

From: Boyle, Chris
Sent: Mon, 5 Nov 2018 09:42:26 -0600 (CST)
To: Barnett, Doug[Doug.Barnett@sabre.com]
Cc: Castonguay, Matt[Matt.Castonguay@sabre.com]
Subject: RE: Subscription Revenue Analysis.xlsx
Attachments: Marlins Model v30.xlsx

Thanks Doug, and yes, agree completely. We built up the prior model in this way, before we had the build up by airline, and showed a stacked bar output to reflect this idea. The model attached is the "old" model we built and the tabs called Revenue Bridges showed this build up with charts included. The way that this model was built does not easily accommodate the new information and format that we received, but the output we have by airline that you have seen does do this build up in that each airline has a contracted amount of revenue and we are building from there. I am looking to spend time with Dave this afternoon on the model and sent he and Matt an email yesterday and then we would plan to spend time with Jim on it in Miami tomorrow afternoon or Wednesday, among other topics.

Some comments on questions embedded in the file you sent:

- For subscription revenue in Offer, there are price increases built in on a contract by contract basis. The EY team has spent time to tie out the contract to the forecast number and in almost all cases has shown them to be accurate. Still tracking down the couple that are not clear. [REDACTED]

• The company has never lost a customer. We assume that LH does not renew for 2020 which impacts both OC / transaction revenue and Offer revenue for total [REDACTED]. We have also modified in small ways some assumptions on renewal contracts, but we don't have insight into these since they are not sharing under negotiation contracts.

• Terms are [REDACTED] years and in the file I gave you there is a termination summary. And most contracts can be terminated for CoC or for convenience. We assume that those contracts will not terminate as there is not a better solution the marketplace for them to go to. However, we would not be surprised if some airlines use the termination as a negotiating tactic, especially those who have ongoing/upcoming negotiations with us for GDS business.

• You note that TTM Transaction Revenue for OC is [REDACTED] and [REDACTED] for 2018E. And then in our revised case we have a lower number for 2018 of [REDACTED] because we believe that how they calculated the number for a particular airline is inaccurate (flatline vs. by ticket which results in lower 2018 and higher 2020), and we have asked about this. But they have [REDACTED] large airlines that have a meaningful reduction in 2018E vs. TTM 2018 and we don't yet have an answer for those. The OC Transaction revenue will change based on tickets sold, just like the

GDS, but this difference between TTM and 2018 would be large and obviously would have to be explained by a big Q4 2017 vs. 2018. But there is much less history to count on and these volumes are expected to increase as a result of NDC becoming a reality, but how much nobody can really say.

Happy to discuss, but wanted to write out some detail for you. We will continue to push for the answers and to have a model that Dave and Jim are aligned on.

Thanks,
Chris

From: Barnett, Doug
Sent: Sunday, November 04, 2018 7:49 PM
To: Boyle, Chris <Chris.Boyle@sabre.com>
Cc: Castonguay, Matt <Matt.Castonguay@sabre.com>
Subject: Subscription Revenue Analysis.xlsx

Chris:

I have been spending some time with the Marlins file. Please see a file I put together with some questions and a new way to look at revenue build.

This appears to me to be primarily a subscription based business with one form of revenue being transaction based. As such, it a perfect business to analyze with a subscription methodology.

By this I mean, we have a base set of revenues that I assume are good for the TTM18 period. From there it is an analysis that goes like this:

1. We start with the TTM18 revenues
2. We then want to figure out the Q418 revenues
3. WE start with the Q318 revenues and adjust as follows
4. Are there any prior sales that will generate revenue in Q4
5. Are there any prior sales that started in Q3 but not for a full quarter
6. Are there any contracts that expired during Q3 that generated some revenue in Q3
7. Are there other customers that generated revenue in Q3 that we expect to cancel/or reduce in Q4
8. Are there any volume or other changes that will impact Q4 differently than in Q3
9. What are the volumes that we expect for the Transactions – OC revenues

WE can then determine the Q4 revenues and full year 18 as well

WE should use the same approach in 2019 and 2020 to arrive at our revenue estimates

Pleased to talk more on this tomorrow if you would like.

Doug

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FILEPATH:\Boyle, Chris\ChrisBoyle.pst\Primary Mailbox\Sent Items

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