Message

From:	Theo Kruijssen [tkruijssen@farelogix.com]
Sent:	11/15/2014 9:20:09 AM
To:	Jeff Reisenberg [reisenberg@evercore.com]; Lieberfarb, Harrison [Harrison.Lieberfarb@Evercore.com]; Martin, Edward [Edward.Martin@Evercore.com]; Jim Davidson [jdavidson@farelogix.com]; Edna Lopez [elopez@farelogix.com]
Subject:	FW: high level valuation considerations

All,

With reference to our call two days ago about sharing of financials, valuation etc, I'm forwarding a two relevant emails below. The bottom one I sent more than 2 months ago and the one below is from our Board member Ellen Keszler (former SVP Finance at Sabre and former President of GetThere).

Note Ellen's thoughts: In my mind, a Sabre deal should not be based upon [redacted] EBITDA. There are too many significant synergies that aren't included.
I would include revenues in this as well, in addition to EBITDA. Of course we will need to share all the financials at some point but the issue is when, and I think probably not before we have some idea if they are even willing to be in the ballpark of what we are thinking. (It looks at this point that TVP is even more focused on getting financials than Sabre. This makes sense; for Sabre it is more an absorption into their PSS.)

So, my thinking is that we need to push back until we have some idea how they are looking at this deal from a valuation perspective and what they think the main valuation drivers are for them. Hopefully we can find this out during the initial talks in the coming weeks as the sharing of financials request continues to come up. And, as discussed, Jeff can question them about their model if they emphasize revenue.

By the way, as mentioned during the call, I do believe that, if no deal materializes, having our financials out there with our main competitors weakens our competitive position. [redacted]

Theo

From: ellen.keszler@clearskyassociates.com [mailto:ellen.keszler@clearskyassociates.com]
Sent: Tuesday, September 16, 2014 6:17 PM
To: Theo Kruijssen
Subject: RE: high level valuation considerations

PLAINTIFF EXHIBIT
PX181

Hi Theo,

Thanks for sending. Jim and I had a good conversation about this when we spoke last week.

For Sabre specifically, I think there are lots of upside synergies (some of these are covered in your list, just calling them out explicitly:

1. Using their sales force to cross sell merchandising/pricing engine into their established customer relationships.
a. When we think about the airline fare engine business – [redacted]. We haven't even gotten to beta yet, but there is a huge business opportunity to steal that business away [redacted] is old now also. Sabre would have the most modern faring engine.

EXHIBIT 2 12-3-19 Kruijssen

[redacted]

b. Merchandising – they have nothing here. If you are planning to do multi-year projections, could clearly assume accelerating closing sales. With their clout, could they charge more than we do? So not just volume acceleration/increases, but also higher per sale revenue.

c. DirectConnect –

i. Loss prevention on Sabre bookings – as the AA (and OA direct connects) get implemented, Sabre will start losing bookings to Farelogix

ii. Market share shift on Amadeus/Travelport bookings – big opportunity to take share whenever an airline implements the FLX direct connect with Amadeus and Sabre. These numbers are large and worth quantifying.

2. Fare Engine

a. It could be a replacement for the Sabre GDS pricing engine – there could be millions of annual cost savings if they can replace their old faring technology (probably large upfront integration costs first though).

b. With a modern GDS fare engine, could they recapture some OTA booking share? Don't think it would make much difference on the traditional TMC business.

3. Market position – Sabre can position itself as having the leading technology and innovation in the distribution space. Hard to value, but worthwhile.

In my mind, a Sabre deal should not be based [redacted]. There are too many significant synergies that aren't included.

My two cents.

Please feel free to keep sending me stuff like this. Fun for me. Did a little M&A work in my prior Sabre life. ;-)

Ellen

From: Theo Kruijssen [mailto:tkruijssen@farelogix.com]
Sent: Friday, September 12, 2014 2:23 PM
To: ellen.keszler@clearskyassociates.com
Subject: FW: high level valuation considerations

Hello Ellen-
-wanted to share with you some thoughts I sent a few days ago to the banker, Sandler and Bert to help us in getting some idea of valuation. Obviously this is very high level.
Let me know if you have any thoughts.
Have a good weekend.
Theo

From: Theo Kruijssen
Sent: Monday, September 08, 2014 3:57 PM
To: 'Reisenberg, Jeff (Reisenberg@Evercore.com)'; 'Mike@sandlercap.com'; 'Bill Bianco'; 'bamato@sympatico.ca'
Cc: 'jdavidson@farelogix.com'; 'Edna Lopez'
Subject: high level valuation considerations

All,

The following are some valuation components that should be taken into account by a potential, established acquirer in the travel business:

1) Current EBITDA multiple:
Post-acquisition adjusted EBITDA based on 2014 numbers is around [redacted]. Forecasted Q4 annualized EBITDA would be more than [redacted]. (See table below.) This high level estimate is based on an absorption of the FLX business into the existing, much larger business and taking advantage of economies of scale, and the already existing relationships with the current FLX customer base. The assumption is that the [redacted] would be retained. Besides salaries/payroll taxes/benefits, hosting/cost of sales, some travel and office expenses are

included in these EBITDA numbers. (Collected revenue is [redacted]

2) Value of best-of-breed Technology:

a. Value of Pricing Engine/patent. In addition to the current products in production a substantial portion of the new generation Pricing Engine with a patent is already built and is included.

b. Value of leapfrogging the competition (enhance market position, customer relationships, etc.)

c. Halo effect on technology developments in other areas of acquirer by bringing on [redacted]

3) Value of Cost Avoidance of in-house build or other acquisition

4) Value of Time:

a. Value of customer acquisition during time it would take for in-house build with associated risk build is not successful

b. Value of potential customer loss to FLX or competition during time it would take for in-house build

5) Value of Control:

a. By acquiring FLX technology acquirer would gain instant NDC/next generation distribution leadership position

b. By acquiring FLX acquirer would remove a competitor and would stop losing business to FLX.

c. By acquiring FLX acquirer would increase control over airlines who are now using FLX as a negotiation tool during contract renewals

[redacted]

Regards,

Theo Kruijssen
Chief Financial Officer
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