

**Sabre (Ticker: SABR US)**

Sabre Corp	
Ticker MyBolsa/website BiG	SABR
Ticker BiGlobal Trade	SABR
Ticker BiGTrader24	SABR
Ticker BiG Power Trade	SABR
P/E Ratio 2019E	20,55
P/BV Ratio	6,21
EV/Sales	2,29

Source: Bloomberg

Price and Performance (Values in USD)	
Price	21,80
52 Week High	26,78
52 Week Low	20,01
YTD	0,7%
Average Daily Volume (mn)	2.200.001
Market Cap (mn)	6.007
Beta	1,17
Dividend	0,56
EPS	1,23

Source: Bloomberg

Financial Information	
Sales (USD mn)	3.867
EBITDA (USD mn)	975
Nº of Employees	8.860
ROA	5,9%
ROE	40,7%
D/E	0,57%
Dividend Yield	2,6%

Source: Bloomberg

Consensus	
Buy	5
Hold	5
Sell	

Source: Bloomberg.

Note: Annual Values

Credit Ratings		
Agency	Rating	Outlook
S&P	BB	STABLE

Source: Bloomberg.

**Notes:**

All quotes were updated in Bloomberg at closing prices of 22/04/2019

**Relevant Information:**

Use the following link to view our most recent publications:

<https://www.big.pt/InformacaoMercados/TradingIdeas/Index/-1>

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**Description**

Sabre is an IT services company for the travel industry. The company has three segments – Travel Network, Airline Solutions and Hospitality Solutions and IT Solutions revenue. The Travel Network segment, which represented 72% of FY 2018 total sales, is two-sided marketplace connecting hundreds of thousands of travel sellers to billions of leisure and corporate travel buyers. The Airline Solutions segment provides reservations, commercial and operational solutions, data and analytics to airlines. The segment accounts for 21% of revenues. Finally, the Hospitality Solutions segment provides distribution, operations and marketing solutions to the hotel industry. This segment accounts for 7% of 2018's revenues.

**Investment Thesis**

**Dominant Position in North America:** Sabre has the largest share of the global distribution system (GDS) market in North America, and is the 2<sup>nd</sup> largest player in the world (after Amadeus) with a market share of 36,3%.

**Diversification away from GDS:** Sabre's airline and hospitality solutions provide revenue diversification, outside of GDS. Sabre can also expand the cross selling opportunities for GDS to the hospitality sector, where adoption of the system is smaller.

**Risks**

**Lower Tourism growth:** Low cost carriers, hostels and short-term rentals have made traveling an increasingly available to the masses and have sustained its growth, but such growth is forecasted to slow – travel spending is forecasted to grow at a 3,8% CAGR from between 2018-2028 (according to the World Travel and Tourism Council and vs. yearly growth rates of 4% to 5% in the past years). North America represented 53% of Sabre's 2018 direct billable bookings and is the region where it is expected the slowest traffic growth – CAGR forecasted at 3% for a 20 year period.

**Direct Distribution:** Airlines are increasingly focused on developing their own direct channels for booking, to reduce the distribution costs and provide ancillary services, which drive brand loyalty. While this is a risk for the position of Sabre in the GDS market, the high concentration of premium corporate and high-end consumer air bookings through indirect channels and the creation of ancillary services to meet the airline's needs, should continue to maintain the reliance (although at a smaller scale) of airlines to the GDS system.

**EU Antri-Trust Probe:** Past November, the European Union opened anti-trust investigations to Sabre and its rival Amadeus, accusing the companies of having contract terms that prevent airlines and travel agents to switch to other providers, breaching EU competition rules and increasing prices for consumers. The anti-trust regulator of EU can place fines of as much as 10% of a company's total revenue for breaching its rules.

**Dispute Lufthansa/Sabre:** Lufthansa began implementing a surcharge (EUR 16/ticket) in tickets booked through GDS systems in 2015, with the goal of increasing its direct distribution. Sabre fought back with a court dispute accusing Lufthansa of breaching the contract established for the use of GDS. Lufthansa has counteracted with a lawsuit against Sabre. The legal disputes are ongoing.

**Upcoming Events**

30<sup>th</sup> April 2019 - 1<sup>st</sup> Quarter Earnings

**Comparative Analysis**

Name	PER Actual	PER 5 Yr. Median	P/E 2019E	P/E 2020E	P/BV	YTD	ROE	ROA	Div. Yield	Div. Liq./ EBITDA	EBIT Margin
TRAVELPORT WORLDWIDE LTD	15,2	28,6	11,2	10,3	n.a.	1%	n.a.	3%	n.a.	4,1	9%
AMADEUS IT GROUP SA	29,0	25,2	24,5	23,1	9,3	13%	35%	11%	2%	1,6	29%
SABRE CORP	19,0	24,4	20,7	15,4	6,2	1%	41%	6%	3%	3,0	15%
Média exc. Sabre	22,1	26,9	17,9	16,7	9,3	7%	35%	7%	2%	2,9	19%

Source: Bloomberg; BiG Research

Sabre trades with multiples below the main competitor Amadeus, but at a premium to smaller rival Travelport Worldwide. The company has a return on equity above Amadeus, but a return on assets and EBIT margin below the average of peers.

**Financial Accounts**

Sabre annual revenues increased 7% to USD 3,9 bn, with the operating income increasing by 14% to USD 652 mn and the operating income margin expanding by 1% to 15%. Net income grew 38% to USD 343 mn. The cash flows used by discontinued operations for the years of 2017 and 2018 primarily resulted from expenses associated with legal contingencies related to hotel occupancy taxes. Sabre announced in 2017 a multi-year repurchase program to purchase USD 500 mn of own stock. The company repurchased USD 109 mn and USD 26 mn of own shares in 2017 and 2018, respectively.

Sabre announced the acquisition of Farelogix, an airline distribution technology specialist, for USD 360 mn, in 2018. The acquisition is pending.

Sabre defined as objectives from 2018 to 2021 a compounded annual growth rate (CAGR) in the mid-to-high single digit; a relatively stable adjusted operating margin; a 10% CAGR in adjusted EPS and free cash flow.

**Corporate Governance**

Sabre's CEO and President is Sean Menke. In 2018 is total salary reached USD 10,8 mn, of which USD 943 th is relative to salary, USD 7 mn is relative to stock awards, USD 1,36 mn is relative to option awards, USD 1,4 is relative to non-equity incentive plan compensation and USD 14.182 is relative to all other compensation.

Income Statement (USD mn)	2017	2018
Revenue	3.598	3.867
Cost of Revenue	2.514	2.791
Selling, general and administrative	510	514
Impairment and related charges	81	-
Operating Income	493	562
Interest expense, net	154	157
Loss on extinguishment of debt	1	1
Joint venture equity income	3	3
Other, net	37	9
Total other expense, net	116	164
Profit before income taxes	378	398
Provision for income taxes	128	57
Income from continuing operations	250	341
Income (loss) from discontinued operations, net of tax	2	2
Net Income	248	343
Attributable to common stockholders	5	5
Attributable to non-controlling interests	243	228
EPS (basic and diluted)	0,87	1,23

Source: Company Data; BiG Research

Balance Sheet (USD mn)	2017	2018
Goodwill	2.555	2.552
Acquired customer relationships, net	351	324
Other intangible assets, net	332	290
Property and equipment, net	799	790
Investments in joint ventures	28	28
Deferred income taxes	32	24
Other assets, net	592	611
Cash and cash equivalents	361	509
Accounts receivable, net	491	508
Prepaid expenses and other current assets	109	170
Total Assets	5.649	5.806
Long-term debt	3.399	3.337
Other noncurrent liabilities	480	340
Deferred income taxes	100	136
Current portion of debt	57	68
Tax Receivable Agreement	60	104
Accounts payable	163	165
Other liabilities	692	680
Total Liabilities	4.951	4.832
Total Equity	699	5.649
Equity + Liabilities	5.649	10.481

Source: Company Data; BiG Research

Free Cash Flow (USD mn)	2017	2018
Operational Cash Flow	678	725
Net Income	243	338
D&A	401	413
Changes in WC	198	223
Non-Cash Items	230	198
Net Cash from Disc. Operations	2	2
Investment Cash Flow	- 318	- 275
Change in Fixed & Intangible Assets	- 316	- 284
Other Investing Activities	- 1	9
Financial Cash Flow	- 357	- 307
Dividends Paid	- 155	- 154
Debt change	- 82	- 106
Share buyback	- 97	- 24
Other Financing Activities	- 23	- 22
Effects of FX	- 2	7
Change in free cash flow	2	150

Source: Company Data; BiG Research



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**Graph**



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## Appendix

### 1. Sabre's M&A

Deal Type	Announce Date	Target Name	Acquirer Name	Seller Name	Announced Total Value (mn)
M&A	14-11-2018	Farelogix Inc	Sabre Corp	-	318.78
M&A	19-04-2016	Airpas Aviation AG	Sabre Corp	-	7.91
M&A	24-11-2015	Trust - International Hotel Reservation Servio	Sabre Corp	Battery Ventures LP	144.64
INV	14-10-2015	SRL Ltd	Fortis Healthcare Ltd	Sabre Corp	n.a.
M&A	14-05-2015	Sabre Asia Pacific Pte Ltd	Sabre Corp	Many	361.19
M&A	23-01-2015	Travelocity.com Inc	Expedia Group Inc	Sabre Corp	248.78
M&A	16-12-2014	Laser Holdings Ltd	Lastminute.com NV	Sabre Corp	95.93
M&A	12-09-2014	Genares Worldwide Reservation Services Ltd	Sabre Corp	-	-

Note: Farelogix Inc acquisition is still pending.

Source: Bloomberg; BiG Research

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  - Accumulate, expected absolute return between +5% and +15%;
  - Keep/Neutral, expected absolute return between -5% and +5%;
  - Reduce, expected absolute return between -5% and -15%;
  - Sell, expected absolute return below -15%;

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PSI20 Notes in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Accumulate/Buy	1	33,3%
Keep/Neutral	1	33,3%
Reduce/Sell	1	33,3%
<b>Total</b>	<b>3</b>	<b>100,0%</b>

Trading Ideas in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Profit Taking	8	50,0%
Stop Loss	8	50,0%
In Place	0	0,0%
<b>Total</b>	<b>16</b>	<b>100,0%</b>

Pair Trades in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Profit Taking	0	0%
Stop Loss	0	0%
In Place	0	0%
<b>Total</b>	<b>0</b>	<b>0%</b>

Source: BiG Research

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