
From: Theo Kruijssen
Sent: Sunday, November 1, 2015 2:30 PM
To: Jim Davidson; 'Edna Lopez'
Subject: AZ Doc Draft.docx
Attachments: AZ Doc Draft.docx

I added even more words. Going for dinner now.
Theo

PLAINTIFF EXHIBIT
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12-3-19
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DRAFT ONLY

Reasons why Amadeus missed the value creation from FLX NDC Xpress

1. NDC Xpress provides airlines with a common, fully-functional XML API (all airline indirect/GDS channel distribution functions) capable of being distributed through aggregators (such as GDSs or 3rd party distribution technology providers – referred to as GDS Pass-Thru by the Company, while at the same time enabling airlines to establish direct technical/distribution relationships with individual distribution partners such as OTAs, Consolidators, and corporate booking tools – referred to as GDS By-Pass. GDS By-Pass is already a proven solution in the marketplace today and projected to only increase in adoption.

It appears there was little or no consideration for Farelogix' GDS Bypass part of its NDC Xpress revenues where the established and contracted per ticket pricing [REDACTED]. For this part of the business: i.e. a completely new direct connect distribution channel, the transaction fees the airlines pay to Farelogix are a new, lower cost distribution fee for the airlines and there is no reason to assume [REDACTED]. In fact, these [REDACTED] will likely at least [REDACTED], and more [REDACTED] if further value and revenue is created through this new DC channel (as e.g. [REDACTED]). So, instead of a fee [REDACTED], it is much more likely that this new DC distribution fee will put more pressure on GDSs to reduce their distribution fees in the future.

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2. In addition to the NDC Xpress GDS Bypass [REDACTED], it also appears there was little consideration for the increasing number of tickets that are being booked via GDS Bypass. It is clear that the bypass channel is growing rapidly as a number of the world's largest airlines in Europe, N. America and the Middle East are increasingly signing significant agreements with large and small OTAs and other agencies to bypass the GDS. In addition to the growth of NDC Pass-Thru, in which GDSs are actively involved, airlines such as the [REDACTED] are actively promoting this new DC channel. These tickets [REDACTED] and are not part anymore of the GDS channel (as opposed to Farelogix' NDC Xpress GDS Pass-Thru tickets).

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3. It appears there was little or no consideration for the value of the growing commercial and technological relationships that Farelogix has with some of the world's largest OTAs and airlines with which today Amadeus has limited or no relationships.

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4. NDC Xpress is being defined by the industry at large as the new standard for airline connectivity for the airline to capitalize on merchandising for all indirect channels (or new airline direct channels such as to OTAs, etc. as mentioned above), ultimately replacing the common Edifact or even early XML connections prevalent today. In addition, with this new connectivity, the airline will "in-

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sourcing and controlling" certain key elements of airline distribution functionality similar to what they control in their direct channel (Search, Price, Merchandising, Personalization, etc. (Offer Management) at minimum, with many airlines adopting the full NDC API functionality needed to support GDS By-Pass distribution (Full NDC Offer and Order Management which includes, ticketing, change support, payment, reporting, etc.). As airlines begin to realize the full benefits from their new NDC Xpress connectivity – increased take rates and ancillary sales leading to an increased return on invested capital, it is again unlikely that one would assume a [REDACTED] of this enhanced technology offering. (NOTE – this is actual the foundation [REDACTED] off the current GDS fees charged to the airlines as the airlines take on more of the functions once provided by and charged for, by the GDS)

5. As explained, the Company provided its NDC Xpress forecast, for confidentiality and sensitivity reasons, based on an indicative price of [REDACTED]. The reality is that this rate is very conservative based on the actual contracted rate for its NDC Xpress customers. Actual pricing ranges from a [REDACTED], far exceeding the indicative price of [REDACTED].
6. Many of the Companies current NDC Xpress customers are locked into [REDACTED] year contract extending [REDACTED] ensuring constant per PB pricing levels for some time. X number of the Company's NDC Xpress customers have contracts that extend to [REDACTED]. X extend [REDACTED] and X are in a renewal cycle or contractually extending on an annual basis. Obviously this provides significant certainty to the projected revenue in the next two or three years from existing NDC Xpress customers.
7. New revenue generation through NDC Xpress distribution. It is already demonstrated with a few existing NDC Xpress customers of the Company that this new and improved way to connect to and distribute the airlines full product is generating new sale and new revenues. Given the studies conducted by industry experts, this new revenue is already generating anywhere from a few dollars per PB to well over \$22 per PB in the airlines direct channel, and a few cases already, in the airlines 3rd party channel (i.e.OTAs and TMCs). One can easily assume similar levels of new revenue generation PB when the full airline product is deployed via NDC Xpress in the airlines indirect channel.