Financials

(Millions of USD)	Sabre Base Case					Sabre Synergy Case				
	2018E	2019F	2020F	2021F	CAGR '17-'21	2018E	2019F	2020F	2021F	CAGR '17-'20
Revenue										
Sabre Revenue										
Growth										
Marlins Revenue										
Growth										
Pro Forma Total Revenue										
Growth										
Gross Profit										
Sabre Gross Profit										
Margin										
Marlins Gross Profit										
Margin										
Pro Forma Total Gross Profit										
Margin										
EBITDA										
Sabre EBITDA										
Margin										
Marlins EBITDA										
Margin										
Pro Forma Total EBITDA										
Margin										
Free Cash Flow										
Sabre Free Cash Flow										
Margin										
Marlins Free Cash Flow										
Margin										
Pro Forma Total Free Cash Flow										
Margin										
Net Income										
Sabre Net Income										
Margin										
Marlins Net Income										
Margin										
Pro Forma Total Net Income										
Margin										

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
- Team and brand integration plan

APPENDIX

Tech Diligence Call Findings – Offer Management

Product	Key Diligence Findings	Proposed Use
Merchandise		
Availability		

Tech Diligence Call Findings – Offer Management

Product	Key Diligence Findings	Proposed Use
Shop & Price		
Schedule Builder		
Global Observations		

Tech Diligence Call Findings – Order Delivery

Key Diligence Findings

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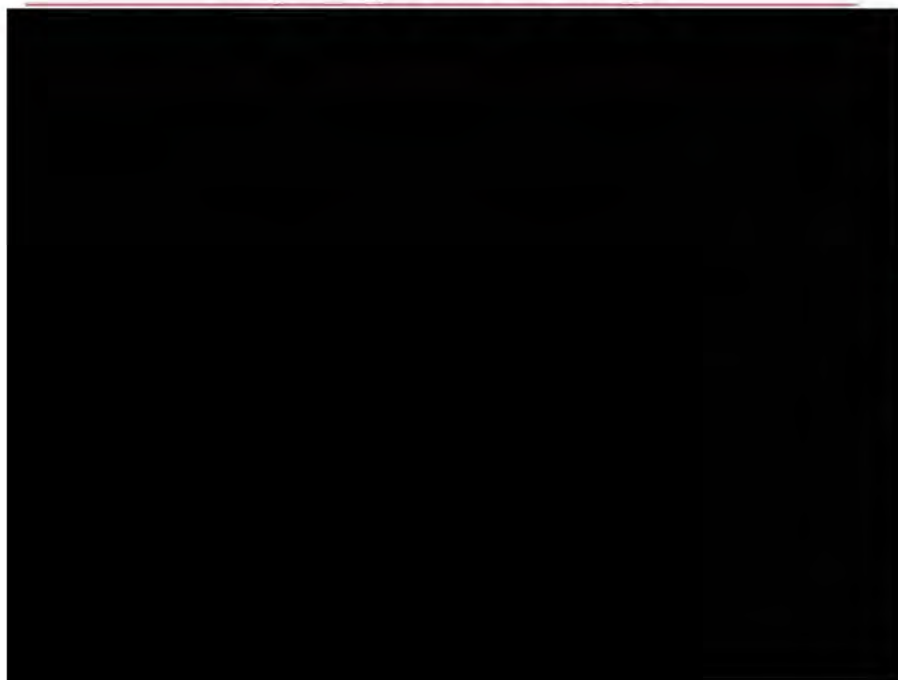
Summary

- Farelogix Order products could provide a stepping stone as airlines transition from legacy to NDC compliant distribution allowing Sabre to get NDC in production sooner; [redacted]

[redacted]

- Planned move away from Teletype / EDIFACT communications will eliminate need for Open Connect

MARLINS OVERVIEW

Marlins Business Overview

- Founded 1998

- Headquarters in Miami, FL with offices in Toronto, Canada and Dubai, UAE
  - ~200 employees, 145 in Miami and ~100 of total are developers

- Raised $10M in funding from Sandler Capital across two rounds [1]

- Offer 5 products, which can be deployed as a suite or individually
  - FLX Open Connect, FLX Merchandise, FLX Shop & Price, FLX Availability Calculator, FLX Schedule Builder
    - FLX Merchandise and Open Connect currently viewed as biggest value drivers for Sabre
  - Legacy SPRK agent portal no-longer actively sold
    - Only SPRK customer believed to be Lufthansa
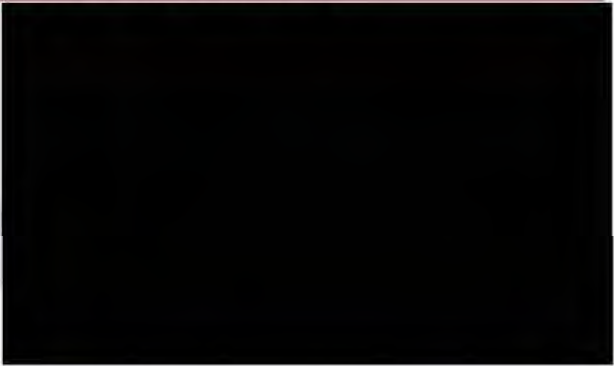
Marlins Product Overview
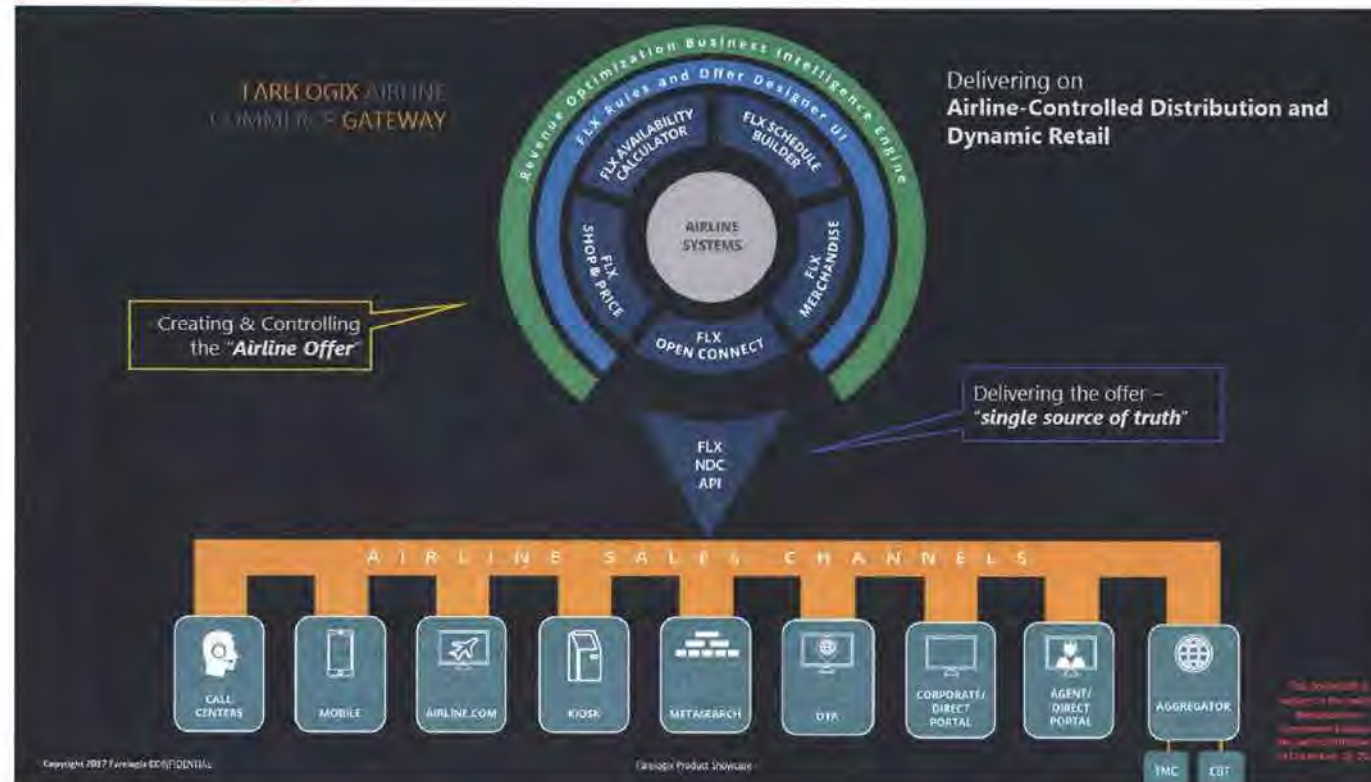
- Positioned as a comprehensive offer control and order management engine

- Interoperability, scalability, PSS flexibility and distribution cost reduction are tenets

- Modular, customized offering

- FLX has made significant inroads with NDC Connectivity, Ancillary APIs and a rules-based Merchandising Engine

- Unclear at this point what is fact and fiction in terms of portfolio capability, scalability and market adoption

Marlins offers a set of products which can be deployed individually or as a suite

Product	Description	Customers Implemented
Open Connect	• Distribution to 3rd parties (formerly "direct connect"), including NDC APIs and a distribution manager	██████████
Merchandise	• Offer assembly – PSS agnostic flexible rules engine	
Shop & Price	• Shopping, offer, and pricing engine	
Availability	• Calculates availability outside of the PSS	
Schedule Builder	• Builds schedules in airline control without caching	None
SPRK Agency Desktop	• Travel agent GUI which aggregates content. No active focus, not selling in market	██████

Marlins Customer Overview

Customer	PSS Provider	Offer Management				Order Delivery
		Merchandise	Shop & Price	Availability	Schedule Builder	NDC API
	Amadeus	✓				✓
	Sabre	✓	✓			✓
	In House	✓				✓
	Sabre	✓				
	Sabre	✓			✓	✓
	Amadeus	✓				✓
	Amadeus	✓				✓
	In House	✓		✓		
	In House	✓				✓
	Sabre					✓
	Navitaire					✓

Marlins Customer Overview (Cont.)

Customer	PSS Provider	Offer Management				Order Delivery
		Merchandise	Shop & Price	Availability	Schedule Builder	Open Connect
	In House	✓				
	Sabre	✓				
	Amadeus	✓				✓
	Amadeus	✓	✓	✓	✓	
	Amadeus					✓
	Amadeus	✓	✓			✓
	Amadeus					✓
	Amadeus	✓				✓
	DXC	✓				✓
	In House (Delta)	✓				
	Sabre	✓	✓			✓

Sabre

Farelogix Management Meeting Prep

Corporate Development

July 5, 2018

Farelogix Management Meeting Prep

Corporate Development

July 5, 2018

EXECUTIVE SUMMARY

Farelogix CIM and supplemental materials provide limited new information

Materials Summary

High-Level P&L

Management Meeting Attendees

- Dave Shirk
- Dave Moore
- Greg Gilchrist
- Chris Wilding
- Rodrigo Celis
- Kathy Morgan
- Rich Wessels
- Chris Boyle
- Chris Rosa
- Drew Kremer

Company Info

- Founded 1998
- Headquarters in Miami, FL with offices in Toronto, Canada and Dubai, UAE
  - ~200 employees, 145 in Miami and ~100 of total are developers
- Raised $10M in funding from Sandler Capital across two rounds [1]

1) Funding information per Crunchbase

Farelogix categorizes their products into two product families – Offer Management an Order Delivery

FLX Offer Management

- FLX Offer Management is made up of their four "engines" offering PSS like capabilities
    - FLX Merchandise (FLX M)
    - FLX Shop & Price (FLX S&P)
    - FLX Availability Calculator (FLX AC)
    - FLX Schedule Builder (FLX SB)
- Majority of Offer engines are hosted locally by airline customers
- Engines are offered on a stand alone basis or as a bundle
    - One carrier ███████ has purchased the entire suite
    - ████████████████████████████

FLX Order Delivery

- FLX Order Delivery contains one product, FLX Open Connect (FLX OC), which acts as an orchestration layer between Offer engines and other airline systems and, most importantly, provides airlines with APIs to distribute content via agency direct connects (NDC Connect), and potentially to deliver NDC content to the GDS (NDC GDS Connect)
- All instances of FLX OC are hosted by Farelogix
- Revenue on Order Delivery products is generated from two streams
    - Annual subscription fees, similar to Order products
    - Per Ticket transaction fees for every ticket booked through OC[1]

(1) 1 Ticket = 2.5 Segments; 1 Segment = 1 PB

Farelogix forecast indicates significant growth in both subscription and transaction based revenue

Revenue Forecast Key Observations

($ in Millions)	2017A	2018E	2019F	2020F	'17-'20 CAGR
Subscription Revenue					
New Offer Sales					
Total Offer Sales					
Total Offer Subscription Revenue					
Growth					
New Order Sales					
Total Order Sales					
Total Order Subscription Revenue					
Growth					
Total New Sales					
Total Cumulative Sales					
Total Subscription Revenue					
Growth					
Transaction Revenue					
NDC Connect Ticket Volume					
NDC GDS Connect Ticket Volume					
Total Transaction Volume					
Total Transaction Revenue					
Growth					
Total Revenue					
Growth					

Farelogix has relationships with both SabreSonic and Altea carriers, however the scope is reasonably limited

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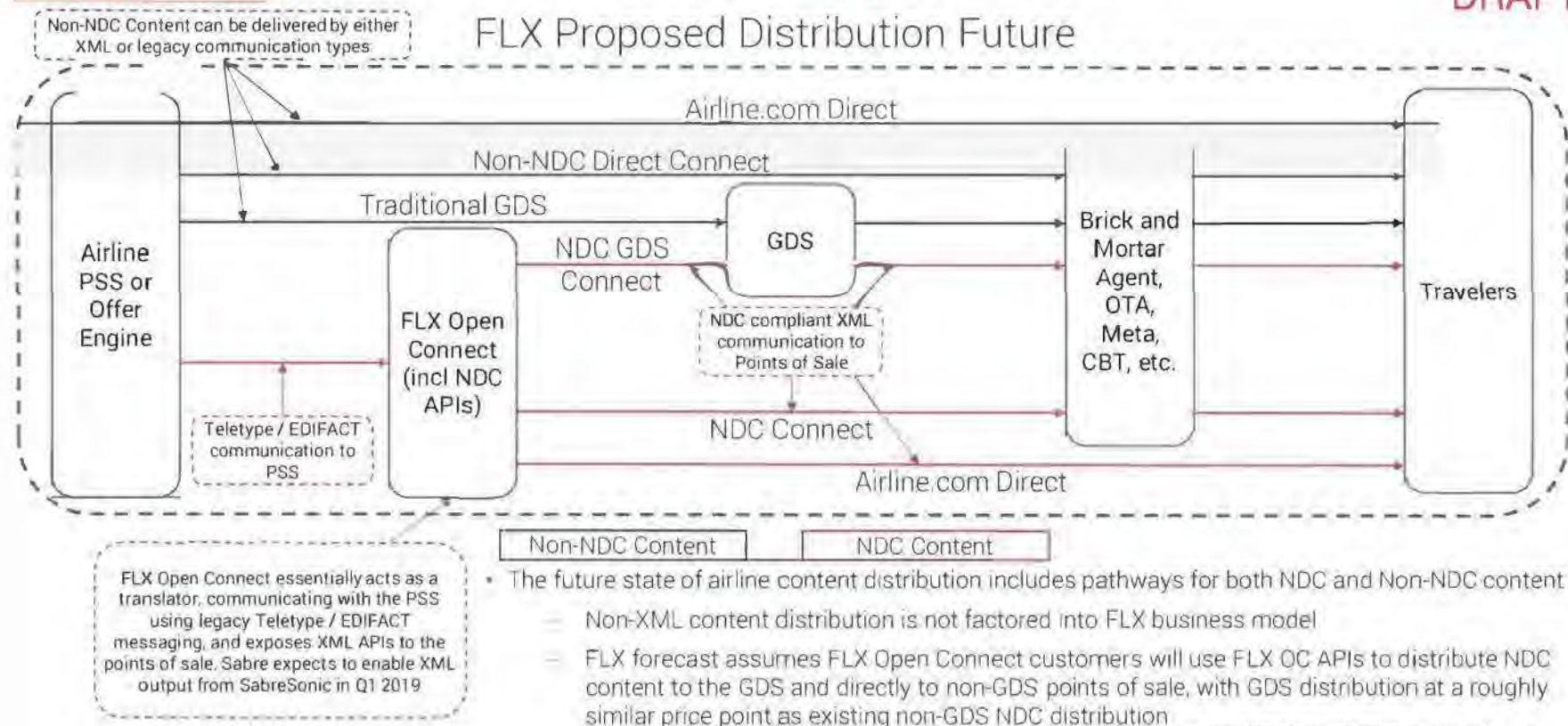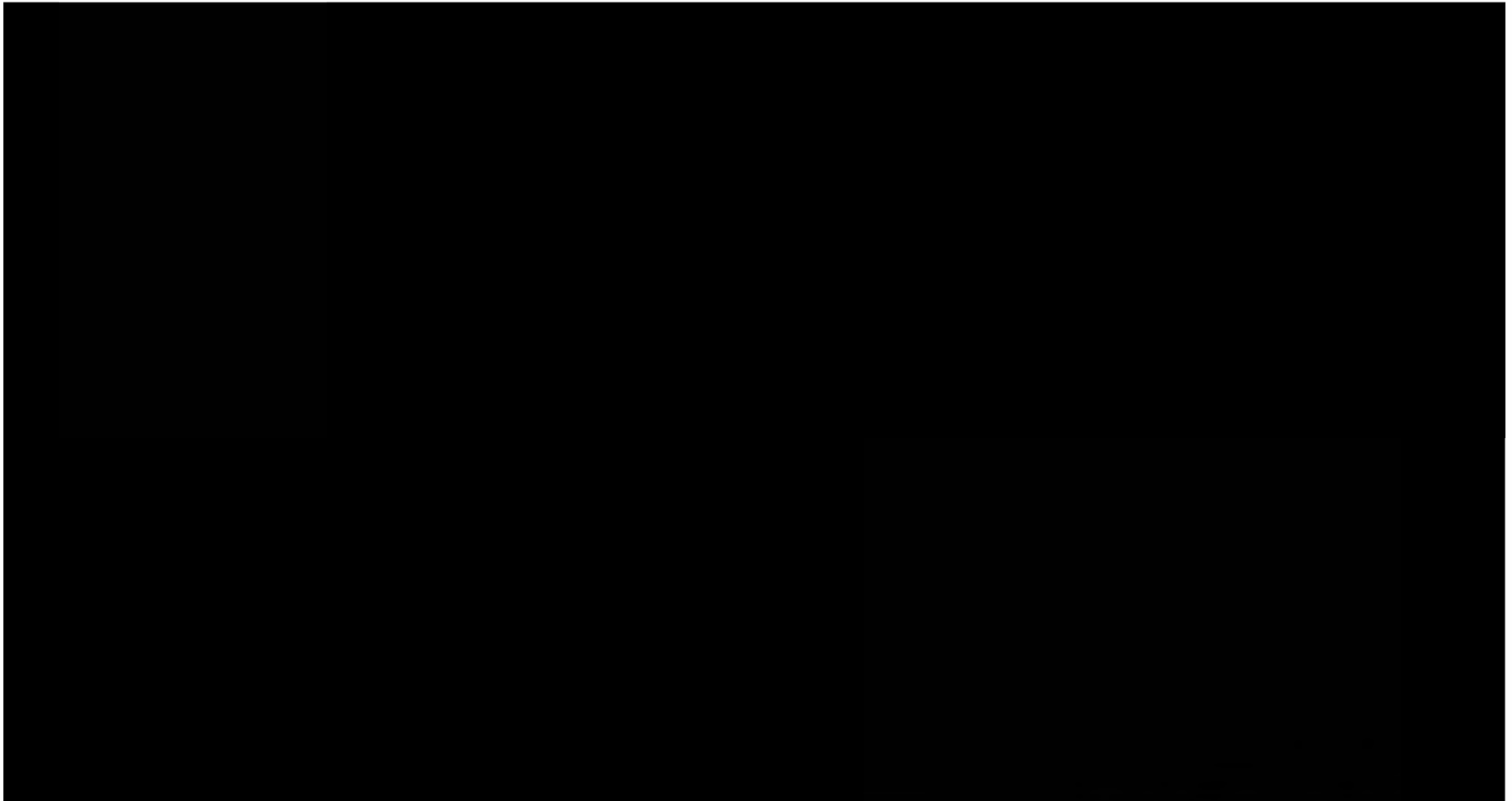FLX Offer Management   FLX Order Delivery
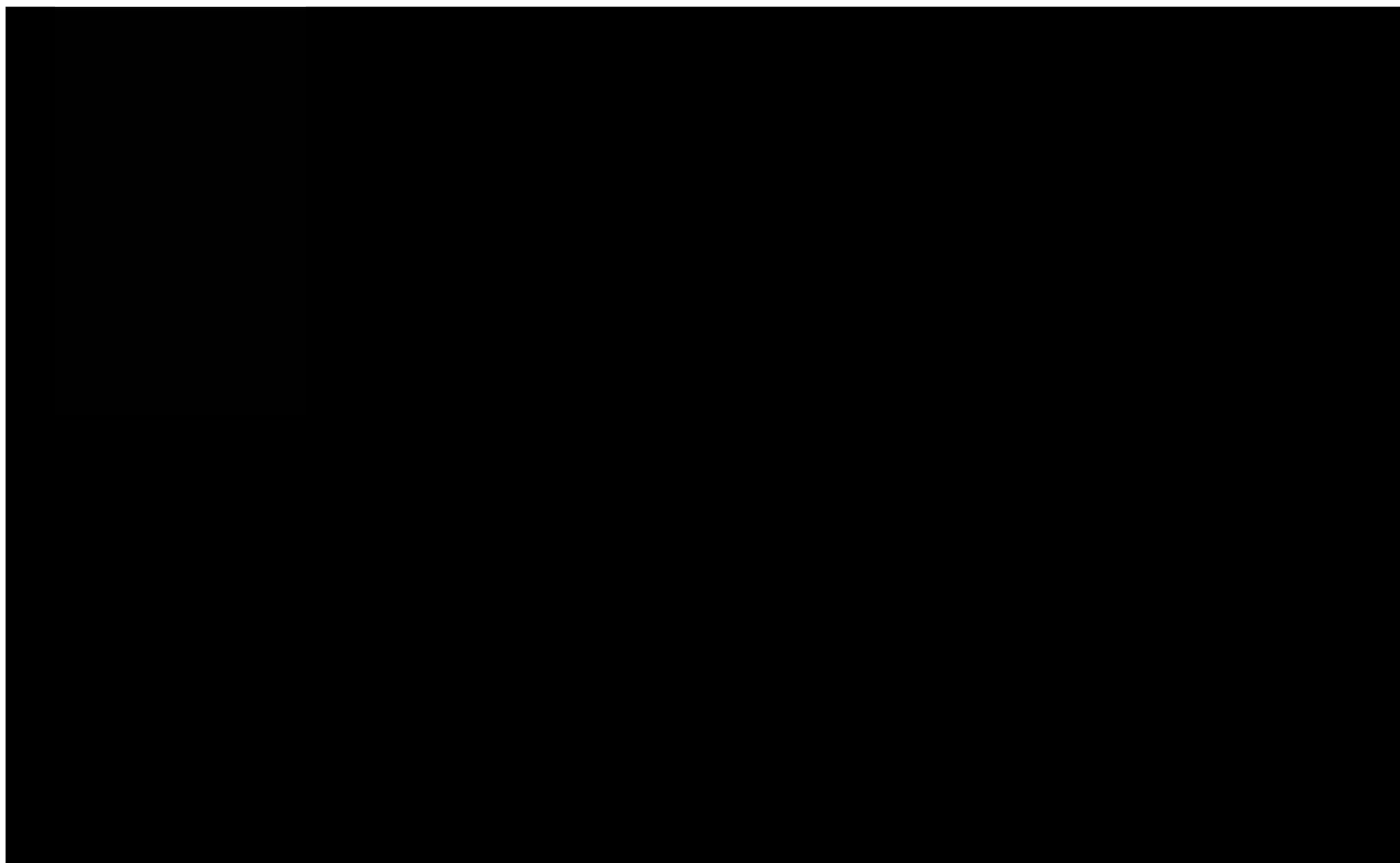
FLX ORDER DELIVERY

Farelogix revenue forecast depends on their vision for the future of distribution coming to fruition

FLX Proposed Distribution Future

- The future state of airline content distribution includes pathways for both NDC and Non-NDC content
  - Non-XML content distribution is not factored into FLX business model
  - FLX forecast assumes FLX Open Connect customers will use FLX OC APIs to distribute NDC content to the GDS and directly to non-GDS points of sale, with GDS distribution at a roughly similar price point as existing non-GDS NDC distribution

FLX OFFER MANAGEMENT

Offer Management is made up of four "engines" each providing a PSS like functionality with a shared UI

Merchandise

- FLX Merchandise is a PSS agnostic merchandising rules engine allowing airlines to offer travelers ancillary products (Seats, Bags, Other) for either a price or without charge
- The engine adjusts the price of the ancillaries based on rules input by the airline
  - Able to accept both ATPCO fares and fares determined by airline Revenue Management

Availability Calculator

- FLX Availability Calculator is a PSS agnostic availability calculation engine. The solution can compete with Sabresonic Inventory, especially for non-Sabre hosted airlines (like DL)
- Integrated with FLX common rules engine which provides capabilities to manage flights, ancillaries and seats (offers)
- As part of the merchandizing they also have dynamic pricing component

Shop & Price

- FLX Shop & Price is an airline shopping engine competing with Sabre ASE and Google ITA. Shop & Price supports both ATPCO and non-ATPCO filed fares, and allows for airlines to input rules to adjust the fare based on traveler information
- Integrated with FLX common rules engine which provides capabilities to manage flights, ancillaries and seats with dynamic prices and bundles as offers

Schedule Builder

- FLX Schedule Builder allows airlines to build personalized itineraries for each shopping request, and prioritize connections / routes to maximize revenue / yield. Build schedules without taxing the PSS
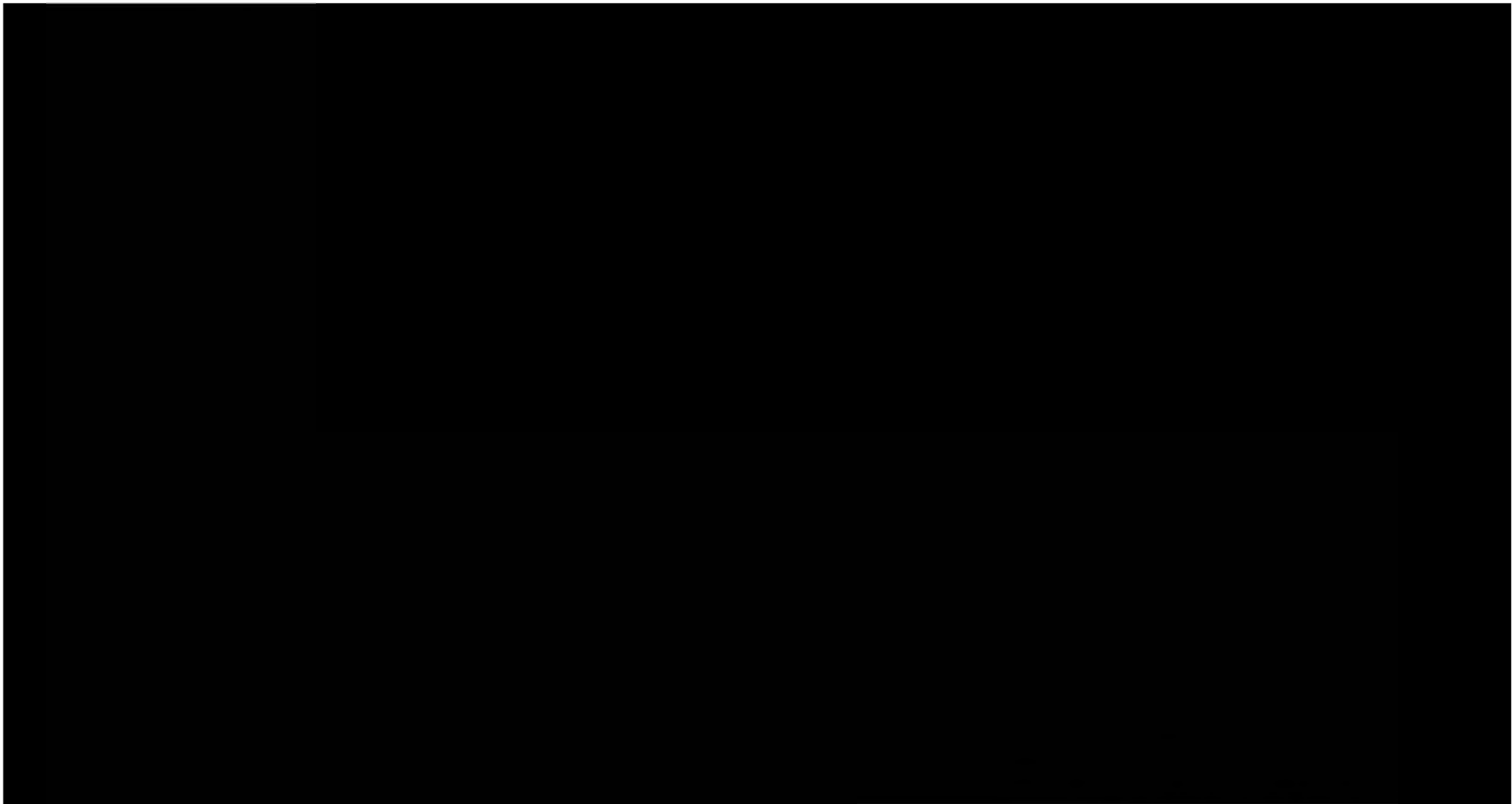
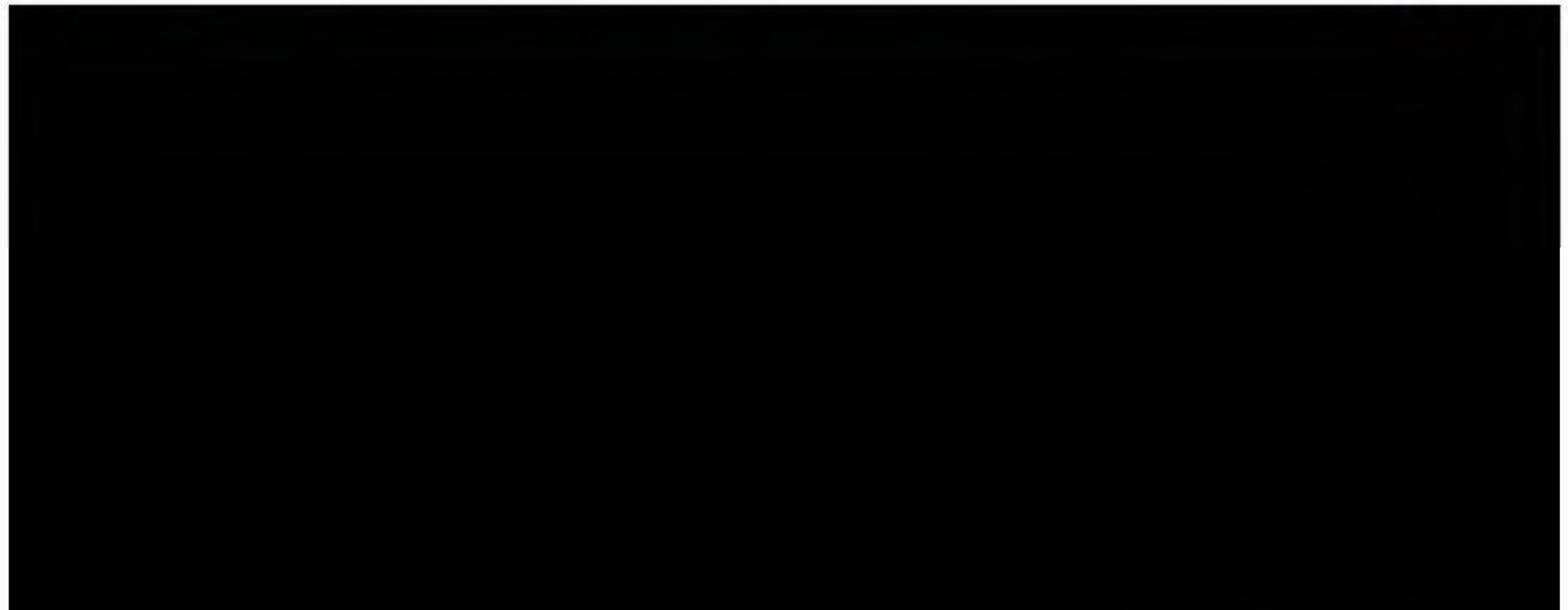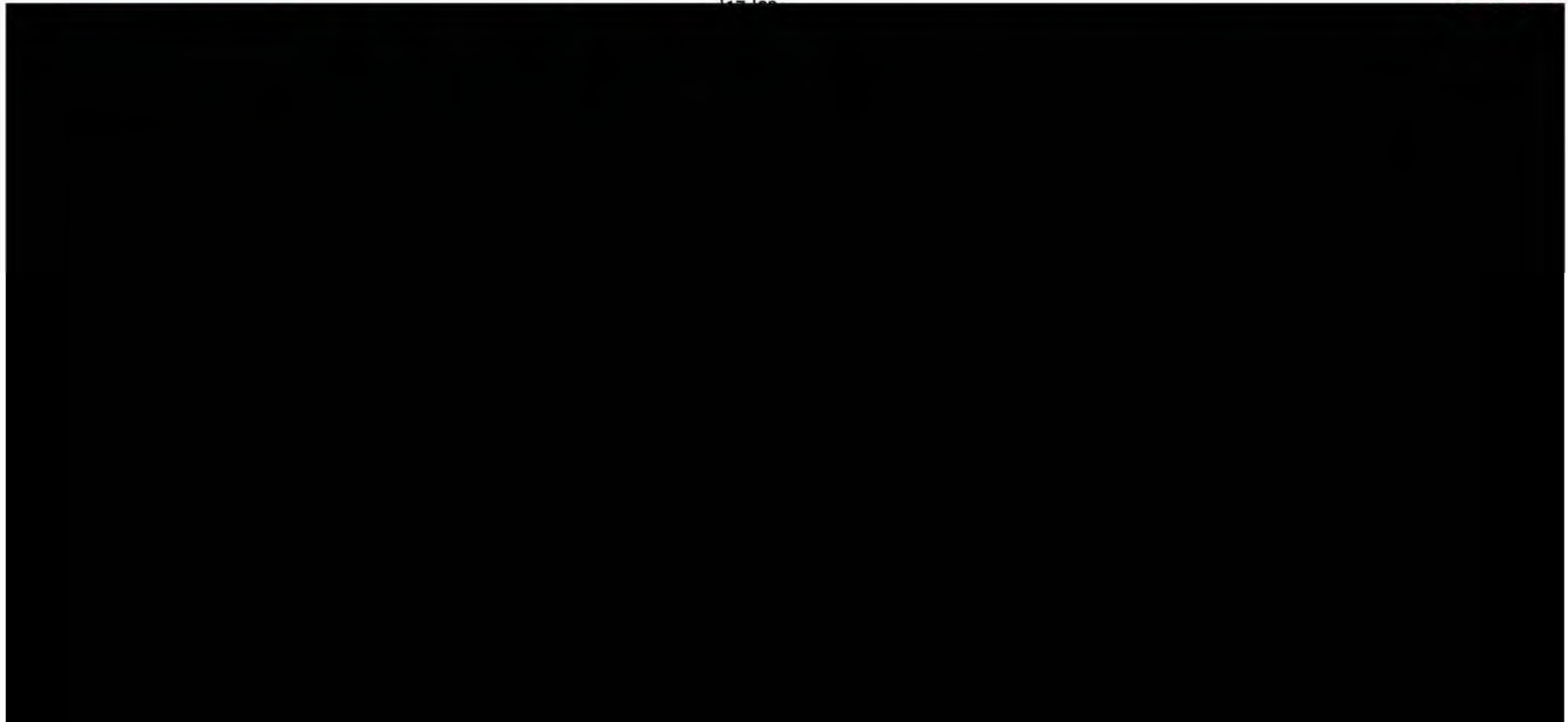| Product	Key Diligence Findings	Proposed Use
Merchandise		
Availability		

FINANCE / MODELING

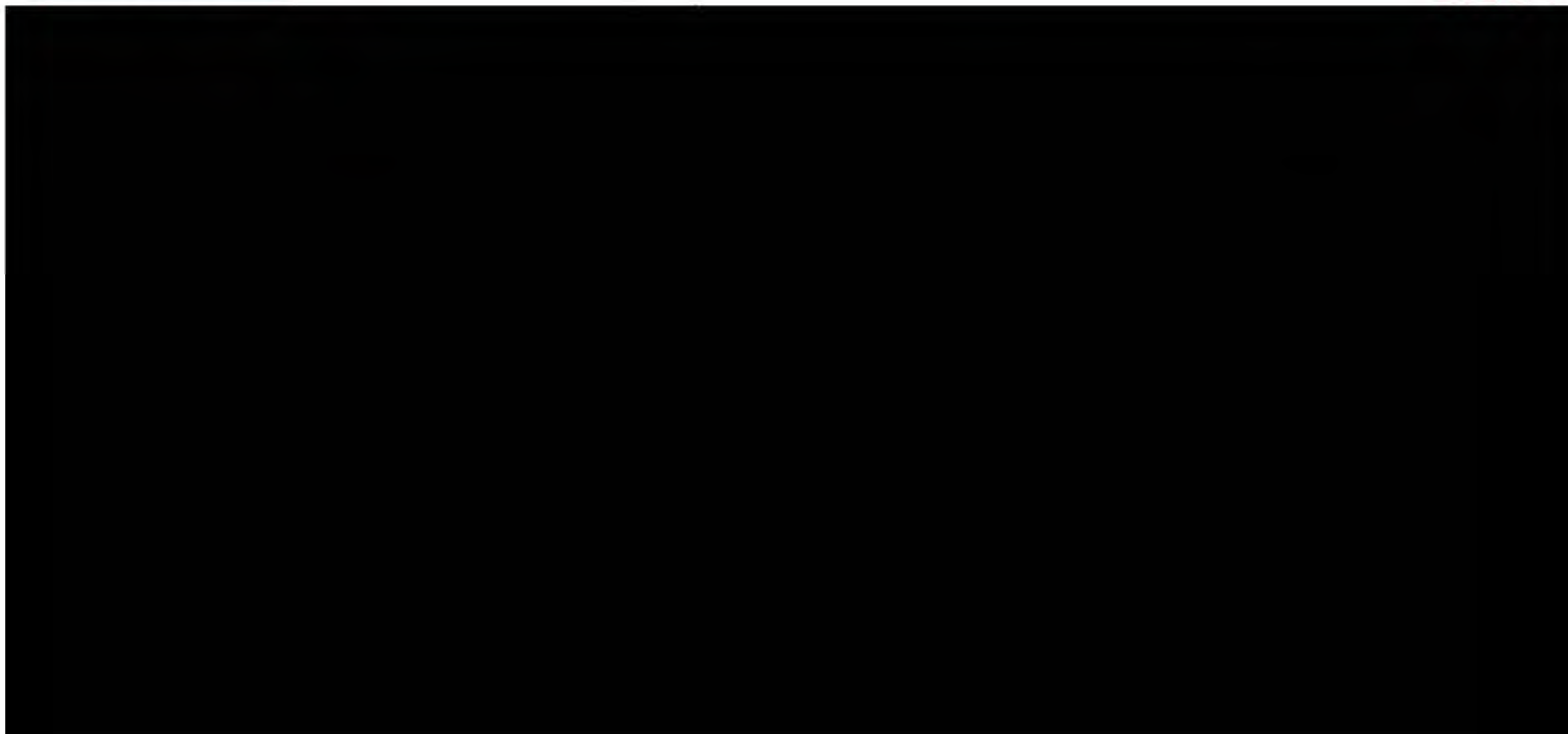# Before diving into numbers, some background information on the forecast provided

DRAFT

Forecasted expenses show Farelogix delivering increasing operating leverage

Forecasted headcount shows growth slowing from historic levels

DRAFT

APPENDIX

Farelogix Customer Overview

Customer	PSS Provider	Offer Management				Order Delivery
		Merchandise	Shop & Price	Availability	Schedule Builder	NDC API
	Amadeus	✓				✓
	Sabre	✓	✓			✓
	In House	✓				✓
	Sabre	✓				
	Sabre	✓			✓	✓
	Amadeus	✓				✓
	Amadeus	✓				✓
	In House	✓		✓		
	In House	✓				✓
	Sabre					✓
	Navitaire					✓

Farelogix Customer Overview (Cont.)

Customer	PSS Provider	Offer Management				Order Delivery
		Merchandise	Shop & Price	Availability	Schedule Builder	Open Connect
	In House	✓				
	Sabre	✓				
	Amadeus	✓				✓
	Amadeus	✓	✓	✓	✓	
	Amadeus					✓
	Amadeus	✓	✓			✓
	Amadeus					✓
	Amadeus	✓				✓
	DXC	✓				✓
	In House (Delta)	✓				
	Sabre	✓	✓			✓