Q3 2019 Sabre Corp Earnings Call - Final

FD (Fair Disclosure) Wire

October 31, 2019 Thursday

Length: 12365 words

Body

EXHIBIT
PENGAD 800-631-6989
Menke Lit #23
11/19/21

Corporate Participants

* Clinton Anderson

Sabre Hospitality Solutions - President

* David J. Shirk

Sabre Corporation - Executive VP & President of Travel Solutions Inc.

* Douglas Elliott Barnett

Sabre Corporation - Executive VP & CFO

* Jennifer Thorington

Sabre Corporation - Director of IR

* Sean E. Menke

Sabre Corporation - President, CEO & Director

Conference Call Participants

* Ashish Sabadra

Deutsche Bank AG, Research Division - Research Analyst

* Jed Kelly

Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst

* John Peter King

BofA Merrill Lynch, Research Division - Research Analyst

* Mark L. Moerdler

Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst

PLAINTIFF EXHIBIT
PX253

* Matthew Fraser Broome

Mizuho Securities USA LLC, Research Division - VP of Americas Research

* Neil Steer

Redburn (Europe) Limited, Research Division - Partner of Software and IT Services Research

Presentation

OPERATOR: Good morning, and welcome to the Sabre Third Quarter 2019 Earnings Conference Call. Please note that today's call is being recorded and also being broadcast live over the Internet on the Sabre corporate website. This broadcast is the property of Sabre. Any redistribution, retransmission or rebroadcast of this call in any form without the express written consent of the company is strictly prohibited.

I will now turn the call over to the Director of Investor Relations, Jennifer Thorington. Please go ahead.

JENNIFER THORINGTON, DIRECTOR OF IR, SABRE CORPORATION: Thank you, Sonya, and good morning, everyone. Thanks for joining us on our third quarter earnings call. This morning, we issued an earnings press release, which is available on our website at investors.sabre.com. A slide presentation which accompanies today's prepared remarks is also available during this call on the Sabre IR web page. A replay of today's call will be available on our website later this morning. Throughout today's call, we will be presenting certain non-GAAP financial measures, which have been adjusted to exclude certain items. All references during today's call to EBITDA, EBITDA less capitalized software development, operating income, EPS and net income have been adjusted for these items. The most directly comparable GAAP measures and reconciliations for non-GAAP measures are available in the earnings release and other documents posted on our website at investors.sabre.com.

We would like to advise you that our comments contain forward-looking statements. These statements include, among others, disclosure of our guidance, including revenue, EBITDA, EBITDA less capitalized software development, operating income, net income, EPS, cash flow and CapEx, our medium-term outlook, our expected segment results, the amount and effects of changes in capitalization mix and depreciation and amortization, the effects of customer financial conditions and new or renewed agreements, products and implementation, our expectations of industry trends, the financial and business results and effects of acquisitions and various other forward-looking statements regarding our business.

These statements involve risks and uncertainties that may cause actual results to differ materially from the statements made on today's conference call.

Information concerning the risks and uncertainties that could affect our financial results is contained in our SEC filings, including our second quarter 2019 Form 10-Q and 2018 Form 10-K.

Participating with me on today's call are Sean Menke, our President and Chief Executive Officer; and Doug Barnett, Executive Vice President and Chief Financial Officer. Dave Shirk, our Executive Vice President and President, Travel Solutions; and Clinton Anderson, Executive Vice President and President, Hospitality Solutions are also with us today and will be available for Q&A after the prepared remarks.

Sean will start us off and provide a review of our strategic and commercial performance and business outlook. Doug will offer additional perspective on our financial results and forward outlook. We will then open the call to your questions.

With that, I will turn the call over to Sean.

SEAN E. MENKE, PRESIDENT, CEO & DIRECTOR, SABRE CORPORATION: Thanks, Jennifer. Good morning, everyone, and thank you for joining us today. Before we get into the details of the call, I want to take a moment and thank my Sabre team members. I continue to see a team that has embraced the challenges and opportunities within the global travel ecosystem which we reside. I am very proud of what we have accomplished over the past 3 years and what we will accomplish moving forward. This wouldn't have happened without the hard work, sacrifice and dedication of my team members around the world.

Sabre continues to be a global retailing, distribution and fulfillment technology leader within the $1.7 trillion global travel marketplace. We are at the forefront of the industry's digital transformation. Our new management team is driving changes that are resonating with customers, and our technology solutions are gaining commercial momentum, winning new customers and increasing share-of-wallet with existing customers.

Today, I'm pleased to announce third quarter results that demonstrate our continued solid execution and the strength of our business model and geographic and customer footprint.

Travel Network, our largest business segment, continues to prove its resiliency despite uncertain macro and geopolitical conditions. The third quarter marked the seventh consecutive quarter of strong gains in our GDS position. Our global share increased 100 basis points year-over-year to 39.6% in the third quarter. We grew bookings 6% in our home region of North America, the fastest-growing region for the overall GDS industry. And for the first time in 3 years, our booking contribution margin expanded.

In Airline Solutions, our focus over the past 2 years on product health and securing renewals has allowed us to shift our attention to new innovation and sales. We announced a number of customer wins during the quarter for our retailing and operations solutions.

Hospitality Solutions revenue growth remains solid, up 7% year-over-year in the third quarter. Our business continues to generate strong free cash flow with growth of 18% in the quarter.

Additionally, we have entered into the low-cost carrier space with our recent acquisition of Radixx, a leader in low-cost carrier PSS solutions. This acquisition will allow Sabre to offer products to an audience that continues to see the fastest growth and expansion in the industry.

As we reflect on the third quarter, we believe we are making strong progress against our strategy and delivering on our commitments to shareholders. We gained share in Travel Network while expanding contribution margin. We restored product health and stability in Airline Solutions, enabling us to shift focus to new sales pursuits. Our technology spend is being managed well as we progress our cloud migration, and we delivered 18% growth in free cash flow.

We expect our expansion into the low-cost carrier PSS market, along with investments in our cloud migration and new innovations, will provide continued growth and industry leadership as we fulfill our commitments to providing best-in-class services to our customers in a dynamic and evolving marketplace.

Taking a closer look at Travel Network, as mentioned, we have been winning share over the past 7 quarters and reported 39.6% share in the quarter. We continue to expect durable revenue growth in line with or above growth in global travel over the coming years. Our customers have high fixed costs, a perishable commodity and sometimes need to use price to stimulate demand. This is why travel volumes have proven resilient over economic cycles and have grown at roughly 1.5x global GDP over many decades.

The geographic and customer mix that makes up the majority of our book of business has already absorbed the impact of channel shift, and Travel Network bookings grew 1% in the quarter. Despite solid industry growth in North America, overall global GDS industry bookings decreased 3% in the quarter due to declines in all other regions from continued channel shift, geopolitical events, regional economic uncertainty and the insolvency of a large Indian carrier.

In North America, the price of indirect and direct distribution has largely converged. We have over 80% share of the large travel management companies in the region, which represents airlines' most valuable travelers. As a reminder, we are relatively less exposed to channel shifting occurring in Europe because over 50% of our bookings at the European legacy carriers are international and therefore less likely to be booked directly. In addition, we have a relatively small footprint in India.

Our hotel bookings were up high single digits in the quarter, despite a deceleration in industry growth. This increased attach rate of hotel bookings, which are more profitable bookings, contributed to a solid growth in average booking fees in the quarter.

As we have historically outlined, we are leading with technology. For the second quarter in a row, incentive fee growth moderated to low single digits.

Our ability to win recent major deals like Flight Centre and Carlson Wagonlit Travel is anchored by our technology investment. Our technology investments create network effect that scale across 420 airlines. We are differentiated with our Sabre Red 360 agency desktop, full deployment of our shopping complex in the cloud, NDC leadership and vision for next-generation retailing. Our investments and focus on what our customers need provides us with confidence that we can continue to win share over the medium term.

Although North America represents our largest regional footprint, we are focused on expanding our international book of business. Our third quarter wins and renewals demonstrate our focus on international markets. We announced a collaboration with Singapore Airlines for expansion of their NDC program. Now agents in Singapore can book unique NDC content from Singapore Airlines, and we will continue this rollout across all regions.

We signed a long-term renewal with Despegar, the leading online travel agency in Latin America. We are increasing our footprint in Spain with a new deal with Grupo CDV, the fastest-growing travel agency consolidator in the country. We announced a renewal and expanded partnership with Magnum Travel Services, one of the leading travel companies in Bahrain. We expanded our partnership with Eirad International Tours and Travels to meet the high expectation of the tech savvy Saudi traveler. And we announced a virtual payments partnership with Apiso to promote virtual payments adoption in the Middle East.

At Airline Solutions, our confidence continues to grow as we feel good about the progress we have made in restoring product health and stability and securing renewals. This has allowed us to switch gears and focus on rolling out new innovations, winning new business and expanding our addressable market into the low-cost carrier space.

We recently announced our acquisition of Radixx, a leading airline retailing software provider whose signature product is a best-in-class low-cost carrier passenger service system. This is an important strategic acquisition for Sabre. Low-cost carriers have grown twice as fast as full-service carriers over the past 5 years and now total nearly 30% of global passengers boarded annually.

SabreSonic, our full-service PSS, is better suited for network carriers that require a full range of capabilities, including meeting the needs of global alliances, significant international operations or global distribution. While some low-cost carriers will require some of these elements, most simply need a solid solution to meet their foundational retailing needs. The passengers boarded that Radixx could address with its platform represent an incremental opportunity for Sabre.

The Radixx PSS platform is an entirely cloud-based platform on a SaaS-oriented model. We expect to make incremental investments in the fast-growing LCC space and to assist the Radixx team with technology, improved stability and sales and support efforts. Backed by our leading technology team, we expect Radixx to achieve scale and accelerated growth in the medium term.

In the quarter, we are continuing to see traction and evolution of the intelligence retailing with Sabre commercial platform and have recent customer go-lives for Fares Optimizer and Revenue Optimizer. We're driving a digital transformation for the airline industry, and this includes transforming the airport experience. We have advanced personalization with Digital Workspace airports now in production at several airlines, including Aeroflot and Kulula.

Intelligence Exchange continues to gain traction with new sales at WestJet, expansions at Southwest and Aeroflot, and a cutover at Air Europa. Intelligence Exchange is a real-time data integration platform that gathers, analyzes and can take action on disparate data from across airline systems. We announced a long-term renewal with

Aeromexico, one of our key customers, who will be expanding its footprint by utilizing our Commercial Platform solutions.

In addition, we recently announced that, on the operations side, we are transforming Spirit Airlines operations. Spirit will be one of the first carriers to use the industry's first end-to-end operations solution. They are a current user of several Sabre operational solutions and will soon implement AirCentre Movement Manager, Crew Manager and Recovery Manager that help airlines recover from disruptive situations quickly and efficiently. Mobile tools will also enable seamless communication between operations managers, crew schedulers and crew members.

Hospitality Solutions continues to generate solid revenue growth. We are the global leader in central reservation and expect to continue expansion into this relatively underpenetrated market to drive growth.

In the quarter, we announced a deal with Space Hotels for our SynXis Booking Engine to power their direct website. And we closed multiple renewals with key customers, including Mandarin Oriental, L.E. Hotels, Frasers, providing our hotel partners continued view -- that they continue to view us as an essential technology partner.

We expect to invest over $1 billion this year in technology. Our cloud migration continues to progress well, and we now have nearly 60% of our total compute footprint in the cloud. As announced last year, this includes our entire Travel Network shopping complex. We're the first GDS to achieve full cloud deployment of shopping.

In the third quarter, we decommissioned the DXC service for shopping in our legacy Tulsa data center. By year-end, we expect this to result in a 25% reduction in our Tulsa open systems footprint since the end of last year. We also completed the rollout of 2 new Microsoft Azure cloud landing zones, one in central Europe and one in North America, establishing the capability to begin moving applications to Azure.

We implemented Distributed Availability in the cloud, closer to our customers, for 3 hosted carriers. This lowered latency and improved accuracy in shopping conversions while reducing messaging fees for our hosted carriers.

Finally, we developed our first autoscaling capabilities for Airline Solutions applications running in Amazon web services that will allow us to optimize our cloud footprint to align with elastic demand and lower overall operating costs as we go forward. This demonstrates cost savings we can achieve even on workloads that are already in the cloud.

Before I turn the call over to Doug, I do want to take a moment and address our agreement to acquire Farelogix. The DOJ has filed a lawsuit seeking to block our acquisition of Farelogix. We strongly disagree with the DOJ's position. The DOJ's decision reflects a fundamental misunderstanding of the industry. The DOJ claims that Sabre and Farelogix compete head-to-head for airline bookings in the United States and that Farelogix is an alternative to the GDS. That claim misstates Farelogix's role in the industry.

Farelogix's portfolio of airline-controlled retailing, merchandising and distribution capabilities complements Sabre's existing IT solutions and future product road map. With the combined Sabre and Farelogix technology, we expect airlines will have more flexibility to create personalized offers or bundle flights with bags, Wi-Fi, lounge passes and other ancillaries to ultimately give consumers more choice, the ability to attribute shop and more competitive options in any distribution channel. Furthermore, we have committed to continue investing in Farelogix's direct connect capabilities.

We are confident that we will succeed in court and that the transaction will ultimately be completed. The trial will begin in January 2020, and we have extended the termination date of our acquisition agreement to April 30, 2020 to allow time to resolve the lawsuit.

Turning back to our results, we produced solid third quarter numbers, including 18% growth in free cash flow. We are narrowing the gap versus our largest GDS competitor and expect to be a continued strategic share winner. In Airline Solutions, we are widening our addressable market with our expansion into the low-cost carrier space and expect to continue to benefit from increased customer spending as we lead the industry through a digital revolution. We are supported by our transactions-based business model and the strength of our geographic and customer mix that has enabled us to remain resilient in a more challenging macro environment. This gives us confidence to narrow our full year 2019 guidance.

With that, I'll turn the call over to Doug to get into more of the details of our third quarter results and forward outlook. Doug?

DOUGLAS ELLIOTT BARNETT, EXECUTIVE VP & CFO, SABRE CORPORATION: Thank you, Sean. In the third quarter, we generated durable stable revenue growth and strong free cash flow growth, despite a more uncertain geopolitical and macroeconomic environment.

Let me remind you of the many attractive benefits of our business model. We have long-term contracts and customer renewal rates well over 90%. Our transaction-based business model has 94% recurring revenue. Our revenue streams are tied to travel volumes, which have proven resilient across economic cycles, even during the Great Recession. We expect to invest over $1 billion in technology annually, and we expect to continue to benefit from increased share-of-wallet from airlines and hoteliers as we drive a digital transformation for the travel industry.

Looking more closely at our Q3 results, revenue was up 1% year-over-year, totaling $984 million. In the third quarter, recurring revenue totaled 94%, and our mix of recurring revenue increased 1 point year-over-year. Across each of our businesses, Travel Network revenue was up 2%, Airline Solutions revenue was down 1%, as expected, and Hospitality Solutions revenue was up 7% in the quarter.

EBITDA less capitalized software development, which reflects our total R&D spend, grew 4% in the quarter, faster than revenue. As expected, for the second quarter in a row, incentive fee growth moderated and was up low single digits. Additionally, the quarter benefited from a reduction in benefits and other labor-related costs.

We continue to make good progress on our cloud migration, and our total technology spend increased 5% in the quarter. As previously discussed, the costs associated with our cloud migration and related technology transformation efforts are expensed as incurred instead of capitalized. This shift in our capitalization mix caused technology operating expenses to increase materially in the quarter with an equal and offsetting decrease in CapEx.

Accordingly, operating income totaled $133 million in the quarter, representing an operating margin of 14%. The year-over-year decline in operating income reflects the near-term impact to our income statement of the change in technology expense recognition. Excluding the increase in technology operating expenses, operating income increased 10% and operating margin increased 150 basis points in the quarter.

As a reminder, we are taking a double hit to our income statement this year related to this capitalization mix shift, from the increased technology operating expenses due to a lower capitalization rate as well as increased D&A from previous capitalization. As D&A rolls off due to the expected lower capitalization, we expect approximately $140 million in D&A savings from 2019 through 2022.

EPS totaled $0.27 in the third quarter, up 10% year-over-year, excluding the increase in technology operating expenses. As a reminder, the capitalization shift has no impact on free cash flow. Our business continues to generate strong free cash flow. Our free cash flow grew 18% in the quarter, totaling $142 million.

We returned $38 million to shareholders in the third quarter via our quarterly dividend.

At Travel Network, revenue grew 2% in the quarter, totaling $711 million. Consistent with the second quarter, growth has decelerated due to a softer GDS environment and as we anniversary favorable European carrier pricing and the completion of the Flight Centre migrations.

The third quarter represented our seventh quarter in a row of strong GDS share gain. Our global booking share increased by 100 basis points in the quarter, representing 39.6% share. We continue to gain share at large, global travel management companies, including our expanded strategic agreement with CWT.

GDS industry bookings declined in the quarter due to relatively more challenging macroeconomic and geopolitical factors as well as the insolvency of Jet Airways and the channel shift driven by the 3 legacy European carrier families. GDS industry bookings declined 3% in the third quarter and growth was flat, excluding Jet and the 3 legacy European carriers.

The maturity and balance of our global customer footprint and new business wins continue to allow us to grow faster than the overall GDS industry. Our largest book of business is in North America. We have already lived through an era of channel shift and convergence of the cost of direct versus indirect distribution. As a result, we believe a relatively steady equilibrium between channels has been established in the region.

Our total bookings in the quarter grew 1%, largely driven by strength in our North American bookings. Our air bookings increased 0.3% in the quarter. Excluding Jet Airways and the 3 legacy European carriers, our air bookings increased 1% in the quarter.

In the quarter, lodging, ground and sea bookings grew 4%. Hotel bookings grew high single digits in the quarter and car bookings also grew high single digits. Consistent with the previous 3 quarters, lower-margin rail bookings declined. We will fully anniversary the rail impact in Q4 of '19.

Looking at the regional level, the health of our home region is strong. North America is the only region that posted GDS industry growth in the third quarter with year-over-year growth of 2%. We have over 80% share with large travel management companies in this region, representing airlines' most valued customers. Our North American bookings grew 6% in the quarter, 3x as fast as the GDS industry.

GDS industry bookings declined across all other regions. In Latin America, our bookings declined due to macroeconomic weakness and volatility. On a volume basis, Latin America is the smallest of our 4 regions we report and makes up less than 10% of our total worldwide bookings.

As mentioned, GDS industry bookings in Asia Pacific in the third quarter were impacted by the insolvency of Jet Airways, and our bookings declined accordingly. GDS bookings in India declined over 20% in the third quarter versus approximately 20% growth in the prior year quarter. As a reminder, we are relatively less exposed to the Indian market.

In EMEA, channel shift by the 3 legacy European carrier groups as well as faster growth in the LCC segment is driving GDS industry softness. In addition, the decline in lower-margin rail bookings had a 2-point impact on our bookings growth in the EMEA region.

We believe our exposure to the impact of the 3 legacy European carrier groups is less than the other GDSs due to the fact that our 50% of our bookings from those carriers are made outside of Europe and are typically for longer-haul, higher-yielding traffic. Jet Airways and the 3 legacy European carriers had a combined 3-point negative impact to global GDS industry growth in the quarter versus a 1-point negative impact on Sabre bookings growth.

Our average booking fee increased 110 basis points in the quarter. This was largely driven by the positive mix impact of lodging, ground and sea bookings, specifically from strong growth in hotel bookings, which have a higher booking fee than air bookings. Remember that we have anniversaried the favorable European carrier pricing and the beneficial mix impact from the completion of the Flight Centre migrations.

For the first time in 3 years, our contribution margin per booking expanded. Meaning, booking fee growth outpaced incentive fee growth. As expected, incentive fee normalized to low single-digit growth in the quarter.

This is the second quarter in a row of moderated incentive fee growth versus the high level of inflation over the previous 2 years, which was driven by large strategic deals, including renewals at 5 out of 6 of our top agencies through 2023 and beyond and recent wins at Flight Centre and CWT. We are confident in our expectations for normal inflationary incentive fee growth to remain in the low to mid-single digits over the medium term.

Travel Network operating income totaled $159 million in the third quarter, representing an operating margin of 22.4%. Margin decline versus the prior year quarter was primarily driven by the impact of the shift in the capitalization mix. Excluding the increase in technology operating expenses driven by the capitalization shift, operating income increased 2% and operating margin was flat.

At Airline Solutions, after successfully navigating a heavy renewal cycle over the past 2 years, we now have locked in approximately 75% of our revenue through 2023 with a high renewal rate of 94% based on total contract value. This is the second quarter in a row we have announced a number of new commercial wins and implementations that demonstrate the traction our products are gaining in the industry. We feel good about our competitive position, especially as we believe a large competitor is entering a heavy renewal cycle with a significant number of passengers boarded up for renewal over the next 3 years. Furthermore, as I will discuss in more detail later, we have expanded our addressable market with the acquisition of Radixx.

Airline Solutions revenue totaled $208 million in the third quarter, down 1% year-over-year and in line with our expectations. As previously discussed, there are factors outside of our control that impacted our performance. These include the insolvency of Jet Airways and significant volume reductions at a certain Asian carrier due to an unfortunate 737 MAX incident. Additionally, the quarter was impacted by the demigrations of Philippine Airlines, Pakistan International Airlines and Bangkok Airlines. Excluding these certain carriers, Airline Solutions revenue grew 5% in the quarter.

SabreSonic revenue increased 2% in the quarter primarily due to a favorable rate mix. Passengers boarded declined 5% in the quarter due to the certain carrier impacts I just mentioned. Excluding the certain carriers, passengers boarded increased 4% in the quarter.

AirVision and AirCentre revenue decreased 4% in the quarter. This was largely driven by a decline in upfront revenue recognition for local installs. Excluding local installs, AirVision and AirCentre revenue increased 8%.

Airline Solutions operating income was down versus the prior year, primarily driven by the shift in capitalization mix. Excluding the increase in technology operating expenses, operating income growth was 43% and operating margin increased 6 points. This was driven by a reduction in benefits and other labor-related costs.

Hospitality Solutions is the global leader in hotel central reservations. We have over 42,000 properties live on our solutions. This includes the industry's first and largest enterprise hotel implementation with Wyndham Hotels & Resorts, included their 2018 acquisition of La Quinta Inns & Suites, which we fully implemented at the start of the second quarter of this year.

Hospitality Solutions revenue grew 7% in the quarter, supported by 6% growth in SynXis Software and Services revenue. Hospitality Solutions central reservation system transactions increased 14% in the quarter, which includes the benefit of migrating La Quinta in the second quarter of 2019.

The shift in capitalization mix resulted in a modest operating loss for Hospitality Solutions in the quarter. Excluding the increase in technology operating expenses, we had positive operating income generation.

In the third quarter, total technology spend was $259 million. As a reminder, this includes the costs that we incur, whether capitalized or expensed, for hosting, third-party software and R&D.

Total technology spend increased 5% in the quarter, reflecting investments we are making in our cloud migration and other technology initiatives. As Sean mentioned, we now have nearly 60% of our total compute footprint in the cloud. Additionally, we had a $4 million headwind in the quarter related to a third-party hosting vendor credit we received last year that went away this year.

As discussed on our past several earnings calls and today, the costs supporting our cloud migration and other technology transformation efforts are not capitalized. This resulted in a 19-point decline in capitalization mix from 26% in the third quarter last year to 8% in the third quarter this year. Although neutral to free cash flow, this significantly impacts operating income and EBITDA. As a reminder, free cash flow grew 18% in the quarter.

As a result of the capitalization shift and $1 million increase in amortization of previous capitalization, the amount of total technology expense running through our income statement in the quarter increased by $58 million or 23%. Remember, this refers to our total technology spend less capitalized software development plus amortization of previous capitalization.

As I mentioned, our businesses generated strong free cash flow. Third quarter free cash flow totaled $142 million, representing growth of 18% year-over-year. We ended the quarter with approximately $3 billion in net debt and a leverage ratio of 2.9x. We expect our leverage ratio to continue to naturally increase in the short term due to the change in capitalization mix. As a reminder, our target leverage ratio is 2.5 to 3.5x with a preference towards the lower end of this range.

Our uses of excess free cash flow are dividends, strategic M&A and share repurchases to offset natural dilution at a minimum.

In the third quarter, we returned $38 million to shareholders via our quarterly dividend.

Year-to-date, we have returned $193 million to shareholders via the repurchase of 3.7 million shares for $78 million and through our regular quarterly dividends.

Earlier this October, we purchased Radixx for approximately $110 million including payments to debt holders using cash on hand. Our acquisition of Radixx expands our footprint into the LCC space, which has grown twice as fast as full-service carriers over the past 5 years and now accounts for nearly 30% of global passengers boarded. Radixx is expected to generate approximately $20 million of revenue for the full year 2019. Since we closed the acquisition mid-October, please keep in mind that we expect only 2.5 months or approximately $4 million of Radixx revenue will be consolidated into Sabre's 2019 financial results. The acquisition is expected to be accretive over the medium term, but slightly dilutive to Sabre's adjusted EPS in 2020 due to expected incremental investments in the fast-growing LCC space. We will provide our 2020 financial outlook, inclusive of the impact of Radixx, as usual in February on our earnings call.

We believe the business is performing well and in line with our expectations. Therefore, we have the confidence to narrow our full year 2019 earnings guidance. We now expect total Sabre revenue growth of 3% to 4% to $3.965 billion to $4.005 billion.

At Travel Network, we now expect full year revenue growth of 3% to 3.5%. We expect continued share gain to drive bookings growth that outpaces the industry as new agency conversions and share-of-wallet increases that have already been won are implemented. However, the overall GDS market has declined the past 3 quarters. We now expect full year bookings growth of approximately 1.5% to 2%. We continue to expect full year average booking fee growth of approximately 1.5%. The GDS market continues to be sluggish, and we expect this trend to persist into 2020.

At Airline Solutions, we are raising our guidance and now expect roughly 1% full year revenue growth. This is higher than our previous expectations primarily due to 2.5 months or approximately $4 million of incremental revenue contribution from Radixx.

At Hospitality Solutions, our sales team continues to make record sales. However, we're also beginning to see a softening of hotel industry bookings driven by a weaker macro environment. We expect revenue to come in at the lower end or a bit below our previously expected 7% to 9% revenue growth range.

We continue to expect the midpoint of our earnings guidance metrics and have the confidence to narrow our guidance ranges. This means we expect stronger margins and can successfully control costs in a softer revenue environment. Accordingly, we expect EBITDA of $955 million to $795 million (sic) [$975 million], EBITDA less capitalized software development of $860 million to $880 million, operating income of $505 million to $525 million, net income of $260 million to $280 million and EPS of $0.95 to $1.02.

As mentioned, our business generates strong free cash flow. We continue to expect free cash flow generation of approximately $455 million or year-over-year growth of 3%. Remember, this represents growth of 11% excluding the impact of a $29 million insurance settlement payment received last year. For CapEx, we expect $135 million to $145 million. Remember, our business has typical working capital seasonality that benefits the fourth quarter compared to the first 3 quarters of the year.

In closing, we believe our business is solid as we look at the rest of 2019 and beyond. I have confidence in our outlook and remain confident in the underlying performance of the business.

With that, I'll turn it back to Sean.

SEAN E. MENKE: Thanks, Doug. I'm pleased with how the year has progressed and would like to, once again, thank my colleagues around the world for all their hard work and dedication. We believe the third quarter was a clear indication we are progressing against our strategies, seventh quarter in a row of share gain, moderation in incentive fee growth, 18% growth in free cash flow and our new innovations are gaining commercial traction. We continue to benefit from the resiliency of our business model and strength of our geographic and customer footprint. I'm confident we will have a solid finish to the year.

I want to once again thank all of you for joining our call today and for your continued interest in Sabre.

And with that, I will ask the operator to open up the call for your questions.

Questions and Answers

OPERATOR: (Operator Instructions) Our first question comes from John King of Bank of America.

JOHN PETER KING, RESEARCH ANALYST, BOFA MERRILL LYNCH, RESEARCH DIVISION: First one was really just a big picture on the GDS industry as you see it today. Obviously, I appreciate there's a couple of one-off factors and maybe some cyclical impacts to the current sluggish growth as you called it out. Obviously, India is probably a bit of a one-off, and there's also the macro. But as you look out, you have perhaps some of the stuff that's going on in Europe might continue for a while. So what would your kind of estimate be for volume growth over the medium term in the GDS industry? And then I guess, linked to that, we've also seen Sabre typically take share and certainly also see average booking fee increases over time. And is there an argument that says, certainly at least on the booking fee side, that, that would also continue to be a tailwind partly because of mix? Perhaps you could just speak to that.

SEAN E. MENKE: Yes, I'm happy to touch on that, John. And this is Sean. So let me talk about -- and I think this is front-and-center for a number of people is sort of the GDS marketplace and I would actually even say the macro marketplace. And we do a number of things as we look at what's happening. And let me walk you through what we do. So first, we really spend a lot of time on what's happening in capacity, specifically on the airline side. So we look at from total capacity and then we break it down into full-service carriers and low-cost carriers. And I'll get into that in a little bit. And we also spend time looking at probably more specifically what's happening with the global TMCs because we do believe that's a leading indicator relative to leisure traffic. So if I look at global TMCs and what's taking place as it relates to bookings, we're seeing that relatively flat throughout the year, and what I've seen early into the fourth quarter is that sort of remaining the same.

On the capacity front, we have seen, on a comparison basis, and I'll just give you some stats on a year-over-year basis, and this is looking at the third quarter, is that capacity growth was up 3.4%. And if you look at the previous year and the comp, it was about 5.3%. So there is a deceleration of growth in capacity. If you actually drill down into full-service carriers, it only grew at about 2%, where the previous year was up slightly over 4%. So we watch that in what's happening.

You then get into more of what I would consider to be some of the things that are playing out, and this is why we talk about sort of the stability in the North American marketplace. And as we've articulated in the past, approximately 50% of our bookings come from North America. And the one reason I believe that there's stability in the North American marketplace is that, if you go back and you actually look at what consolidation has done over the years, it's probably the most stable marketplace that is out there. And we've done some recent research that, when you go back and you do a comparison, and I think it was 2017 or 2018 to right around 2008, 2009, we saw that the passenger boarded growth was probably -- it was roughly in the high teens, low 20s. And if you actually translate that into revenue performance for the airlines, and this is using the information that is published, you see that revenue on a unit revenue basis has actually increased.

Now when we break down the rest of the world, we see a different story, and this plays out really in the European marketplace, we see this in APAC ex China, is that when you look at the passenger boarded growth over that same period of time, you're looking at roughly 50% or so, and I'm giving just rough numbers. But what it tells you is that you have a high level of growth in low-cost carriers, and I believe this is what we're seeing continue to play out in the European marketplace is what you had in rationalization of capacities or consolidation in North America, you're not seeing that same thing in the European marketplace.

And what we've been able to witness is essentially the percentage or the growth in PBs in Europe for low-cost carriers has essentially grown by about 10 points in that period that I talked to you about. So that -- as we look at it, we think there's going to be continued pressure within the European marketplace relative to what's taking place. So as we look at it, we feel good about when we have in North America relative to where the marketplace is. We do believe that there is more downward pressure in the European marketplace. And as you mentioned, in APAC, the situation in India did have a significant impact, I think, on global capacity, if I remember correctly, and this is doing a comp to the third quarter. I think it was about 0.6 of global capacity growth was taken out with Jet Airways. So it's pretty significant for the region.

If we look into the future, and this is the other thing, and just looking at the fourth quarter, is really what are we seeing with capacity trends. And what I'll tell you is they're essentially the same as what we've seen so far throughout the year relative to the growth and what's taking place. The other thing that we're focused on is what are we seeing into the first quarter of next year. And it's a little mixed right now that if you look specifically in North America, you actually have a jump-up in capacity growth. And we believe that this is -- the 737 MAX is still in the schedule that, that might be peeled out. What we do see in the European marketplace is actually the loaded schedules that are out there today are actually, on a capacity basis, lower than where they were last year. So I think you see that level of rationalization taking place.

And then to get to your second question, John, and I'm sorry, I thought it'd just be helpful to try to cover the whole macro environment. When we look at it relative to what's taking place as it relates to rates, there's a couple components. There's the air rate, and there's the hotel rate that's there. And what we talk about, and this was evident in the quarterly results, is the positive effect that we're getting specifically on the hotel side of the equation. We talked about that in what we're doing with lodging content services and other things that are taking place there. If we look at the balance of the world on the air side, I think it's more normalized right now relative to what's taking place. As Doug talked about, we anniversaried some of the higher pricing that we were getting because of some of the European carriers and what's taking place. And the way that we look at this is, what we have seen so far throughout 2019, we believe there is a continuation of that in 2020. And as we think about it, and we talked about it, we think that we will continue to be able to increase our share because of essentially our global footprint and what's taking place. So there's some detail for you, but it allows us to think back in history and what's taken place, how it's playing out today and how we're looking into the future.

JOHN PETER KING: That's very helpful. And if I could just ask one more on the Airline Solutions side, I'm sure you're aware there's some speculation out there about renewals in your base, specifically with your largest PSS client. I just wonder just given -- you sound very confident in the script that you're playing on offense now and you're looking to take share back from some of the stuff, I guess, you lost in the last 2 or 3 years. Maybe just some comments on that topic would be useful.

SEAN E. MENKE: Yes, John, I'll kick off and I'm going to have Dave step in on this. This is what is -- I talked to people about sort of what has transpired over the last 3 years, and this is why I'm feeling pretty confident about our ability to compete in the marketplace is, I saw where we were in early 2017 relative to product stability and health and the conversations that I was having with customers, and I know Dave would say the same thing as it relates to the conversations that he was having. You get stability of the product and things that are taking place there. That allows you to really move into more strategic conversations. And what Dave and team have done on the Digital Workspace side of the equation, the way that we're looking at just retailing and the changes in retailing, we have a lot of customers that are very intrigued in that. You then look at it on the work that's been taking place as it relates to a few other things that are associated with being on the AirVision and AirCentre side of the equation. It really allows you to have a portfolio of products that you can move forward. I would actually -- the Radixx transaction is one that, when we look at the whole portfolio of products that we can bring forward, we feel that we can enter into that low-cost carrier space and be able to move that in the right direction. So Dave, I'll let you jump in because you're involved in a number of conversations around the world.

DAVID J. SHIRK, EXECUTIVE VP & PRESIDENT OF TRAVEL SOLUTIONS INC., SABRE CORPORATION: Yes. I would just -- Sean, you've covered it well. I'd just maybe add a little bit that, I've shared this in the past with all of you, that we set out a mission not only to improve the health of the portfolio and the stability and technology improvement footprint, which has definitely happened. You're seeing that in the results. That helps with cross-sell and upsell. That makes carriers more interested to have conversations. With our SabreSonic portfolio in particular, we have the largest, most innovative launch in its history back in October of last year, that has really opened up the doors to conversations that hadn't happened to allow us to start to play offense. We have quite a bit of interest from folks wanting to understand what we're doing, where we're going and the strategic direction that Sean talked about in retailing and distribution and fulfillment. And so that's given us an ability to kind of come in and talk about things that we really weren't in a position previously -- in the previous 2 or 3 years to really get their attention to work their way through that. So that's part of why the confidence and kind of where we're at. The results are certainly showing that continued confidence from our installed base expansion and renewal cycles that we've been going through. I think also we were watching the low carrier -- low-cost carrier space for a little bit of time. Our planning and operations portfolios, as you've seen, wins are occurring both in the full-service and in the LCC space. It was natural for us to look for a way to expand further into the retailing part of that by adding Radixx. That's really kind of rounded out the full breadth and depth of portfolio. It's opened up even more renewal runway for us in terms of what PBs are available in the marketplace. So we're definitely playing offense and feel pretty good about the conversations that we're starting to have.

OPERATOR: And our next question comes from Mark Moerdler of Bernstein Research.

MARK L. MOERDLER, SENIOR RESEARCH ANALYST, SANFORD C. BERNSTEIN & CO., LLC., RESEARCH DIVISION: Very detailed. I do appreciate it. I have really 2 questions. First, on the Radixx deal -- on the Radixx acquisition. Can you give us a little more color on how you think about how that's going to impact the Airline Solutions from a business or financial point of view? How is it -- where is the upside in terms of increasing growth? Is it by your investment in there? How do we think about it in terms of margins? Any color on that would be really appreciated. And then a follow-up.

DAVID J. SHIRK: Yes. I think as we've said, I mean, when you look at the -- this is Dave. The low-cost carrier space is continuing to grow at twice the full-service space. In addition to that, we've seen them kind of take over about 30% share of the overall PB space. And so, for us, that's all new greenfield from a reservation and retailing perspective. As I said just a minute ago, we've always and continue to have an operations and planning footprint there. And so we're already engaged in low-cost carriers, having conversations and working with them in a number of solutions that are successfully deployed. It's a natural expansion of that conversation. So again, we feel pretty positive about that.

I think, as we look at the space over the course of the next 3 or 4 years, there's about -- roughly about 500 million PBs that are up for grabs over that time period, and that doesn't even include new entrants, which we're seeing pretty significantly in the Asia Pacific and Latin America and European markets. And so that gives us a chance to kind of round out our sales efforts there. It also -- I would also add, it fits our go-to-market motion quite well. The way our footprint globally -- one of the things that Radixx was probably, like any small company is limited to, is the global touch points that they have and the way to get in and deal with some of the stuff is really a significant part of that. And as we think about where Radixx is at in the ultimate equation, we had been watching the space. One of the things we were watching is they were in the midst of a significant replatforming. They've now taken carriers live on their new SaaS-based platform, very, very positive results, and that's what kind of hit the right timing, kind of catch the proof point wave on the front end of that. And it fit very well in line with the overall technology modernization and efforts that we have underway across the portfolio. So again, pretty excited and pretty optimistic about what that could mean to us and where it will take us as we go forward with it.

Again, you have to think about when -- your question on margin. You have to think about the cross-sell and upsell. It's not just that we're going in with a pure PSS solution to the LCC space, but we have the full planning, operations and data and analytics asset set already here. And so that combination really rounds out a broader conversation in the LCC space that we're excited about.

DOUGLAS ELLIOTT BARNETT: And, Mark, we'll provide more guidance on the financial impact of Radixx in February when -- on our Q4 results.

MARK L. MOERDLER: Perfect. I appreciate it. And then switching gears a little bit, if you don't mind, really helpful the detail of the status on the Airline Solutions renewals. But 2 quick clarifications. On the renewals, when you discussed the 94% total contract rate renewals, is that -- are you counting in things like bankruptcies and other things like that? And then when you talk about the 75% renewal lock-in, is that you're including some of your biggest airlines? Have you locked in on those guys?

DOUGLAS ELLIOTT BARNETT: Yes. The answer, first, would be, obviously -- when we did the renewal rates, obviously, Jet wasn't included because obviously that's a unique situation. Beyond that, the other items were included.

MARK L. MOERDLER: Okay. And on the lock-ins, is it a lot of the big guys already locked in at this point?

DOUGLAS ELLIOTT BARNETT: Yes.

SEAN E. MENKE: Yes.

OPERATOR: And our next question comes from Ashish Sabadra of Deutsche Bank.

ASHISH SABADRA, RESEARCH ANALYST, DEUTSCHE BANK AG, RESEARCH DIVISION: First question on the Hospitality Solutions. Just wondering what led to the bad guiding to the lower end of the range. And then maybe just a follow-up on that, Clinton, your decision to leave. Sean, how are you thinking about the leadership as far as the Hospitality Solutions?

CLINTON ANDERSON, PRESIDENT, SABRE HOSPITALITY SOLUTIONS: Okay. Perfect. This is Clinton. Why don't I answer the first 2 questions, at least half of the second question, and then I'll let Sean chime in as well. Look, the reason we're guiding to the lower end of the 7% to 9% range is simply from macro factors. We're seeing slowing bookings in the macro environment. That runs parallel to what we're seeing in the GDS marketplace. So that's fully accounted for by just a slowdown in overall bookings in the hospitality space.

In terms of my departure, look, I'm excited to take on a chief executive role in my next opportunity. At the same time, it's very bittersweet. I'm going to be very sad to leave my Sabre family. I'm -- I have the ultimate confidence in the strategy we've laid out. The intersection of travel and technology, an exciting space. Sabre is going to continue to be a leader in that space. And our focus on really around retailing, distribution and fulfillment and a focused strategy we have here, I think, is going to make Sabre successful for many years to come. So I'm going to be excited to see my team, my family here continue to be successful and perform strong in the market, but at the same time, I'm excited for the next chapter in my life.

SEAN E. MENKE: Yes. Let me just add to that. Since I've been with the organization for 4 years, Clinton and I -- and this when I was running Travel Network, Clinton and I have been thinking about where the marketplace is evolving. He was running corporate strategy at the time. He helped me think through the Travel Network strategy and where we were going. Even when he was in hospitality, I've leaned on Clinton quite a bit. And so I have sort of mixed emotions about this. I'm very excited for him because individuals do have a desire to run companies and do different things. And Clinton and I had the discussions and talked about it. I feel very good with what he has done within Hospitality. A lot of what we talked about is related to Airline Solutions. We shouldn't forget that there were some things that we had to work through on the Hospitality side as well, and Clinton was able to do that for us. So it's one that I hate to see him go because I love him by side here, but at the end of the day, it's a world where people move on and do different things. The nice thing about it is we continue to build a strong bench here within the Sabre family. And I do believe that we have candidates internally, but at the same time, I will be looking externally. The model has continued to, I wouldn't say, change, but we know a lot about the marketplace. And as we look at the growth, because I think this is one that you have to continue to be patient, is making sure that we have the right leader to take it to the next level.

ASHISH SABADRA: Congrats, Clinton. And maybe just a quick follow-up. You talked about a strong hotel bookings attach rate on the GDS side. Just can you call out what's driving that? Is it the CWT win? And how should we think about that sustainability of the hotel attach rate going forward?

SEAN E. MENKE: Yes. So if you look at it, it really is a couple of things that's transpired really over the last year or so. Part of it is what we've actually seen from Flight Centre. CWT has been a portion of that -- has been a part of that as well. As I look into the future, and again, we'll provide guidance in February, I think you'll see that moderate a little bit going forward. But the other thing that I still am very high on is what we're doing in lodging content services and what Traci Mercer is doing with that team because the discussions that we're having, specifically with the TMCs, are really important because they have been looking for a solution for this for a long period of time. And just a reminder, this is really just content normalization, it's not GDS -- just GDS content, it's coming from Expedia Affiliate Network, it's coming from Booking, and it's coming from other contracted rates that are out there. So it's that normalization going down to a single property that there may be 4 or 5 different rates out there. We can bring that to the forefront for those agencies. And the TMCs are pretty excited about this, and we're in numerous discussions with those on how do we integrate that better. So again, another opportunity relative to where we've been investing for the future.

OPERATOR: And our next question comes from Matthew Broome of Mizuho Securities.

MATTHEW FRASER BROOME, VP OF AMERICAS RESEARCH, MIZUHO SECURITIES USA LLC, RESEARCH DIVISION: So Sean, you mentioned that you expect to make incremental investments in the LCC space. Could you talk about any specific functional areas you might be looking to address? And also, how are you thinking about sort of buy versus build as you make those investment decisions going forward?

SEAN E. MENKE: I'll let Dave kick off and then I'll go to the buy versus build.

DAVID J. SHIRK: Yes. So I think, as you look at the LCC space, obviously continued understanding is a functionality around the retailing areas and what they're trying to do, merchandising, digital-based commerce activities, those will just continue to be investments, as the space is growing so significantly, that you need to stay ahead competitively. There's also a need to start to look at ways in which we can take advantage of some of these low-cost carriers have needs for partnerships, interlines, codeshare pieces. We don't want to go too far with that, but those are places that we'll be looking at in trying to kind of understand what the balancing out of that needs to be. The other thing that we'll need to look at additional investment, as we said, we've got our full data and analytics as well as the operations and planning portfolios. And so there's some natural integration that customers will look to see as differentiators for and from us. And so those will be places that we'll kind of pay attention to in terms of the way the technology piece and the road map evolves over the course of the next year or 2.

SEAN E. MENKE: Just to build off of what Dave was talking about is, for the number of years that I've been associated just with this travel ecosystem, and this is why we keep highlighting what's happening specifically in low-cost carriers and the growth of low-cost carriers, if you look at sort of the modern-day retailing that we are in today and how it's evolving, a lot of this started with low-cost carriers and our ability to be more engaged with low-cost carriers. And we are there from an operation suite perspective and some of the products within our commercial capabilities. It's just a natural extension for us to enter into this in what's taking place.

When you get to the buy versus build, here's the thing that we need to continue to talk about is when we look at – and it's interesting because this gets into a number of the discussions that we have is that there is a certain sort of understanding of the ecosystem that we live in and the talent that actually resides in that ecosystem. And it's not like you can just go hire people off the street and they understand the world that we live in. And we've talked a lot about this as it relates to Farelogix. It's about people. It's about capability and skill set. And when I look at acquisitions, a big part of that is not just per se the product, it's the people behind the product because those are the ones that are being creative in nature. And this is another one when I look at Radixx and you look at the things that we're doing throughout our entire organization. I spend an enormous amount of time. It's probably the thing I spend the most amount of time today is just understanding where our talent is, do we have the right level of talent, should we be investing, because I'm willing to put more dollars forward if we're pushing the business to get the right return on investment, but do we have the capability of actually doing that. So that really weighs into my buy versus build, and you've actually seen that in 2 cases now. Farelogix and Radixx is one that I have to be able to balance what we're capable of doing internally and then looking at the opportunities of finding, one, product and, two, talent that can support essentially our strategy moving forward. And these were 2 key opportunities that we decided to buy.

MATTHEW FRASER BROOME: Okay. That was a really helpful answer. I appreciate that. And then just within Airline Solutions, on AirVision and AirCentre, the decline obviously sort of – there was a better performance last quarter and then we saw a decline this quarter. Just why was there a decline in the upfront revenue recognition for local installs?

DOUGLAS ELLIOTT BARNETT: This is just the accounting impact of 606. So unfortunately, there's going to be certain projects that are in the Airline Solutions space that have to be accounted for. I'm thinking about also like perpetual license agreements despite that they're not. That's just the way the accounting treatment works. That will unfortunately continue to be a little bit lumpy with those scenarios.

OPERATOR: And our next question comes from Jed Kelly of Oppenheimer.

JED KELLY, DIRECTOR AND SENIOR ANALYST, OPPENHEIMER & CO. INC., RESEARCH DIVISION: Just on some of the, I guess, the continued channel shifts you've called out. Egencia recently announced that they're going to partner with Lufthansa and British Airways on a direct connect via the NDC. Can you just discuss that deal? And do you think anything in Europe that's going on right now could actually come back in North America just given some of the changing in technologies we see?

SEAN E. MENKE: Yes. Jed, it's Sean. Let me take that one. So this gets into – and this is why I tried to walk through what has been transpiring probably over the last 10-plus years in the makeup of the marketplace. And I do believe that what we're seeing in Europe is rather unique relative to the full-service carriers and what they're trying to do. And what we have shared in the past also is the cost of distribution in the European marketplace is higher. And in doing that, the European carriers are trying to find ways of essentially reducing this distribution cost, which gets into actions that have been taken that focus more on what I would consider to be home country or home region because they typically have more influence there. And what we had talked about is, just because of our mix on the long-haul international, we're a little bit more immune to that. You're going to continue to see, and I think this is the world that we are in today, that, as NDC evolves, you're going to see carriers that are going to experiment with this. But we always often talk about the carrier side. We don't talk often about the agency side of the equation. You do have agencies out there that are tech savvy, but we have a lot, and we talk with them day-in and day-out, they don't want to be the content aggregator because essentially it's aggregation on top of aggregation. And what I mean by that is that, when we talk about the 400-plus carriers that we essentially aggregate that content for, when somebody is doing an NDC API and pulling that in, there's still a level of aggregation now that has to happen on top of that because the other person or the other group that we have to think about is the end consumer. And what we know is the end consumer wants to shop and compare. And that's not only on the leisure side, but that's on the corporate side of the equation even though that they have corporate contracts that are out there.

So I look at this as a journey in our industry because what ends up happening is agencies are still going to be required, be it a TMC, be it OTAs. People are going to want to shop and compare, and there's going to be another level of aggregation that's taking place there. So do I think that, that comes back? I think as we've talked about, and we talk a lot as it relates to our engagement with the executives at a number of airlines, it's one that I think there's a good balance in the North American marketplace. The focus is how do you continue to drive more revenue. And this is why, when you look at our retailing strategy and some of the things that we're doing there, that's what we're focused on is how do we help essentially our airlines and even on the hotel side of the equation with some of the things that Clinton has led, how do we help them sell their products and services the way that they want, be it the direct channel, be it the indirect channel, that's our job is to be that leading technology player to do that.

JED KELLY: And then -- appreciate all the color there. And then just one question on the macro. How much of that, outside of the geopolitical events, is sort of softer business travel versus leisure? And then you called out decelerating bookings. We have seen a ton of investment going in sort of the new age alternative accommodation operators, Airbnb. I mean how much do you think is just -- with the softer hotel bookings is just other business model that people can book their accommodations more?

SEAN E. MENKE: Well, I think you're going to continue do see it. Let me just start with the hotel, and I'll let maybe Clinton jump in as well. I think you're going to continue to see that, right? And as you have different supply that sits out there, Jed, you're going to see people that are going to begin to explore. I think that's why, when you look at what a lot of the large enterprise hoteliers are doing, they continue to look at their portfolio and how do they compete in this space and what's there. Clinton, I don't know if you want to add to that before I go into the other piece?

CLINTON ANDERSON: Yes. Yes. You bet. So what's interesting here is I think you are seeing a little bit different performance in the segment. So interesting question. My hypothesis in response would be that we're seeing more softness actually in the corporate channel than we are seeing in leisure, right? So that would suggest that it's not actually Airbnb or channel shift to less traditional forms of hospitality. And so therefore, I think what we are seeing here in terms of a softening in the growth in bookings in hospitality is, in fact, led by corporate space.

As it relates to – what's interesting is, as it relates to the nontraditional hospitality content, that capacity, I think, in order to really be relevant in the long term, will start to come into more traditional channels. In fact, we have relationships with Airbnb and are doing some pretty interesting things there now in terms of conversations about how we think about exposing traditional hotel content into their space and vice versa, right? So I think it's one of those areas where, in order for that space to really grow to its full potential, it will start to look more like other forms of distribution where you see that content, in a sense, the inventory floating back and forth across channels of distribution, which is where -- a place that Sabre has a strong right to play and win.

SEAN E. MENKE: Yes. And I'll build off of -- because you broke it down into sort of the corporate/leisure side of the equation and I made the statement that, when we look at it on the air side, when I look at it, really the large global TMCs, it's relatively flat. Where we see some of the growth, and this gets into the leisure side of the equation, if I get outside of what we're seeing specifically in Europe, there's a decent amount of growth that's happening on the OTA side. So you have leisure that's happening on that side. And that's why I tried to break this down from a regional perspective because it's sort of a different game that's happening everywhere. The other thing – and this is the impact of low-cost carriers and full-service carriers. That growth does have an impact on what's happening, right? As you look at capacity growth, you're not going to essentially see the same GDS growth because of the number of people that go directly to low-cost carriers. And again, that sort of gives you another proof point of why we believe it's important to go -- do the Radixx transaction.

OPERATOR: (Operator Instructions) And our next question comes from Neil Steer of Redburn.

NEIL STEER, PARTNER OF SOFTWARE AND IT SERVICES RESEARCH, REDBURN (EUROPE) LIMITED, RESEARCH DIVISION: A slightly tangential question, if I may. You announced the new agreements with ATPCo to work with them. Can you just explain exactly what you're trying to do there? Are you – it looks as though this industry, over the last couple of decades, the ATPCo sort of pricing database has been, to some extent, a little bit of a bottleneck for the carriers to achieve some of the more richer pricing points that they want. And obviously, that's the reason, essentially, that NDC is being brought in by a number of carriers. Is what you're doing with ATPCo to try and circumvent that? Or is that running alongside your NDC strategies?

SEAN E. MENKE: Yes. It's -- I'll kick off, and then I'll let Dave chime in. It's part of the NDC strategy. And this is where -- this is an important thing, and I think it will allow you to better understand what we're doing with carriers around the world. I had mentioned the work that we're doing with Singapore Airlines on NDC. This is one that was really led by our efforts with Delta Air Lines and ATPCo and it got into essentially how do you put shelves out there to sell products and services. And you have to balance that relative to the current role in ATPCo with the evolution in the NDC. And I think it's just a great data point on how we have to continue to look at the paradigm, right, because everybody talks about going to this new world, and we have to sit there and understand that the vast majority of bookings that are happening is in what I would consider to be the old world, right? And in doing that, we have to be able to work through this hybrid type of world -- we have to work through this hybrid change that's happening, and this gets into, again, content aggregation, be it the old way that, essentially, the offer was created or the new ways. And then when you look at the ancillaries, and this is one thing that I talked about a lot, is the work that we're doing with Delta really gets into how do you sell more ancillaries through the indirect channel, and we see that as a large opportunity that I've commented on over the past several years and it's one that, when you have the discussions with airlines around the world, they feel that partnering with ATPCo on some of these things is very important. So that gives you a little more color. And I don't know if David wants to add.

DAVID J. SHIRK: Yes. Neil, I'd just add to what Sean's saying. I mean this is, again, it comes back to the strategy that we've talked about with retailing, distribution, fulfillment. It's all technology-centric. Working with ATPCo, it's all about helping the industry modernize and get to that higher retailing level. Everything that Sean just described comes back down to we've got to make sure that the carriers and the distribution points all have the appropriate level of technology to handle that mix and that basket of a really rich merchandising and retailing kind of transaction and structure. And so that's really what's behind the ATPCo route, happy linkage of things that we've established in the agreement and what we're trying to do with them.

NEIL STEER: Okay. And an unrelated question. Has there been any update from the European Commission's investigation into yourselves and one of your competitors in terms of the structured contract tariff in Europe?

SEAN E. MENKE: No, Neil, there has not.

OPERATOR: Thank you. And ladies and gentlemen, this does conclude our question-and-answer session. I would now like to turn the call back over to Mr. Menke for any closing remarks.

SEAN E. MENKE: Well, once again, I want to thank everybody for joining. And hopefully, this session was good. In a number of questions that you have, I think the important thing is it all gets back to the strategy that we're executing here at Sabre because you can't look at these things from sort of just individual components, you have to actually look at it in its entirety. And that's why I'm so excited about what we're doing right now is we were able to go back, stabilize what we needed to do, we're very engaged with customers around the world. We're talking and having intimate conversations as it relates to our strategy and executing that strategy. And be it some of the things that we're building on our own or things that we're looking to acquire or have announced acquiring, it's all based on what is right for our customers, and in doing that, helping them to essentially execute their plans, which is growing their revenue and servicing their customers, which are the end consumers at the end of the day. So once again, I want to thank my colleagues around the world at Sabre and look forward to talking to you in February. Thank you.

OPERATOR: Well, ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.]

Load-Date: November 4, 2019

End of Document