Sabre Corp. | Nasdaq:SABR

INVESTMENT RESEARCH REPORT

"Slicing Estimates"

RECOMMENDATION: *Strong Sell*

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Executive Summary

Spruce Point Is Short Sabre Corp. ("SABR") For the Following Reasons:

1 **Sabre is Trying Hard to Mask Underlying Business Model Pressure and an LBO / re-IPO that Created Questionable Value**:

Sabre Corp. (Nasdaq: SABR) is a travel tech company with a core business of operating a Global Distribution System ("GDS"), a platform that facilitates travel by bringing together content such as inventory, prices, and availability from a broad array of travel suppliers for a range of travel buyers such as online/physical travel agents and corporate travel departments. As a middleman between buyers and suppliers, Sabre's biggest risk is disintermediation, whereby its consumers bypass its network, through emerging threats from Google, or even worse, suppliers imposing fees to customers for using it (e.g. Lufthansa). To keep customers happy and loyal, Sabre must offer upfront cash incentives because its contracts are typically short-term, and upwards of 20% of contracts renew annually. Our research suggests that Sabre has been offering increasing incentive discounts (obscured by its Adjusted EBITDA), which has forced deflationary pricing as evident in declining revenue per transaction. Sabre came public in 2014 after a highly promoted going private LBO in 2007 during the pre-financial crisis buyout mania. Our research suggests that despite significant M&A and restructuring at Sabre while under private ownership, there has been no value creation in its underlying business, which has sorely disappointed expectations. By ignoring the headline "Adjusted" EBITDA and EPS results and focusing on underlying cash flow economics, it's evident that Sabre is at best a stagnant business. With Sabre's share price +80% since its IPO, it is no surprise its private equity sponsors have rapidly exited the stock through 4 secondary issuances, and reduced ownership from 80% at the IPO to 25% today!

2 **Management Quietly Starts Liquidating Ahead of the Questionable Related-Party Acquisition of Abacus Int'l:**

As a result of underlying business pressures, we believe insiders were likely aware that revenue and earnings estimates would not be met in 2015. Management quietly announced on the Q1 2015 conference call in May that it would start liquidating shares under a 10b5-1 program. Realizing that Wall Street punishes earnings misses for "growth" stories fiercely, and needing a cover-up to "beat" estimates, in our opinion, Sabre announced the acquisition of Abacus, its Asian GDS affiliate. Sabre already owned 35%, and spun the transaction as a way to access faster growing markets, but there's evidence to suggest the transaction may have allowed the company to spring-load revenue and provide a band aid to an injured business. Not surprisingly, by adjusting Sabre's results for the consolidation of Abacus, Sabre's Travel Network segment barely grew in 2015, yet management is still touting mid to high single digit organic growth!

Spruce Point Sees $12 - $17 Per Share; 40% - 60% Downside

3 **Evidence That Suggests Accounting Shenanigans To Inflate Operating Cash Flow and EBITDA:**

To support our concerns about the Abacus deal, we sourced its Singapore financial filings and were disappointed to find discrepancies between the Abacus figures reported by Sabre to investors in its SEC filings. Even worse, we found irregularities related to Sabre's JV accounting that suggest it artificially inflated its operating cash flow by representing excess dividends (returns of capital) as operating cash flows, when accounting rules dictate that dividends in excess of earnings should be treated as investment cash flows. By pro forma adjusting the results, **we find that Sabre's operating cash flows declined in 2015, while management represented that it increased!** Aggressive accounting strategies appear to be the norm with Sabre. Our forensic analysis suggests Sabre has become more aggressive in capitalizing upfront customer incentives, which artificially increases both Adjusted EPS and Adjusted EBITDA. Investors are better served adjusting Sabre's financials to remove the effects of capitalization. As a result, we find Sabre's EBITDA margin actually declined in 2015, but of course, management would like you to believe they expanded...oh the miracles of financial alchemy! Not surprisingly, management's cash bonuses, along with its sponsors' management fees, are solely linked to reported Adjusted EBITDA. This linkage provides clear incentives to game the Adjusted EBITDA figures.

4 **Valuation Disconnect Suggesting 40% – 60% Downside**:

Smelling a fee bonanza from repeated equity + debt issuances, a grand total of 13 analysts all have "Buy" recommendations and see upside to an average price target of $33.45 (+15%). In our opinion, it's easy to refute the bull case from analysts' flawed investment assumptions. At approx. 3.4x and 10.5x 2016E Street sales and Adj. EBITDA estimates, respectively, Sabre seems fairly valued to peers (on inflated street numbers) Amadeus and Travelport. During the heavily touted LBO, venerated investment bankers at Goldman Sachs and Morgan Stanley issued a fairness opinion suggesting a terminal EBITDA multiple range of 6.5x – 8.0x. Given our belief that post-LBO, no underlying financial improvement has been created, and at worst accounting gimmicks are masking deterioration, we find it baffling how analysts justify the current valuation. Furthermore, analysts' fail to adjust their models for Sabre's $387m tax receivable liability that starts coming due in 2017 and has real cash implications. We also adjust Sabre's financials for the aggressive capitalization of recurring and normal upfront cash incentives. As a result, we derive a long-term price target of $12.00 - $17.00 per share, or 40-60% downside

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Primary Evidence to Suggest Abacus Int'l Accounting Issues

Primary revenue generated from Abacus is data processing fees associated with bookings on the Sabre GDS

Revenue from Abacus is notably higher than related company purchase of services reported by Abacus!

From Sabre Filings: Sabre Revenue From Abacus > Abacus Purchases

	Year Ended December 31, 2014	2013	2012
Revenue earned from Abacus	$ 91,324	$ 91,998	$ 71,957

	As of December 31, 2014	2013
Receivable from Abacus	$ 21,458	$ 29,377
Payable to Abacus for Economic Benefit Transfer	(9,217)	(8,648)
Current deferred revenue related to Abacus data processing	(2,571)	(2,571)
Long-term deferred revenue related to Abacus data processing	(10,286)	(12,857)
Related party (payable) receivable, net	$ (616)	$ 5,301

A receivable from Abacus on Sabre's books, should correspond to a payable on Abacus' books.

Notably, the $29.3m that Sabre reported in 2013, is higher than the entire trade payable of $20.1m reported by Abacus!

Abacus Int'l Pte Ltd (Singapore): Related-Party Transactions

Related party transactions **(*)**

During the year, other than as disclosed elsewhere in the financial statements, the following transactions were entered into with related parties on terms agreed by both parties:

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Immediate holding company				
Support fee income	29	59	29	59
Subsidiaries				
Purchase of services	–	–	(38,053)	(36,369)
Dividend income	–	–	4,500	308
Interest income	–	–	3,501	3,188
Related company				
Revenue	69,022	71,453	8,265	8,860
Purchase of services	(68,485)	(76,358)	(68,485)	(62,465)
Associates and joint ventures				
Revenue	500	714	500	714

ABACUS INTERNATIONAL PTE LTD 45

(*) Abacus explicitly says that, "*parties are considered related to the Group if the Group has the ability, directly or indirectly, to control the party, or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.*"

Abacus (Singapore): Statement of Financial Position

As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000 Restated*	Group 2012 US$'000 Restated*	Company 2014 US$'000	Company 2013 US$'000 Restated*	Company 2012 US$'000 Restated*
Liabilities							
Deferred tax liabilities	17	9,245	7,969	5,733	9,227	7,969	5,733
Non-current liabilities		9,245	7,969	5,733	9,227	7,969	5,733
Trade payables	18	23,856	20,199	17,773	19,733	15,404	8,953
Other payables and accruals	19	84,206	102,642	103,960	62,491	78,868	75,537
Amounts due to subsidiaries	20	–	–	–	2,108	7,945	9,149
Provision for taxation		34,064	46,960	48,277	26,855	32,355	33,694
Current liabilities		142,126	169,801	170,010	111,187	134,572	127,333
Total liabilities		151,371	177,770	175,743	120,414	142,541	133,066
Total equity and liabilities		324,693	298,499	278,582	254,903	227,826	204,473

18 Trade payables

Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms. The carrying amounts of the Group and the Company as at 31 December 2014 and 2013 represent the expected contractual undiscounted cash flows within 1 year.

19 Other payables and accruals

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Accrued expenses **(*)**	82,166	102,539	62,215	78,601
Other payables	2,040	103	276	267
	84,206	102,642	62,491	78,868

(*) Abacus explicitly says that, "*Accrued expenses relate mainly to accrued incentives payable to travel agents*." Thus, we can rule out that amounts payable to Sabre are included here.

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Operating Cash Flow Appears Overstated, Actually Declined in 2015

Because Sabre received more dividends from its JVs than income in 2015, accounting rules dictate that excess cash must be accounted for as a "Return of Capital" and not a "Return on Capital." (1)
As a result, we are justified in reclassifying $13.9m of cash from operations, to cash flow from investing.
On a pro-forma basis, Sabre's Adjusted Free Cash Flow appears to have declined in 2015 by 2.6%!

Sabre's Pro-Forma Adjusted Free Cash Flow
$ in millions

	2011	2012	2013	2014	2015
JV Equity Income	$23.5	$21.3	$12.4	$12.1	**$14.8**
JV Cash Distributions of income	$13.3	$21.1	$10.6	$2.3	**$28.7**
Dividends > JV Equity Income	No	No	No	No	**YES**
Sabre's Reported Adj. Free Cash Flow	$171.0	$305.7	$181.7	$293.4	$299.5
% growth		*78.8%*	*-40.6%*	*61.4%*	*2.1%*
Less: Return of Capital from JV (2)	--	--	--	--	($13.9)
Pro Forma Adj. Free Cash Flow	**$171.0**	**$305.7**	**$181.7**	**$293.4**	**$285.7**
% growth	--	78.8%	-40.6%	61.4%	-2.6%

Just a coincidence that in 2015, a year we noted that Sabre acquired Abacus to mask underlying growth, that JV dividends exceeded actual income?

Sabre Presents This To Investors, Showing Growth of 2.1% in 2015

By Removing Return of Capital, Adj. Free Cash Flow Declined 2.6%!

(1) ASC 230-10-45-12 as noted in E&Y's Statement of Cash Flows guide, June 2015
(2) Represents dividends in excess of income, which should be reclassified as an investing cash flow, not from operations
Source: Sabre SEC Filings

Evidence of Aggressive Upfront Incentive Capitalization

While capitalization of upfront cash incentives is not outright disallowed under GAAP, Spruce Point believes it is an aggressive accounting choice to capitalize normal and recurring operating expenses. This accounting choice increases current period earnings by stretching out expenses over future periods. By our calculation, upfront capitalize incentives surged from $53.7m to $63.5m in 2015, an 18% increase. We believe investors would be better served by evaluating its business by deducting upfront cash incentives.

Pro Forma Adjusted EBITDA

$ in millions	2013	2014	2015
Sabre Reported Adjusted EBITDA *% margin*	$778.7 *30.8%*	$840.0 *31.9%*	$941.6 *31.8%*
Less: Amortization of Upfront Incentive	($36.6)	($45.4)	($43.5)
Less: Capitalized Amount in Excess of Amortization	($10.0)	($8.3)	($20.0)
Spruce Point Adj. EBITDA *% margin* *% delta to reported*	$732.1 *29.0%* *5.9%*	$786.3 *29.9%* *6.4%*	$878.1 *29.7%* *6.7%*

On an adjusted basis, margins deteriorated in 2015 and the delta continues to expand!

Source: Sabre Financials

Brief Overview of Sabre Corp

Brief Overview of Sabre Corp.

- Sabre Corp, headquartered in Southlake, TX comprises two segments: Travel Networks and Airline and Hospitality Solutions. In 2015, the company reported total revenues of $2.9bn, Adj. EBITDA of $941m, Adj. Free Cash Flow of $299m, and Adj. EPS of $1.10/share
- Sabre was taken private in 2007 by TPG and Silver Lake at a 30% premium for $32.75/share, valuing the deal at approximately $5.0bn (including the assumption of $550m of net debt) and subsequently IPO'ed in April 2014 at $16.00 per share, giving Sabre an enterprise value of $7.5bn. With an 80% post IPO appreciation in the shares, Sabre's market cap and enterprise value are $7.8bn and $11.3bn, respectively

Travel Networks Segment

- **2015 Revenues of $2,102m and Adj. EBITDA of $877m (71% of total revenue and 73% of total Adj. EBITDA[1])**
- Global business-to-business travel marketplace and consists primarily of its Global Distribution System ("GDS") and a broad set of solutions that integrate with its GDS to add value for travel suppliers and travel buyers. GDS facilitates travel by bringing together travel content such as inventory, prices, and availability from a broad array of travel suppliers, including airlines, hotels, car rental brands, rail carriers, cruise lines and tour operators, with a large network of travel buyers, including online travel agencies ("OTAs"), offline travel agencies, travel management companies ("TMCs") and corporate travel departments
- During 2015, Sabre expanded Travel Network's presence in the Asia Pacific ("APAC") region through the acquisition of the rema ining 65% interest in Abacus International Pte Ltd ("AIPL"), a Singapore-based business-to-business travel e-commerce provider that serves APAC. Prior to the acquisition, AIPL was 65% owned by a consortium of 11 airlines and the remaining 35% was owned by Sabre

Airline and Hospitality Solutions Segment

- **2015 Revenues of $872m and Adj. EBITDA of $323m (29% of total revenue and 27% of total Adj. EBITDA[1])**
- Airline and Hospitality Solutions business offers a broad portfolio of software technology products and solutions, through so ftware-as-a-service ("SaaS") and hosted delivery model, to airlines, hotel properties and other travel suppliers. Airline and Hospitality Solutions aggregates Sabre's Airline Solutions and Hospitality Solutions operating segments
- *Airline Solutions*: Provides software solutions that help airline customers better market, sell, serve and operate. Sabre offers airline software solutions in three functional suites: its reservation system, SabreSonic Customer Sales & Service ("SabreSonic"); and its commercial and operations solutions, Sabre AirVision Marketing & Planning; and Sabre AirCentre Enterprise Operations
- *Hospitality Solutions*: Provides software and solutions to hotel properties around the world. Offerings include distribution through the SynXis central reservation system ("CRS"), property management through SynXis Property Manager Solution ("PMS"), marketing services and consulting services that optimize distribution and marketing
- In January 2016, Sabre completed the acquisition of the Trust Group of Companies ("Trust Group"), a central reservation, reve nue management and hotel

(1) Pre-corp overhead

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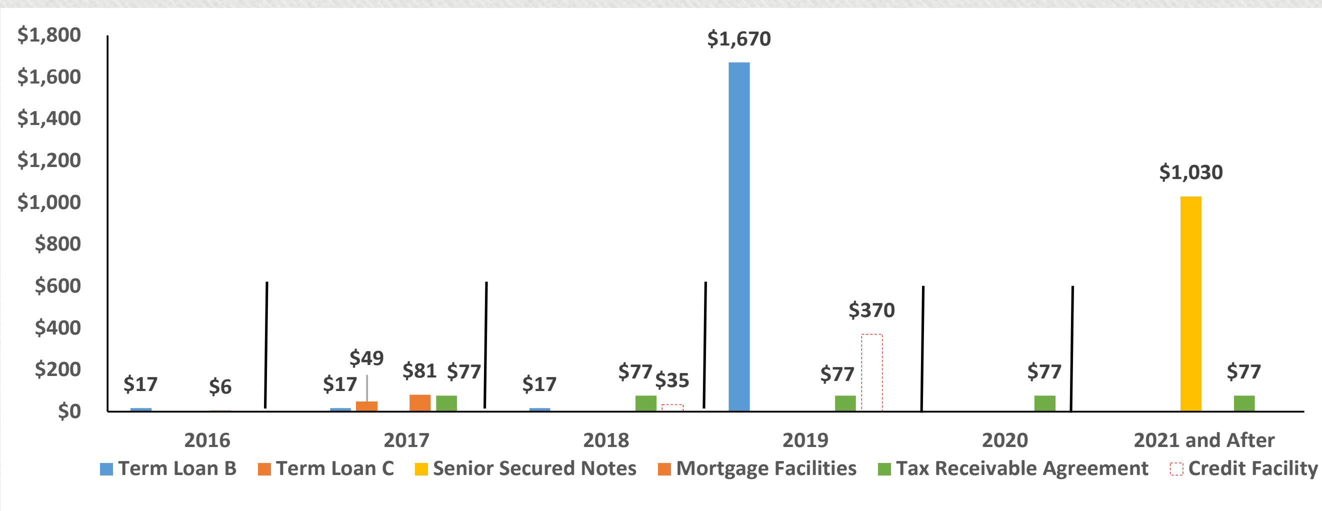
Capital and Debt Structure

Sabre IPO'ed at $16/share in April 2014. Its aggressive leverage, reflective of a junk credit status with S&P and Moodys, and its high valuation leave no margin for error in disappointing Wall Street's analysts. We will illustrate later that Sabre's true valuation is even higher given aggressive accounting for incentives which flatter Adj. EBITDA

$ in mm (except per share amounts)

Stock Price	$28.50
Diluted Shares Outstanding	275.2
Market Capitalization	**$7,844**
Total Debt Outstanding (1)	$3,194.6
Tax Receivable Agreement ("TRA")	$387.3
Total Adjusted Debt	**$3,581.9**
Plus: Minority Interest	$1.4
Less: Cash (1)	$156.1
Total Enterprise Value	**$11,271.1**

	Street Valuation and Credit Stats		
Metrics	**2015A**	**2016E**	**2017E**
EV / Sales	3.8x	3.3x	3.1x
EV / Adj. EBITDA	12.0x	10.3x	9.3x
Price / Adj. EPS	25.9x	19.7x	16.7x
Debt / Adj. EBITDA	3.4x	2.9x	2.6x
Adj Debt / Adj. EBITDA	3.8x	3.3x	3.0x



Note: We include the $387m book value of the Tax Receivable Agreement liability in our valuation. It has near-term cash implications, with payments expected starting 2017

Other liabilities that could affect the valuation include $96m of pension liabilities and $102m representing the present value of operating leases

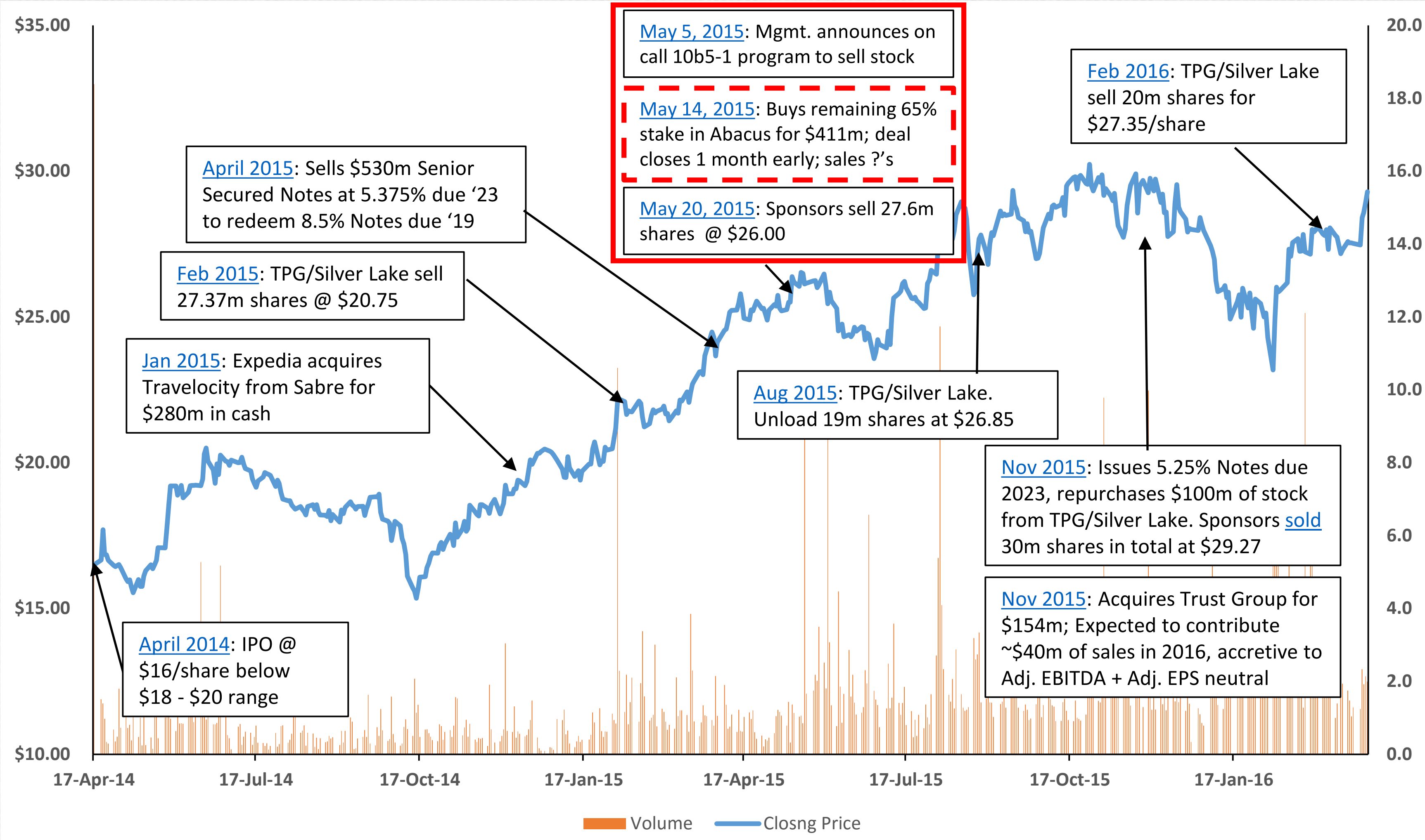
Sabre has significant debt of $3.2bn ($3.6bn inc. the TRA)

It has a $381m of available revolving credit as of 12/31/15 which expires in 2018/2019

Note: Tax Receivable Agreement assumed payable over 5yrs starting in 2017.
(1) Pro forma for March 2016 debt maturity of $165m assumed to be paid down with cash.

Key Events Inflating Sabre's Stock Price

Sabre's IPO priced well below the $18 - $20 indicated range, but has appreciated +80% on the back of earnings increases, a debt refinancing, and selective M&A deals. Our report will focus on the "quality" of Sabre's earnings, especially in relation to the aggressive accounting for Sabre's Abacus deal.



Fundamental Short Thesis and Evidence Suggesting Limited/No Value Creation Post-LBO

Summary of Fundamental Concerns

Sabre's core Travel Network (GDS) business is under pressure while its transition to higher margin services is slow to materialize, and coming with substantial capex costs. Furthermore, we believe little/no financial value has been created at Sabre Pre/Post its LBO in 2007

- **Short-Term Contracts with Significant Renewal Risk**: Contracts are typically structured for 1 – 3 years and a meaningful portion of travel buyer agreements typically representing 15% -20% of bookings are up for renewal in a given year!
- **Growth Masked By Questionable JV Consolidation**: Underlying growth in the Travel Network segment could be closer to zero, yet management is still touting its 6% organic revenue goals, excluding the Abacus consolidation. Our forensic analysis suggests substantial issues, and earnings estimates that would not have been met in 2015 absent the Abacus deal
- **Deflation**: Loss of pricing power is evident in Sabre's declining Revenue per Booking. Our forensic accounting analysis also suggests that Sabre is having to substantially increase upfront customer incentives, yet minimizes the current impact to its financials through aggressive capitalization
- **Disintermediation**: Airlines look to cut costs from middlemen like Sabre. Lufthansa recently imposed a fee to customers for going through a GDS. Google's purchase of ITA Software in 2011 is a major competitive threat that could intensify this trend. Google's settlement with the Dept. of Justice expires in Oct 2016, which could allow it to accelerate its direct to consumer model
- **Debt**: Sabre is saddled with $3.2bn of debt and another $387m of tax payments ("TRA") which start coming due in 2017. Sabre's credit profile is "aggressive" and is rated Ba3 / B+ by Moodys' / S&P, respectively. Pro forma for the TRA, we estimate its leverage at 3.8x, leaving little margin for error

Critical Analysis of Sabre's LBO

On Dec 12, 2006 Silver Lake and Texas Pacific Group announced the acquisition of Sabre Corp for approximately $4.5 billion and the assumption of $550m of debt for a total transaction value of approximately $5 billion. The cash offer of $32.75 per share represented a 30% premium over the 60 day average closing share price.

The Sabre acquisition, which closed in early 2007, was a relic of the pre-financial crisis leverage mania that started to unravel in 2008

- The deal followed the sale of Travelport from Cendant to Blackstone for $4.3 billion in cash which closed in August 2006
  - ➢ The deal valued Travelport at approximately 7.6x LTM EBITDA and was levered 6.3x Total Debt / LTM EBITDA
- TPG and Silver Lake's acquisition of Sabre pushed the bar even higher! According to the fairness opinion, the deal was the richest and most highly levered of all precedent transactions
  - ➢ Sabre was acquired at approximately 10.2x trailing EBITDA with 7.8x Debt / EBITDA

Valuation and Leverage Predicated on High Expectations:

Greg Mondre, a Managing Director of Silver Lake Partners, said: "***Sabre has a remarkable track record*** *of pioneering and delivering best-in-class technology solutions for the global travel industry.* ***We look forward to working with Sabre's talented management team*** *as they continue to deploy technology as a source of competitive advantage and value-add for customer*"

Key Sabre Management All Left:

- Sabre CEO Sam Gilliland mysteriously ousted ahead of the IPO in 2014
- Sabre Treasurer/Chief Accounting Officer/CFO Jeff Jackson leaves for Thayer Ventures
- Sabre Controller, later promoted to CFO, Mark Miller, replaced by Rick Simonson in 2013

According to TPG Partner Karl Peterson "*We are excited by the opportunity to invest in Sabre given its leadership position in travel technology and distribution and* ***the strength of Travelocity and its other leading online brands****. Sabre is well positioned to continue innovating and* ***we look forward to helping management profitably build upon this strong franchise***."

Based on our analysis and opinion:

- Jan 2015: Sabre dumps Travelocity / Lastminute.com as its popularity dwindles, financial performance deteriorates
- Sabre has not been built profitability post acquisition. By analyzing a couple of key financial metrics, and not the headline Adjusted Non-GAAP EBITDA/EPS, it appears that limited/no value has been created at Sabre

Analyst Hype and Failed Expectations From the LBO

Sell-side analyst comments on Sabre have proven to be overly optimistic...shocker!

Morgan Stanley Analyst: In a research note published before the agreement was announced, the analyst suggested that Sabre's would-be buyers might be able to afford an even higher price. "*Under private equity ownership aggressive cost-cutting could yield higher margins and lower [capital expenditures], and in that case a $34 [per share] value could be possible*." Source

Reality check: A higher offer never emerged. Under private equity ownership, cost cuts have not stemmed the surge in capex, making cash flow unchanged

Bear Stearns Analyst: "*While this transaction was widely anticipated, we think Sabre remains attractive to financial and/or strategic buyers given the highly visible cash flows from the global travel distribution business and the potential growth that the online travel agency (Travelocity) can offer*." Source

Reality check: Only 1 strategic buyer expressed interest in Sabre. Travelocity was a bust and was sold, and Sabre appears to be using accounting tricks to mask declining free cash flow

Rochdale Securities Analyst: "*They (Sabre) have strong cash flow and good business fundamentals*" Source

Reality check: What may have been true in the past, may not be true in the present!

Limited Strategic Interest In Sabre

The short case is supported in knowing there was limited strategic interest in acquiring Sabre during the prior strategic alternative process. Given our belief that Sabre's growth remains at risk of further deterioration, and that accounting gimmickry appears to be used to embellish its result, we think strategic buyer interest will continue to remain unlikely.

"In early October of 2006, Company Z contacted us and proposed discussions about a possible business combination between Company Z and the Company. Company Z indicated that it would be capable of conducting diligence in a very prompt manner because of its prior discussions with the Company and its understanding of our businesses. Our board instructed management and our advisors to explore a potential combination with Company Z. On October 10, 2006, Company Z sent us a draft merger agreement that contemplated an all cash acquisition of the Company. On October 11, 2006, our management and our financial co-advisors discussed with Company Z a possible combination of Company Z and Sabre Holdings, including the key benefits and potential issues regarding such a combination.

The board considered Company Z's proposal and draft merger agreement and discussed with our management and advisors a potential combination with Company Z at our board meeting on October 13, 2006. The discussion included a consideration of the relative risks and merits of a combination with Company Z as compared to a possible take-private transaction that would not present any potentially significant regulatory or other non-consummation risk or delay. ***After a period during which our senior management and advisors discussed with Company Z the potential issues that would be presented in a combination transaction, our board instructed our management to cease discussions with Company Z and inform Company Z that the board was focused on avoiding substantial non-consummation risk for the Company.*** *Our management informed Company Z of this decision.*

*"**During the exploratory sale process, we were also contacted on several occasions by certain other companies, with which we had very preliminary discussions regarding potential strategic transactions. None of these discussions progressed to a significant extent, and no other company made a specific proposal to acquire Sabre Holdings**"*

Source Background of Merger. Sabre Proxy

Evidence of Disintermediation: Lufthansa Imposes Fees on GDS Use

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In June 2015, Lufthansa, took the decisive step to penalize customers with higher fees for booking tickets indirectly through GDS providers such as Sabre. Lufthansa was noted as a major customer of Sabre.
What is stopping other airlines from following Lufthansa's lead – such as Air France-KLM – also reportedly evaluating a similar surcharge pricing strategy?

According to Sabre's S-1 IPO Filing (1): *"Our largest Travel Network suppliers include American Airlines, Delta, US Airways, United, Air Canada,* ***Lufthansa****, Air France, British Airways and Emirates"*

Lufthansa Redirects Commercial Strategy (2):

"The new commercial strategy also includes a clear cost differentiation in the various booking channels. ***Presently, the costs for using global distribution systems (GDS) are several times higher than for other booking methods, such as our own online portal www.LH.com****. In total, the yearly GDS costs come to a three-digit million euro amount for the Lufthansa Group. These services, however, are primarily used by other partners in the value chain. A large number of services are paid by the Lufthansa Group carriers, but are only partly used by them. Among others, the GDS services comprise functionalities, which offer many extra services in addition to the basic features of booking, processing and ticketing. Such examples include the option of combining and booking world-wide, multi-airline flight offers, as well as, an integrated booking and invoice processing.*

As of 1 September 2015, the Lufthansa Group airlines will, therefore, include a surcharge, the "Distribution Cost Charge" (DCC) of EUR 16 for every ticket issued by a booking channel using GDS. The new charge will not be added to flight tickets purchased using own booking channels*. This predominately includes the airlines' websites (www.LH.com, www.swiss.com,www.austrian.com, www.brusselsairlines.com), as well as, the service center and ticket counter at the airports. Travel agencies will also be able to book tickets without the DCC, using the online portal at www.LHGroup-agent.com. Furthermore, corporate customers will be able to book their individually negotiated contract rates excluding the DCC at www.LH.com. Customers of Lufthansa Group Airlines can of course count on continued fare transparency. The display of the ticket will always show the final fare."*

(1) Sabre: S-1, p. 144
(2) Lufthansa press release

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Major Downside Catalyst Forthcoming: Google Threat Rises in October 2016

In July 2010, Google announced its acquisition of ITA Software for $700m. Google said the acquisition of ITA, which organizes data such as flight times, ticket availability and prices, will enable it to create online search tools to help people find such information more easily on the Web. The deal spooked industry participants, who formed a group and released a video in an attempt to warn about the dangers of Google entering the business (1). In April 2011, the Dept. of Justice cleared the transaction, but imposed conditions limiting how Google could use the technology.

After the Justice Department's consent decree expires in October 2016, Google will be able to do what it pleases with ITA, and that makes people like internet travel experts Ed Hasbrouck nervous (2)

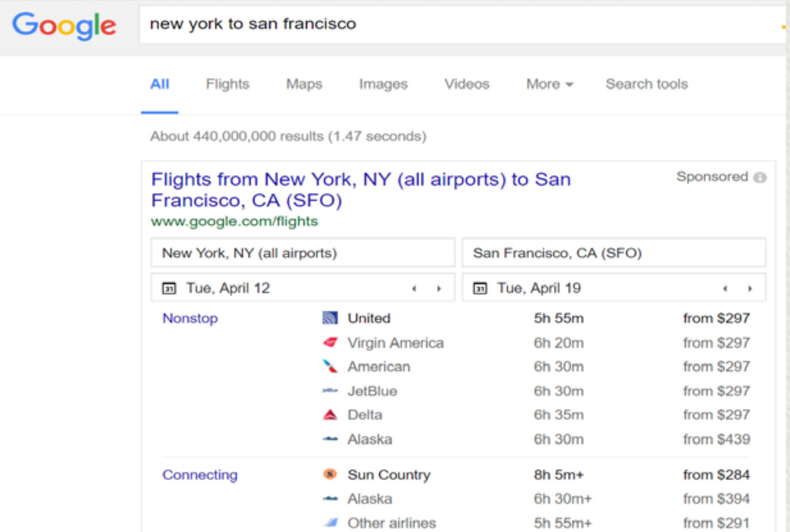
"The real danger is of Google dominance of personalized pricing," he says. "Imagine Google being able to incorporate everything it knows about you from your use of all Google services into decisions about what price to put on each airline ticket. Airlines or services with less info on which to base such price personalization would have a hard time competing with Google."

Direct to Consumer Risk Factor Mentioned by Sabre (3)

"Travel suppliers continue to look for ways to decrease their costs and to increase their control over distribution. Airline consolidations, pricing pressure during contract renegotiations and the use of direct distribution may continue to subject our business to challenges. The shift from indirect distribution channels, such as our GDS, to direct distribution channels, may result from increased content availability on supplier operated websites or from increased participation of meta search engines, such as Kayak and Google, which direct consumers to supplier operated websites. This trend may adversely affect our Travel Network contract renegotiations with suppliers that use alternative distribution channels. For example, airlines may withhold part of their content for distribution exclusively through their own direct distribution channels or offer more attractive terms for content available through those direct channels."

(1) Video: Google Buys ITA – A Travel Story
(2) Washington Post
(3) Sabre 2015 10K, page 42

Direct to Consumer Threat by Google



Source: Google

Spruce Point Capital Management

Sabre's Results Appear To Significantly Fail Initial Expectations

- Sabre's Management outlined long-term projections for its business from 2007-2012 in its proxy statement prior to its take private transaction which closed March 20, 2007
- Since then, Sabre has made numerous divestitures and some acquisitions, although many acquisitions have been immaterial to results
- We attempted to reconcile actual 2012 revenues vs. projections by adjusting the reported results for acquisitions and divestitures
- **Our back of the envelope estimate suggests that Sabre's 2012 results sorely disappointed expectations and could be further evidence of erosion of its core business**

	Low	High	Note
Projected 2012 Revenue	$3,841	$3,947	Company Long-Term Projections at LBO March 19, 2007; 8-K filing
Less: Divestitures	($767)	($767)	"Discontinued Ops and Dispositions" 2014 10-K p. 80
Plus: Acquisitions	$60	$179	Sabre says "Pro forma info related to acquisitions occurring during 2013, 2012 and 2011 has not been included, as the effect would not be material to our consolidated financial statements." Source S-1 (p. F-50). We assume 1-3x sales multiple paid on $179m of acquisitions
Adjusted Revenue	$3,134	$3,359	Projected 2012 sales – total sales of divestitures + estimated acquisition sales
2012 Reported Revenue	$2,382	$2,382	10-K filing
% Below projections	**-24%**	**-29%**	

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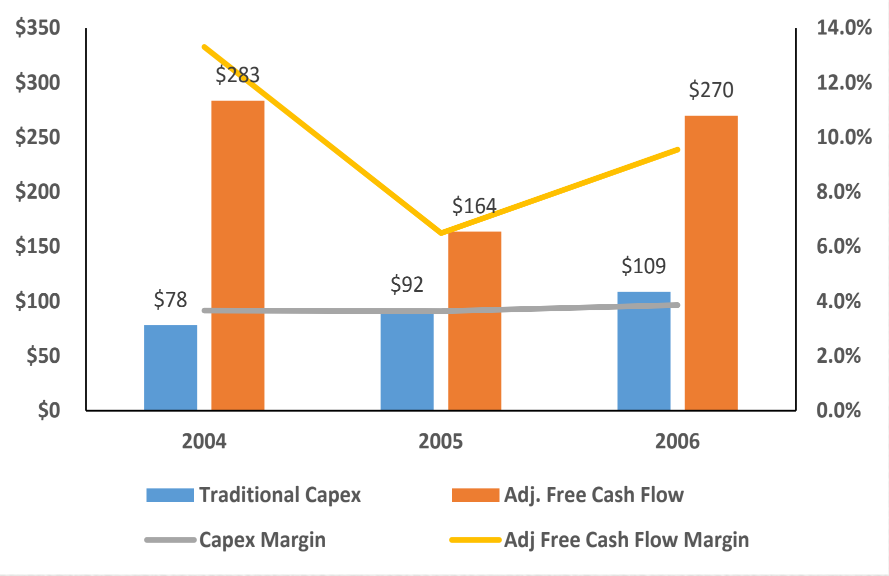
Questionable LBO Value Creation

Both Sabre and its analysts would love investors to focus on its growing Adjusted EPS and EBITDA. However, the sad reality is that despite years of financial engineering, restructuring, and transitioning to more SAAS solutions, Sabre's free cash flow and margins remain largely unchanged from Pre-LBO levels.
This has very important implications for Sabre's valuation, which we discuss later in the valuation section.

Pre-LBO Sabre Financials

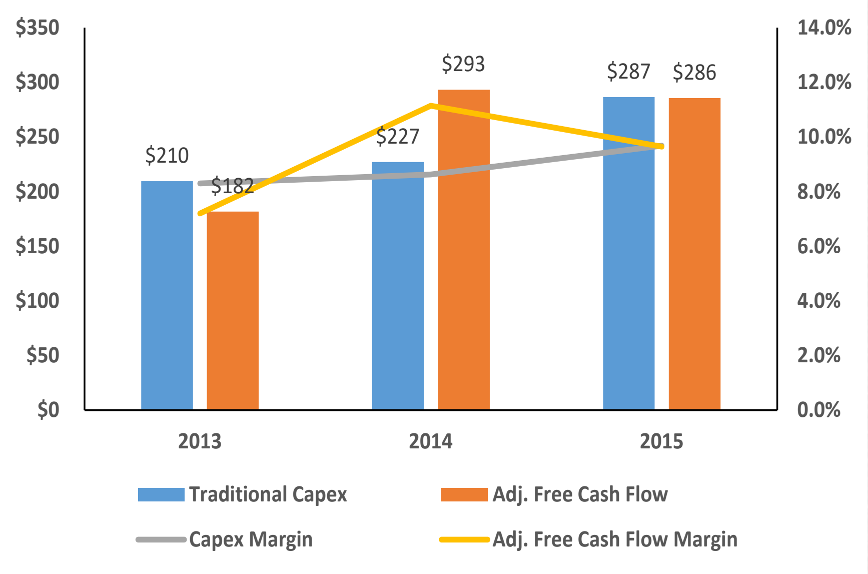
$ in millions



Source: Sabre 2006 10-K

Post-LBO IPO Financials Capex Up / Free Cash Flow Unchanged

$ in millions

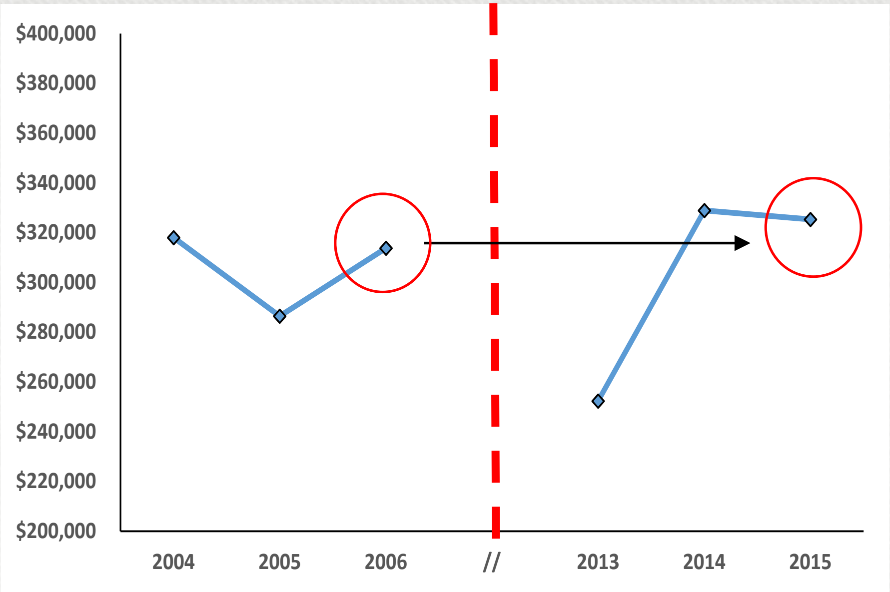


Source: Sabre 2015 10-K. 2015 Adj. Free Cash Flow adjusted lower for the excess JV dividend

Questionable LBO Value Creation (Cont'd)

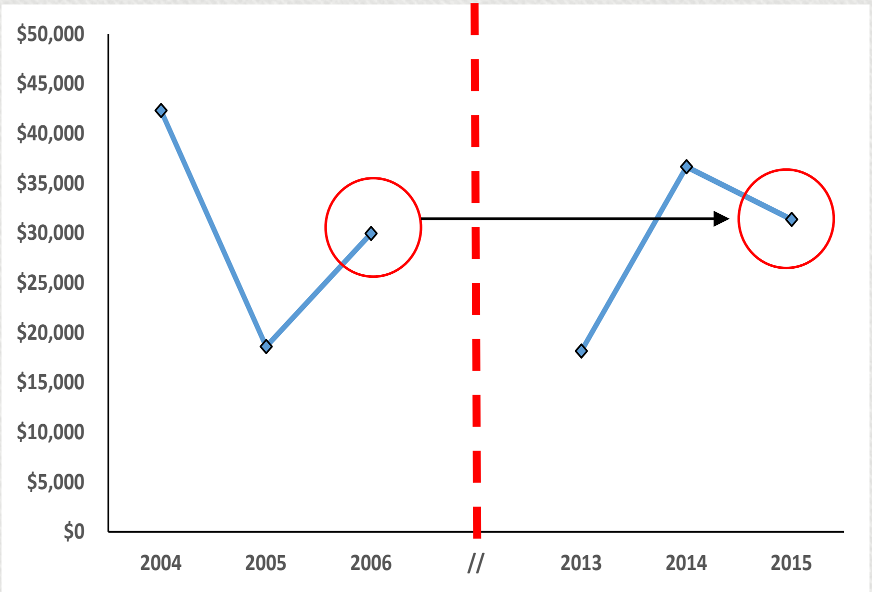
As a technology company, it's disappointing that Sabre has not found a way to leverage technology to make its business more efficient. As indicated in the charts below, the company has not been able to increase the efficiency of its business as measured by Revenue per Employee and Adj. Cash Flow per Employee. We believe this supports our view that a valuation expansion for Sabre is not warranted.

Pre / Post LBO Revenues Per Employee



Employees: 6,700 | 8,800 | 9,000 | 10,000 (1) | 8,000 | 9,100

Pre / Post LBO Adjusted Cash Flow Per Employee



Employees: 6,700 | 8,800 | 9,000 | 10,000 (1) | 8,000 | 9,100

(1) Employees as of 9/30/13. Source: Sabre SEC Filings

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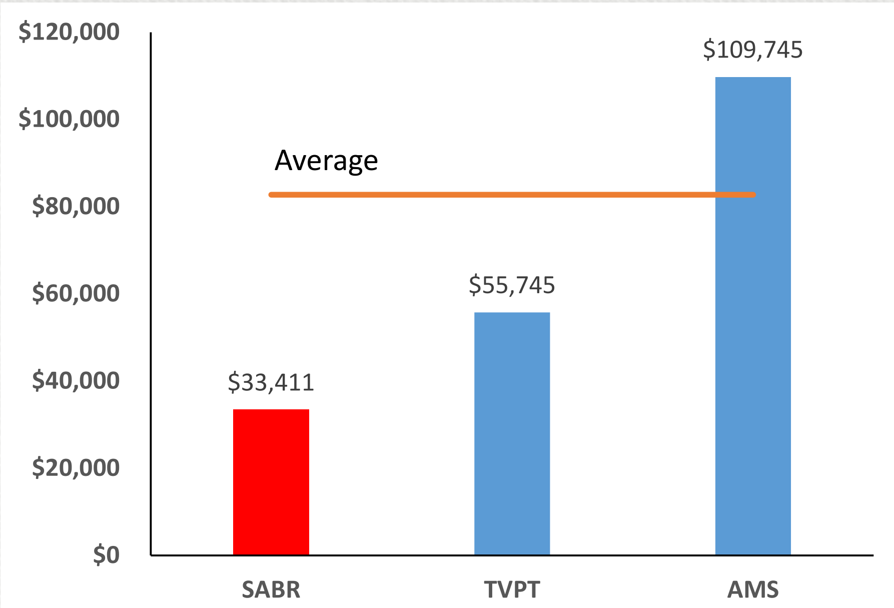
Worst Cash Returns in the Industry

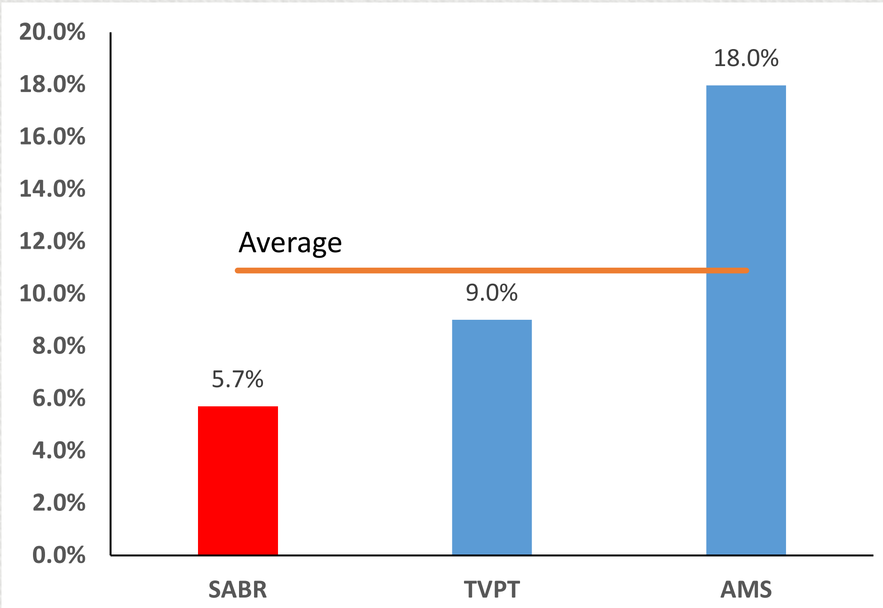
EBITDA is inherently susceptible to accounting distortions. Instead, we evaluate its business by comparing its operating cash flow to average assets and employees vs. peers Travelport and Amadeus. We find that Sabre has the worst capital efficiency in the industry.

2015 Operating Cash Flow / Avg. Employees (1)



(1) Defined as 2015 operating cash flow divided by average employees from 2014/15. Sabre's operating cash flow adjusted to remove excess dividend from JVs. Travelport's figures includes IGTS employees

2015 Cash Return on Assets (2)



(2) Defined as 2015 operating cash flow divided by average assets from 2014/15. Sabre's operating cash flow adjusted to remove excess dividend from JVs

Source: SEC and Company financials

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Strong Evidence of Deflation: Signs of a Cracking Business Model

Management does not steer investors towards evaluating revenue per transaction, but we've unraveled the mystery for investors; the picture is not pretty!

$ in millions

	2013	2014	2015
Direct Billable Bookings - Air	314,275	321,962	384,309
Direct Billable Bookings - Non-Air	53,503	54,122	58,414
Total Direct Billable Bookings	**367,778**	**376,084**	**442,723**
Travel Network Segment			
Transaction Based	$1,589.0	$1,615.0	$1,887.0
% growth	*-0.1%*	*1.6%*	*16.8%*
Media Revenue	$232.5	$239.8	$215.8
% growth	*13.3%*	*3.1%*	*-10.0%*
Total Revenue	**$1,821.5**	**$1,854.8**	**$2,102.8**
% growth	*1.5%*	*1.8%*	*13.4%*
Cost of Revenue	$960.7	$991.5	$1,128.9
% margin	*52.7%*	*53.5%*	*53.7%*
Gross Profit	$860.8	$863.3	$973.9
% margin	47.3%	46.5%	46.3%
Total Segment Revenue Per Total Direct Billable Booking	**$4.95**	**$4.93**	**$4.75**
% growth	***4.8%***	***-0.4%***	***-3.7%***
Transaction Based Revenue Per Total Direct Billable Booking	**$4.32**	**$4.29**	**$4.26**
% growth	***3.2%***	***-0.6%***	***-0.7%***

Source: Sabre Financial Filings

On the surface, it appears billable bookings are rising sharply, suggesting a healthy business. Note: 2015 growth aided by the Abacus deal

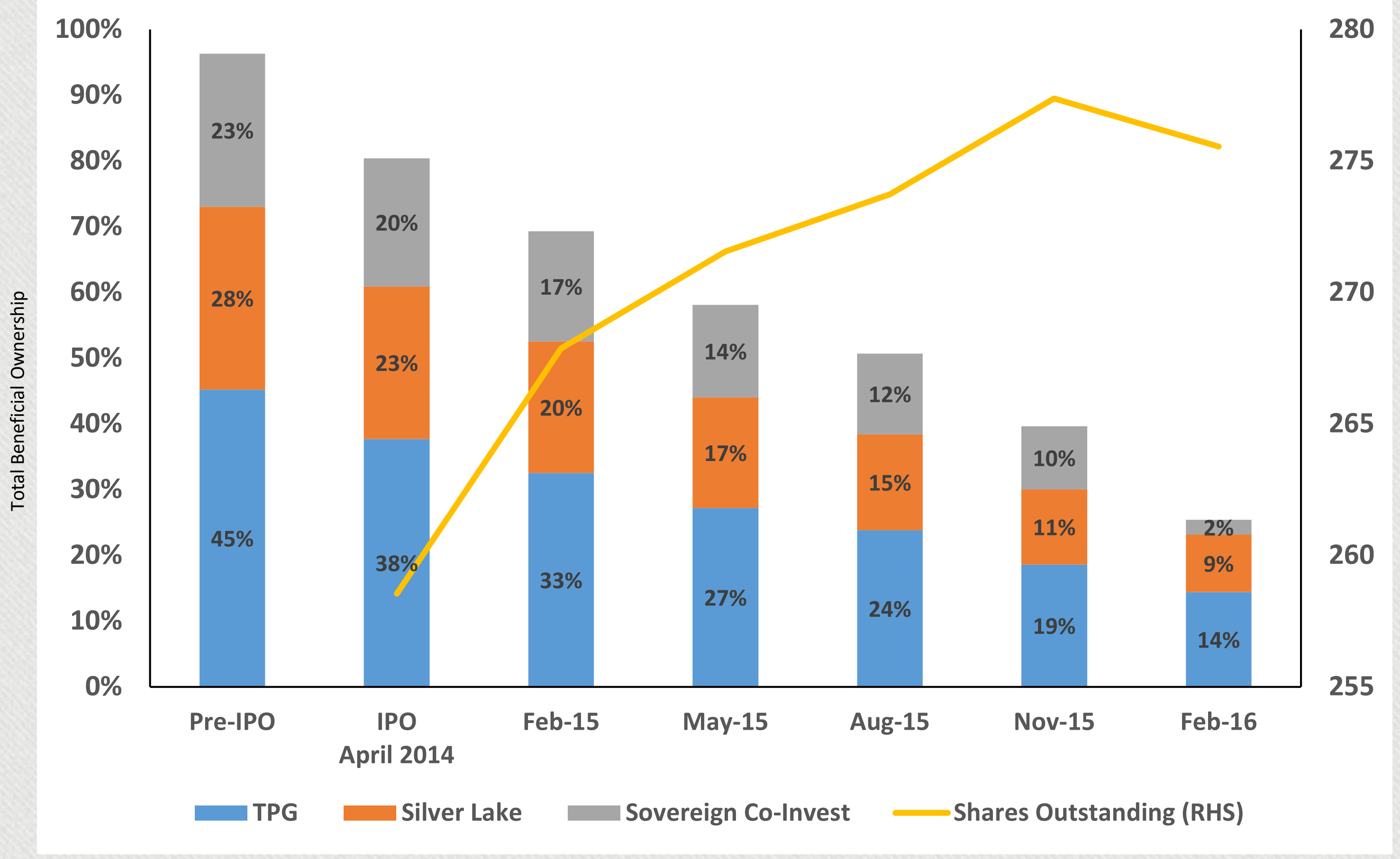
Two sources of revenue for the Travel Network Segment: 1) Transaction-based revenue and 2) Media Revenue. Management only provides the Transaction-based revenue and total segment revenue, so we can deduce the media revenue contribution

Segment Gross Profit has contracted each year. Transaction-based margin contraction could even be worse, but we are unable to determine this since management does not break out the impact of the media revenue

Management does not highlight these metrics, and for good reason! However, we have calculated them and believe they are highly relevant and key performance indicators for the business. <u>**The results are clear**</u>: Sabre's revenue per transaction has been in a deflationary spiral

Is Sabre a Buy While Insiders Jump Ship and the Company Dilutes?

Since its IPO in April 2014, the three largest beneficial owners of Sabre have conducted 4 secondary issuances, and dropped their combined beneficial ownership from 95% (pre-IPO) to 25% as of March 2nd, 2016.
While insiders have been selling, the Company has quietly been diluting shareholders.
Basic shares outstanding have risen by 17m or 6.5% since the IPO



Source: Sabre SEC Filings

Accounting, Financial and Governance Concerns

Spruce Point Capital Management

Governance Concern: *EBITDA is the Sole Driving Force Behind Management + Owner Fees*

It's important to evaluate the incentive structure that motivates management and insiders. Accordingly, we observe that Sabre's management variable incentive comp is entirely linked to Adjusted EBITDA. Furthermore, its shareholders also extract management fees tied to Adjusted EBITDA. Therefore, we believe investors should carefully scrutinize the quality of Sabre's EBITDA to make sure management and insiders are not inflating this metric to extract unjust compensation.

Corporate Performance Measure

For purposes of the 2014 EIP, the Compensation Committee selected EBITDA as the sole performance measure. The Compensation Committee believed this measure continued to be the best indicator of both corporate and business segment profitability and that overall profitability would best position us for a successful re-entry into the public marketplace. For purposes of the 2014 EIP, EBITDA was adjusted to exclude the following items: goodwill impairments, prior period non-cash adjustments, and one-time costs associated with specific business enhancement initiatives. Our Board of Directors approved these adjustments to better reflect the efforts and performance of our executive officers in relation to the current year's business performance, as well as to encourage them to make decisions that improve the potential for future growth without being penalized for the short-term investment required to achieve that growth. In addition to these adjustments, **for purposes of the 2014 EIP, EBITDA was calculated before making allowance for the amounts payable pursuant to the Sabre Corporation Variable Compensation Plan, our annual incentive compensation plan for employees at the level below senior vice president ("Adjusted Pre-VCP/EIP EBITDA")** **(Spruce Point Note: Sabre does not provide details on the materiality of this adjustment).**

Management Services Agreement

On March 30, 2007, we entered into the MSA with affiliates of TPG and Silver Lake (the "Managers") to provide us with management, advisory and consulting services. Pursuant to the MSA, **we have been required to pay to the Managers management fees, payable quarterly in arrears, totaling to between $5 million to $7 million per year, the actual amount of which is calculated based upon 1% of Adjusted EBITDA, as defined in the MSA, earned by the company in such fiscal year up to a maximum of $7 million.** During the years ended December 31, 2013, 2012 and 2011, the annual management fee paid to the Managers was $7 million in each year. Additionally, we reimbursed the Managers for all out-of-pocket expenses incurred by them or their affiliates in connection with services provided to us pursuant to the MSA. For the years ended December 31, 2013 and 2012 the amount reimbursed in expenses was $2 million and $1 million, respectively. For the year ended December 31, 2011, the amount reimbursed in expenses was not material. In connection with the completion our initial public offering in April 2014 and in contemplation of providing continued services to the company after the initial public offering, the Managers received a fee payable pursuant to the MSA in an amount equal to, in the aggregate, $21 million plus other unpaid fees and expenses and, thereafter, the MSA was terminated. The MSA included customary exculpation and indemnification provisions in favor of the affiliates of TPG and Silver Lake.

Source: Sabre Proxy Statement

Abacus Deal in 2015 Deserves Major Scrutiny

Sabre announced its acquisition of 65% of Abacus in May 2015.
This related party transaction deserves significant scrutiny because Sabre previously controlled 35% of Abacus before acquiring the remaining ownership and consolidating results!

Quick Background on Abacus International Pte Ltd.

- Singapore-based Asian Pacific GDS operator
- Owned by a consortium of 11 Asian airlines alongside Sabre
- Abacus serves more than 100,000 travel agents across the Asia-Pacific region's 59 markets and has both global and uniquely local relationships with airlines and hotels, including the a portfolio of low-cost content and Chinese airline content
- 600 employees

Quick Overview of Transaction Terms

- Paid $411 million in net cash for the 65% it didn't own and guided to $50m of incremental EBITDA for 2016
  - Implies total valuation of $632m enterprise value or 8x 2016E EBITDA
- Sabre projected funding with $250m of cash and $160m of incremental net debt
  - Pro forma Net Debt / LTM Adj. EBITDA leverage would increase to 3.0x from 3.3x
- The acquisition includes new long-term distribution agreements between Sabre and the 11 airline owners of Abacus
- Sabre projected $10m of annual cost synergies by 2017
- Originally projected to close on Aug 1st, the deal closed July 1st

Source: Company press release and presentation

Critical Abacus Review: Industry View vs. Management and Analyst Promotion

Sabre's Management Deal Promotion

- **CEO Klein:** *"Acquiring Abacus immediately combines the global capabilities of Sabre with the deep local market expertise of the leading Asia-Pacific GDS. This powerful combination will give customers even more innovation and service options, while allowing Sabre to accelerate growth globally in a very capital efficient way – and to gain regional synergies in all three of our businesses serving travel agents, airlines and hospitality companies."*
- **CEO of Abacus Robert Bailey:** *"With our extended network in Asia-Pacific, Abacus has built a trusted brand of unique significance and scale. We now have the opportunity to take the business forward even faster, broadening the scope within the Sabre family and with the support of our shareholder carriers. This is great news for the industry in Asia-Pacific...."*
  - **Warning:** Robert Bailey left Abacus a few months later to be CEO at Linkswood Group according to his LinkedIn Profile

Analyst Bullish Comments

- **Morgan Stanley:** *"Abacus now gives Sabre control over an entity with substantial presence in the largest, fastest growth travel market in the world"*
- **Goldman Sachs**: *"Still, we view the announcement positively as it removes uncertainty and helps simplify the passenger booking numbers as well as the income statement"*
- **Deutsche Bank:** *"..We would expect Sabre to accelerate Abacus growth from 7% in 2014 to high single/low double digit growth through share gains"*

The Real Industry Insider Scoop

- **Asset shuffling**? On February 24, 2012, Sabre completed the sale of its 51% stake in Sabre Pacific, which had been jointly owned, to Abacus for $46m million of proceeds. Now, the company will re-inherit Sabre Pacific, through its Abacus buyout!
- **Sabre is doubling down on its traditional, low-margin, air GDS business:** Runs counter to the [IPO] narrative of growth led by the hospitality services division
- **Abacus has lost significant Asia Pacific market share to rivals:** For a decade, Abacus has been losing market share to rivals Amadeus and Travelport in a steady loss of a point a year
  - In 2002, Abacus/Sabre had 57% market share of GDS bookings in Asia Pacific, counted as one-way segment volume, on average.
  - Today that figure is much lower, in the mid-30s percentage-wise, said sources
- **Higher Incentives to come**? Sabre has lost share because it has been slower to hike fees it charges its partner airlines. Amadeus/Travelport receive higher fees from suppliers allowing them to pay higher incentive fees to travel agency subscribers. Sabre might be willing to match competitors' higher level of incentives to travel agents, speculates one former executive.

Source: Tnooz , "Sabre is Ready to spend $500m, and Abacus is likely target" - Jan 27, 2015
Tnooz, "Sabre confirms $411 million Abacus takeover"- May 14, 2015

Warning: Management Quietly Started Dumping Shares Ahead of the Abacus Deal

Sabre's management started a 10b5-1 insider stock sale program in early May 5, 2015 less than ten days before the Abacus transaction was announced on May 14, 2015. It is also noteworthy that management did not put this disclosure in writing within its earnings press release, its 10-Q filing or by 8-K filing. Instead, management made the selective disclosure during its conference call. While not a technical disclosure violation, best practices may have merited expanded disclosure.

Note: The CFO joined in March 2013, and others such as Alex Alt in 2012. To suggest they all **held** stock for 7 years is slightly misleading!

Q1 2015 Conference Call: May 5, 2015

*"Before turning the call over to Rick to walk through the financials and the forward look, there is one housekeeping matter that I wanted to address. Several members of the executive team, myself included, have entered into 10b5-1 plans to begin selling a portion of our Sabre equity. **As you know, we were privately held for over seven years and during that time no equity was sold by management**. As a result, several of us have options that will be expiring in the near term and normal needs for diversification after such a long period. We'll continue to hold significant stakes in Sabre stock, keeping our interests aligned with yours."*

Insider Sales of Sabre Shares

Source: Bloomberg

While exact details of the 10b5-1 program have not been disclosed to investors, we analyzed recent sales through Form 4 filings:

- As of the latest proxy statement filed 2/28/15, all executive officers and directors owned 6.2m shares or 2.3% of total shares outstanding
- Form 4 filings indicate that a range of executives and directors have sold including the CEO/CFO and EVP of Sabre Travel Network
- We estimate total insider sales of 2.3m shares at $27.15/sh average price, reaping $64.4m in proceeds
- Viewed in context of insider holdings pre-10b5-1, insiders have sold 37% of their holdings

Warning: Low Quality Earnings Guidance Raise Post Abacus Deal Announcement

Spruce Point Capital Management

Spruce Point has consistently warned its readers about the perils of investing in companies that have characteristics of diverging earnings and cash flow. Little more than two months after issuing updated guidance for the Abacus acquisition, Sabre increased guidance during its Q2'2015 earnings results. In Sabre's case, its "Adjusted" EBITDA and EPS started diverging from free cash flow after it "raised guidance" post the acquisition of Abacus.

Sabre increased sales guidance by 2.1%, Adj. EBITDA by 2.8%, and Adjusted EPS range by 4.7% - 5.0%, yet high-end Adjusted Free Cash Flow fell by 3.3% from $300m+ to $290m+. The increase was specifically called out to be related to the Travel Network by the CFO on the conf call:

"Now, specific to Travel Network, strong first half growth and continued momentum has led us to increase our full year expectations. We expect continued strong Travel Network growth in the back half of the year even before considering the impact of Abacus. So, excluding Abacus, we now expect full year Travel Network revenue growth of over 5% on bookings growth of approximately 6%, well within our medium-term expectations of 4% to 6% topline growth, and ahead of our expectations we previously communicated for 2015 in Travel Network. Including Abacus, beginning July 1, we now expect Travel Network revenue growth of 13% or more driven by bookings growth of approximately 17%."

Updated Abacus Guidance - May 14, 2015

Updating 2015 Guidance for Abacus Acquisition

Sabre

(in millions, except EPS)	Sabre	Abacus*	Sabre + Abacus*
Revenue	$2,770 - $2,800	~$120	**$2,890 - $2,920**
Adjusted EBITDA	$895 - $910	~$10	**$905 - $920**
Adjusted Net Income	$275 - $290	-	**$275 - $290**
Adjusted EPS (Adjusted Net Income from Continuing Operations per share based on FY fully diluted shares outstanding of 278MM)	$1.00 - $1.06	-	**$1.00 - $1.06**
Free Cash Flow	Adj FCF $300+ FCF $250+	(~$10)	**Adj FCF $300+ FCF $240+**
GAAP Capital Expenditures	~$250	~$10	**~$260**
Capitalized Implementation Costs -Expected to be fully offset by upfront cash solutions fees	~$75	-	**~$75**

*Assumes August 1, 2015 closing date
The information presented here represents forward-looking statements and reflects expectations as of May 14, 2015. Sabre assumes no obligation to update these statements. Results may be materially different and are affected by many factors detailed in the accompanying release and in Sabre's Form 10-K filed on March 3, 2015 and other filings with the SEC.

8

Source: Abacus Presentation, May 14, 2015

Shortly After on August 4, 2015

Increasing Guidance for Full Year 2015

All Metrics Rise

Adj. FCF Falls

In $ millions, except EPS	Sabre
Revenue	$2,950 - $2,980
Adjusted EBITDA	$930 - $945
Adjusted Net Income	$290 - $305
Adjusted EPS	$1.05 - $1.11
Free Cash Flow	Adj FCF $290+ FCF $240+
GAAP Capital Expenditures	~$260
Capitalized Implementation Costs -Expected to be fully offset by upfront cash solutions fees	~$75

Sabre The information presented here represents forward-looking statements and reflects expectations as of August 4, 2015. Sabre assumes no obligation to update these statements. Results may be materially different and are affected by many factors detailed in the accompanying release and in Sabre's Form 10-K filed on March 3, 2015 and Form 10-Q filed on August 4, 2015.

12

Source: Q2 2015 Earnings Presentation, Aug 4, 2015

Warning: Low Quality Earnings, Or Worse, Evidence of Spring-Loading Revenues?

Given that Abacus and Sabre were related parties in this M&A transaction, there is an above average risk of "Spring-Loading" or earnings and cash flow management around deals.
This accounting maneuver came under scrutiny during the Tyco scandal and has been studied by academics at Yale

- According to the Abacus deal investor presentation, Sabre estimated that 2015 revenue would increase by $120m (assuming 8/1/15 closing) as a result of the Abacus acquisition consolidation
- However, the deal actually closed a month earlier on 7/1/15
- In its Q3'15 10-Q (p. 7) and later in its FY 2015 10-K filing (p. 78), Sabre made the following disclosures:

> *"Since the acquisition date, Abacus contributed $96 million of revenue and $1 million of income from continuing operations for the three and nine months ended September 30, 2015"* (1)

> *"Since the acquisition date, Abacus contributed $187 million of revenue and $13 million of income from continuing operations for the year ended December 31, 2015"*

- **Warning*: Something Does Not Add Up!***
  - How is it possible that Q4 revenues declined to $91m ($187m - $96m), yet income surged $12m ($13m - $1m) or 1,200%. Sabre guided to $10m of total synergies by 2017. Did it somehow exceed its target in just 1 quarter?
  - By closing one month early, Sabre added $67m of incremental revenue in 2015 above the $120m estimate ($187m-$120m)
  - Recall that the $120m initial revenue estimate assuming an 8/1/15 closing would result in 5 months of revenue consolidation or approximately $24m of sales per month. Therefore, we would have expected approximately $144m ($120m+$24m) of full year 2015 Abacus revenue from the addition of the extra month

(1) Note: When asked on the Q3'15 earnings conference call, the CFO said the impact of the Abacus acquisition was approximately $70-75m for the quarter, significantly less than disclosed in the 10-Q which was filed with the SEC on the same day.

Warning: Questionable Earnings "Beat" in 2015

Given our concerns raised on the previous slide about the Abacus transaction and numbers not making sense, it's worth questioning the quality of the earnings "beats" in subsequent quarters.

- So how did Q3 financial results play out for Sabre? The company reported revenue of $785m and $0.29c of Adj. EPS and beat Wall St. estimates by just 1 cent and revenue estimates by just $11.7m!

  "Earnings, adjusted for one-time gains and costs, came to 29 cents per share. The results exceeded Wall Street expectations. The average estimate of six analysts surveyed by Zacks Investment Research was for earnings of 28 cents per share. The provider of technology services to the travel industry posted revenue of $785 million in the period, which also beat Street forecasts. Six analysts surveyed by Zacks expected $773.3 million"

  Source: Associated Press

- Also in Q4, Sabre yet again beat Wall St. earnings estimates by 1 cent, but disappointed on the revenue line by posting $758.5.m vs. $762.1m estimates.

  "Earnings, adjusted for one-time gains and costs, were 27 cents per share. The results exceeded Wall Street expectations. The average estimate of four analysts surveyed by Zacks Investment Research was for earnings of 26 cents per share. The provider of technology services to the travel industry posted revenue of $758.5 million in the period, falling short of Street forecasts. Four analysts surveyed by Zacks expected $762.1 million."

  Source: Associated Press

The Ugly Reality

By adjusting Sabre's financials to remove the impact of Abacus, we find that its revenue growth rate declined significantly during 2015, well below management's guidance range of 4% - 6% (1)

Q3 2015: 10-Q filing post 7/1/15 close (page 7)

"Since the acquisition date, Abacus contributed $96 million of revenue and $1 million of income from continuing operations for the three and nine months ended September 30, 2015"

FY 2015: 10-K filing (page 78)

"Since the acquisition date, Abacus contributed $187 million of revenue and $13 million of income from continuing operations for the year ended December 31, 2015"

$ in millions

	2014		2015			
	Q3	Q4	Q1	Q2	Q3	Q4
Total Consolidated Revenue	$672.5	$646.1	$710.3	$707.1	$785.0	$758.5
% growth	*9.3%*	*3.1%*	*6.6%*	*9.4%*	*16.7%*	*17.4%*
Travel Network Revenue	$466.3	$434.4	$507.9	$494.5	$569.2	$531.2
% growth	*3.7%*	*-1.4%*	*3.3%*	*7.0%*	*22.1%*	*22.3%*
Abacus Revenue Contribution	--	--	--	--	$96.0	$91.0
Pro Forma Total Revenue (ex: Abacus)	**$672.5**	**$646.1**	**$710.3**	**$707.1**	**$689.0**	**$667.5**
% growth	***9.3%***	***3.1%***	***6.6%***	***9.4%***	***2.5%***	***3.3%***
Pro Forma Travel Network (ex: Abacus)	**$466.3**	**$434.4**	**$507.9**	**$494.5**	**$473.2**	**$440.2**
% growth	***3.7%***	***-1.4%***	***3.3%***	***7.0%***	***1.5%***	***1.3%***

Source: Sabre Financial Filings

(1) "So, excluding Abacus, we now expect full year Travel Network revenue growth of over 5% on bookings growth of approximately 6%, well within our medium-term expectations of 4% to 6% topline growth, and ahead of our expectations we previously communicated for 2015 in Travel Network." Source: Q2'2015 Conf Call – Aug 5, 2015

Management Still Touting Travel Network Growth Excluding Abacus into 2016….

Sabre's management is still touting 6% growth in the Travel Network segment well into 2016 despite strong evidence to suggest they fell well short of this goal in 2015!

Q4 2015 Highlights

	($ MM)	% Change
Total Revenue	$758	+17.4%
Total Adjusted EBITDA	$229	+15.1%
Adjusted EPS	$0.27	+22.7%
Airline & Hospitality Solutions Revenue	$232	+8.0%
Airline & Hospitality Solutions Adjusted EBITDA	$86	+0.9%
Travel Network Revenue	$531	+22.3%
Travel Network Adjusted EBITDA	$208	+20.9%

Highlights

- Solid fourth quarter and strong finish to the year. Well-positioned for momentum into 2016
- 8% Solutions revenue growth
  - *Expect reacceleration of topline growth in 2016*
- 22% Travel Network revenue growth
  - *Continued strength in underlying bookings growth – particularly across North America and EMEA*
  - *Growth driven by Abacus acquisition*
  - *6% revenue growth excluding impact of Abacus acquisition*

Sabre 6

Source: FY 2015 Earnings Presentation, Feb 8, 2016

CFO on FY 2015 Conference Call, Feb 9, 2016

*"Travel Network revenue increased 22% and EBITDA increased 21% in the quarter supported by our overall bookings growth. **Excluding the impact of consolidating Abacus, Travel Network revenue increased approximately 6% in the quarter**. Bookings increased 33% in the quarter. Growth was driven by the acquisition of Abacus as well as solid growth across our North America and Europe, Middle East, Africa business. Even when excluding the positive impact of the Abacus acquisition, global bookings increased a strong 8% overall in the quarter."*

"At Travel Network we delivered global growth and increased share. Globally, our 2015 share increased a full point to 36.6% with 80 basis points of growth in North America and 170 basis points of growth in EMEA. Acquiring Abacus bolstered our position giving us control of our destiny in the fastest-growing travel region in the world. With that integration well underway, we're now getting much deeper with our Asia-Pacific customers to ensure that we have the right solutions for the market and create opportunities to grow market share. In EMEA we continue to grow the business which is much faster than market growth rates."

Management Still Touting Travel Network Growth Excluding Abacus (cont'd)

Management has continued to tout its core travel network business is growing mid to high single digits organically despite evidence to the contrary

<Q - James Schneider>: That's super helpful overview. So, maybe, Rick, you want to take the guidance question. Maybe just, I think by any stretch the 2016 guidance you guys issued yesterday was pretty strong. Can you maybe just help us – but also include the effect of a couple of acquisitions in there that you've done. ***So can you maybe unpack first the guidance, kind of what the impact of the acquisitions is and then kind of what the underlying volume assumptions are on the Travel Network side, as well as the kind of growth assumptions...***

<A - Richard A. Simonson>: Sure.

<Q - James Schneider>: ...for solutions?

*<A - Richard A. Simonson>: For 2016, so in the Travel Network side, and it's been very representative of what we showed in fourth quarter where we had strong double-digit top line revenue and bookings growth. That was benefited from our acquisition of Abacus, the go-to-market entity that we had a minority interest****. We took full control of that. But our underlying bookings in the fourth quarter, revenue and bookings, we're running 6%, 7%, 8%. And again, so our core business is growing above the rate of general travel growth****. That sets up well on how we're positioned and a bit of market share gain overall.* ***We see that trend repeating itself essentially in 2016 and that's how you get to those strong teens growth rate in revenue and bookings for Travel Network. But you still have mid to high-single digit organic growth rate adjusting for the Abacus acquisition and Travel Network****.*

Source: Goldman Sachs Tech and Internet Conf, Feb 10 2016

More Evidence Suggesting Abacus Int'l Accounting Issues

Primary revenue generated from Abacus is data processing fees associated with bookings on the Sabre GDS

Revenue from Abacus is notably higher than related company purchase of services reported by Abacus!

From Sabre Filings: Sabre Revenue From Abacus > Abacus Purchases

	Year Ended December 31, 2014	2013	2012
Revenue earned from Abacus	$ 91,324	$ 91,998	$ 71,957

	As of December 31, 2014	2013
Receivable from Abacus	$ 21,458	$ 29,377
Payable to Abacus for Economic Benefit Transfer	(9,217)	(8,648)
Current deferred revenue related to Abacus data processing	(2,571)	(2,571)
Long-term deferred revenue related to Abacus data processing	(10,286)	(12,857)
Related party (payable) receivable, net	$ (616)	$ 5,301

A receivable from Abacus on Sabre's books, should correspond to a payable on Abacus' books.

Notably, the $29.3m that Sabre reported in 2013, is higher than the entire trade payable of $20.1m reported by Abacus!

Abacus Int'l Pte Ltd (Singapore): Related- Party Transactions

Related party transactions **(*)**

During the year, other than as disclosed elsewhere in the financial statements, the following transactions were entered into with related parties on terms agreed by both parties:

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Immediate holding company				
Support fee income	29	59	29	59
Subsidiaries				
Purchase of services	–	–	(38,053)	(36,369)
Dividend income	–	–	4,500	308
Interest income	–	–	3,501	3,188
Related company				
Revenue	69,022	71,453	8,265	8,860
Purchase of services	(68,485)	(76,358)	(68,485)	(62,465)
Associates and joint ventures				
Revenue	500	714	500	714

ABACUS INTERNATIONAL PTE LTD 45

(*) Abacus explicitly says that, *"parties are considered related to the Group if the Group has the ability, directly or indirectly, to control the party, or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities."*

Abacus (Singapore): Statement of Financial Position

As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000 Restated*	Group 2012 US$'000 Restated*	Company 2014 US$'000	Company 2013 US$'000 Restated*	Company 2012 US$'000 Restated*
Liabilities							
Deferred tax liabilities	17	9,245	7,969	5,733	9,227	7,969	5,733
Non-current liabilities		9,245	7,969	5,733	9,227	7,969	5,733
Trade payables	18	23,856	20,199	17,773	19,733	15,404	8,953
Other payables and accruals	19	84,206	102,642	103,960	62,491	78,868	75,537
Amounts due to subsidiaries	20	–	–	–	2,108	7,945	9,149
Provision for taxation		34,064	46,960	48,277	26,855	32,355	33,694
Current liabilities		142,126	169,801	170,010	111,187	134,572	127,333
Total liabilities		151,371	177,770	175,743	120,414	142,541	133,066
Total equity and liabilities		324,693	298,499	278,582	254,903	227,826	204,473

18 Trade payables

Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms. The carrying amounts of the Group and the Company as at 31 December 2014 and 2013 represent the expected contractual undiscounted cash flows within 1 year.

19 Other payables and accruals

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Accrued expenses **(*)**	82,166	102,539	62,215	78,601
Other payables	2,040	103	276	267
	84,206	102,642	62,491	78,868

(*) Abacus explicitly says that, *"Accrued expenses relate mainly to accrued incentives payable to travel agents."* Thus, we can rule out that amounts payable to Sabre are included here.

SPRUCE POINT
CAPITAL MANAGEMENT

Abacus Singapore Filings Not Matching Sabre's Balance Sheet Disclosure

Abacus Int'l Pte Ltd. Singapore Filings

Statements of financial position
As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000 Restated*	Group 2012 US$'000 Restated*	Company 2014 US$'000	Company 2013 US$'000 Restated*	Company 2012 US$'000 Restated*
Assets							
Property, plant and equipment	4	15,532	13,799	12,315	12,550	10,431	7,877
Intangible assets:	5						
- Goodwill		2,505	2,505	2,505	1,254	1,254	1,254
- Software development costs		19,356	18,368	15,815	19,356	18,368	15,815
Subsidiaries	6	–	–	–	291	291	291
Associates	7	25,467	27,169	33,150	14,617	14,617	14,617
Joint ventures	8	1,062	884	–	100	100	–
Other investments	9	24,557	22,491	12,236	24,557	22,491	12,236
Deposits with network provider	10	1,046	918	994	1,046	918	994
Other receivables, deposits and prepayments	12	29,776	32,940	29,102	12,775	16,530	13,397
Amount due from subsidiaries	13	–	–	–	3,408	–	–
Deferred tax assets	17	–	421	408	–	–	–
Non-current assets		119,301	119,495	106,525	89,954	85,000	66,481
Trade receivables	11	30,489	43,679	51,746	15,712	32,605	40,106
Other receivables, deposits and prepayments	12	27,387	27,566	24,095	11,285	11,069	7,814
Amounts due from:							
- subsidiaries	13	–	–	–	20	5,541	203
- holding company	14	851	30	22	851	30	22
Cash and cash equivalents	15	146,665	107,729	96,194	137,081	93,581	89,847
Current assets		205,392	179,004	172,057	164,949	142,826	137,992
Total assets		324,693	298,499	278,582	254,903	227,826	204,473

Abacus Financial Disclosure by Sabre Corp.

	As of December 31, 2014	As of December 31, 2013
Balance sheet data:		
Current assets	$ 202,916	$ 212,889
Noncurrent assets	123,217	76,319
Current liabilities	140,272	170,780
Noncurrent liabilities	9,245	7,474
Noncontrolling interest	254	215

Source: Sabre 2014 10-K, Note 5 – Equity Method Investments

Source: Singapore Registry

Note: Abacus reports under Singapore Financial Reporting Standards

Spruce Point Capital Management

Abacus Singapore Filings Not Matching Sabre's Income St. Disclosure

Abacus Int'l Pte Ltd. Singapore Filings

Statements of profit or loss
Year ended 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Revenue	21	357,714	335,255	281,846	256,859
Cost of sales		(225,948)	(209,954)	(151,427)	(137,531)
Gross profit		131,766	125,301	130,419	119,328
Amortisation of intangible assets:					
- Software development		(5,170)	(4,576)	(5,170)	(4,576)
Depreciation		(7,340)	(6,895)	(5,510)	(4,509)
Employee benefit expenses		(40,907)	(43,235)	(27,044)	(27,547)
Other income		214	40	192	–
Other expenses		(23,657)	(21,427)	(40,658)	(36,679)
Results from operating activities		54,906	49,208	52,229	46,217
Interest income		310	270	3,728	3,353
Dividend income		991	2,567	7,617	6,837
Exchange gain/(loss), net		186	(2,940)	(129)	(1,778)
Share of results of associates and joint ventures		3,008	3,210	–	–
Impairment losses		–	–	(4,466)	(11,399)
Debt waiver		–	–	–	(95)
Impairment of goodwill		–	(100)	–	–
Profit before income tax	22	59,401	52,215	58,979	43,135
Tax expenses	23	(31)	(9,832)	(5,513)	(9,017)
Profit for the year		59,370	42,383	53,466	34,118
Profit attributable to:					
Owners of the Company		59,364	42,458	53,466	34,118
Non-controlling interests		6	(75)	–	–
Profit for the year		59,370	42,383	53,466	34,118

Abacus Financial Disclosure by Sabre Corp.

	Year Ended December 31, 2014	2013	2012
Results of operations data:			
Revenue	$ 357,711	$ 335,255	$ 320,069
Cost of revenue	225,269	205,505	200,212
Operating income	56,703	49,287	45,271
Net income (loss)	59,430	42,368	(20,366)
Net income (loss) attributable to Abacus	59,390	42,443	(20,496)

Source: Sabre 2014 10-K, Note 5 – Equity Method Investments

Source: Singapore Registry

Note: Abacus reports under Singapore Financial Reporting Standards

More Evidence of Joint Venture Accounting Concerns

Spruce Point Capital Management

Sabre recognizes its proportionate share of earnings from joint ventures under the "Equity Method" which means it recognizes non-cash earnings through the income statement, and deducts it from the cash flow statement. However, actual cash dividends received are accounted for as an increase in operating cash flow.
<u>Take careful notice that in 2015, dividends exceeded the actual earnings from joint ventures.</u>

$ in thousands

	Year Ended December 31,		
	2015	2014	2013
Operating Activities			
Net income (loss)	$ 548,963	$ 71,955	$ (97,631)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization	351,480	289,630	287,038
Amortization of upfront incentive consideration	43,521	45,358	36,649
Litigation related (credits) charges	(60,998)	(41,672)	8,156
Stock-based compensation expense	29,971	20,094	3,387
Allowance for doubtful accounts	8,558	10,356	5,178
Deferred income taxes	97,225	(3,829)	13,941
Joint venture equity income	(14,842)	(12,082)	(12,350)
Dividends received from joint venture investments	28,700	2,261	10,560
Amortization of debt issuance costs	6,759	6,316	7,104
Debt modification costs	—	3,290	14,003
Gain on remeasurement of previously-held joint venture interest	(78,082)	—	—
Loss on extinguishment of debt	38,783	33,538	12,181
Other	3,556	6,023	(4,653)
Income (loss) from discontinued operations	(314,408)	38,918	149,697

Source: Sabre 2015 10K

Spruce Point Capital Management

Operating Cash Flow Appears Overstated, Actually Declined in 2015

Because Sabre received more dividends than income in 2015, accounting rules dictate that excess cash must be accounted for as a "Return of Capital" and not a "Return on Capital." (1)
As a result, we are justified in reclassifying $13.9m of cash from operations, to cash flow from investing.
On a pro-forma basis, Sabre's Adjusted Free Cash Flow appears to have declined in 2015 by 2.6%!

Sabre's Pro-Forma Adjusted Free Cash Flow
$ in millions

	2011	2012	2013	2014	2015
JV Equity Income	$23.5	$21.3	$12.4	$12.1	**$14.8**
JV Cash Distributions of income	$13.3	$21.1	$10.6	$2.3	**$28.7**
Dividends > JV Equity Income	No	No	No	No	**YES**
Sabre's Reported Adj. Free Cash Flow	$171.0	$305.7	$181.7	$293.4	$299.5
% growth		*78.8%*	*-40.6%*	*61.4%*	*2.1%*
Less: Return of Capital from JV (2)	--	--	--	--	($13.9)
Pro Forma Adj. Free Cash Flow	**$171.0**	**$305.7**	**$181.7**	**$293.4**	**$285.7**
% growth	--	78.8%	-40.6%	61.4%	-2.6%

Just a coincidence that in 2015, a year we noted that Sabre acquired Abacus to mask underlying growth, that JV dividends exceeded actual income?

Sabre Presents This To Investors, Showing Growth of 2.1% in 2015

By Removing Return of Capital, Adj. Free Cash Flow Declined 2.6%!

(1) ASC 230-10-45-12 as noted in E&Y's Statement of Cash Flows guide, June 2015
(2) Represents dividends in excess of income, which should be reclassified as an investing cash flow, not from operations
Source: Sabre SEC Filings

Spruce Point Capital Management

Evidence of Aggressive Upfront Incentive Capitalization

While capitalization of upfront cash incentives is not outright disallowed under GAAP, Spruce Point believes it is an aggressive accounting choice to capitalize normal and recurring operating expenses. This accounting choice increases current period earnings by stretching out expenses over future periods. In the next few slides, our analysis will illustrate that Sabre appears to be making more aggressive use of this capitalization strategy. By our calculation, upfront capitalize incentives surged from $53.7m to $63.5m in 2015, an 18% increase. We believe investors would be better served by evaluating its business by deducting upfront cash incentives.

Pro Forma Adjusted EBITDA

$ in millions	2013	2014	2015
Sabre Reported Adjusted EBITDA *% margin*	$778.7 *30.8%*	$840.0 *31.9%*	$941.6 *31.8%*
Less: Amortization of Upfront Incentive	($36.6)	($45.4)	($43.5)
Less: Capitalized Amount in Excess of Amortization	($10.0)	($8.3)	($20.0)
Spruce Point Adj. EBITDA *% margin* *% delta to reported*	$732.1 *29.0%* *5.9%*	$786.3 *29.9%* *6.4%*	$878.1 *29.7%* *6.7%*

Source: Sabre Financials

On an adjusted basis, margins deteriorated in 2015 and the delta continues to expand!

Evidence of Aggressive Accounting For Customer Incentives (cont'd)

Sabre warns of upfront incentives it must offer, but does not focus attention on quantifying the impact for investors:

"We must compete with other GDSs and other competitors for their business by offering competitive upfront incentive consideration, which, due to the strong bargaining power of these large travel buyers, tend to increase in each round of contract renewals."(1)

Isn't it ironic that prior to finalizing its take-private LBO in 2007, Sabre led investors to believe that incentive costs would fall!

"Additionally, with the launch of our Efficient Access Solution (see Note 5 to the Consolidated Financial Statements) we expect to lower incentive costs over time" (2)

Pre-LBO Sabre capitalized and amortized expenses over a short period of generally 3 years:

"Certain service contracts with significant travel agency subscribers contain booking productivity clauses and other provisions that allow subscribers to receive cash payments or other consideration. We establish liabilities for these commitments and recognize the related expense as the subscribers earn incentives based on the applicable contractual terms. Accrued incentives liabilities at December 31, 2006 and 2005 were approximately $107 million and $82 million, respectively. ***Periodically, we make cash payments to subscribers at inception or modification of a service contract which are deferred and amortized over the expected life of the service contract, which is generally three years****." (2)*

Post-LBO Sabre capitalizes incentives and amortizes them 3-5 years to earnings, allowing it to stretch out and reduce expenses

"Our Travel Network business at times provides upfront incentive consideration to travel agency subscribers at the inception or modification of a service contract, which are capitalized and amortized to cost of revenue over an average expected life of the service contract, generally over three to five years*. Such consideration is made with the objective of increasing the number of clients or to ensure or improve customer loyalty. Such service contract terms are established such that the supplier and other fees generated over the life of the contract will exceed the cost of the incentive consideration provided upfront. Such service contracts with travel agency subscribers require that the customer commit to achieving certain economic objectives and generally have terms requiring repayment of the upfront incentive consideration if those objectives are not met." (1)*

(1) Sabre's 2015 10-K, page 6 and page 38
(2) Sabre 2007 10-K, Trends in Cost Reduction, page 33 and Summary of Significant Accounting Policies, page 77

Upfront Customer Incentives Rising Fast As a % of Travel Network Revenues

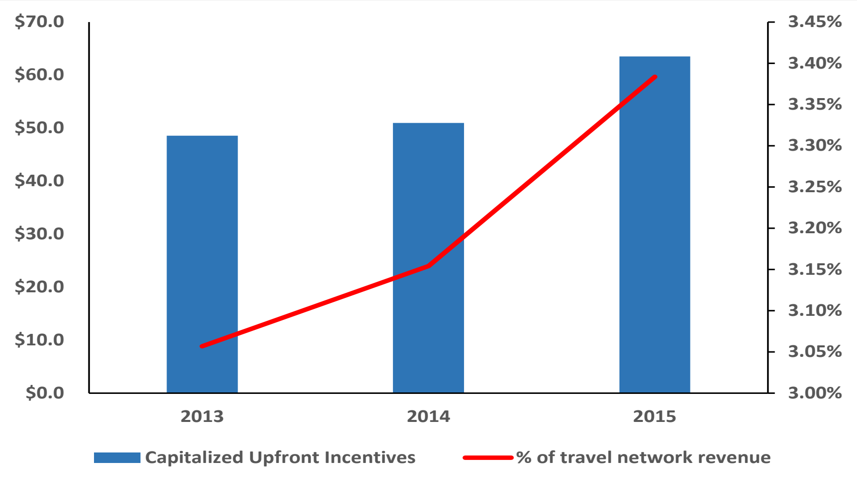
Customer Incentives Payments Not Reconciling

- Sabre reports beginning and ending account balances within "Other Assets", and non-cash amortization of upfront customer incentives
- By mathematical deduction, we can calculate the annual capitalized incentive amount
- There's a slight discrepancy in 2014 of $2.6m in 2014

Incentives Payments Growing as % of Travel Network Revenue

- Comparing reported capitalized amounts to Travel Network revenue, we find it growing rapidly as a % of revenue
- *Aggressively capitalization policies are worthy of close scrutiny*

Rising Upfront Incentives to Revenues



Cash Flow Statement Shows Upfront Incentives

	Year Ended December 31,		
	2015	2014	2013
Changes in operating assets and liabilities:			
Accounts and other receivables	10,662	(7,295)	(23,169)
Prepaid expenses and other current assets	(13,255)	6,948	(3,649)
Capitalized implementation costs	(63,382)	(37,811)	(58,814)
Upfront incentive consideration	(63,510)	(50,936)	(48,569)
Other assets	(66,873)	(78,873)	(56,663)
Accrued compensation and related benefits	18,268	(5,301)	9,372
Accounts payable and other accrued liabilities	8,721	52,128	(17,854)
Deferred revenue including upfront solution fees	9,390	38,643	(5,682)
Cash provided by operating activities	529,207	387,659	228,232

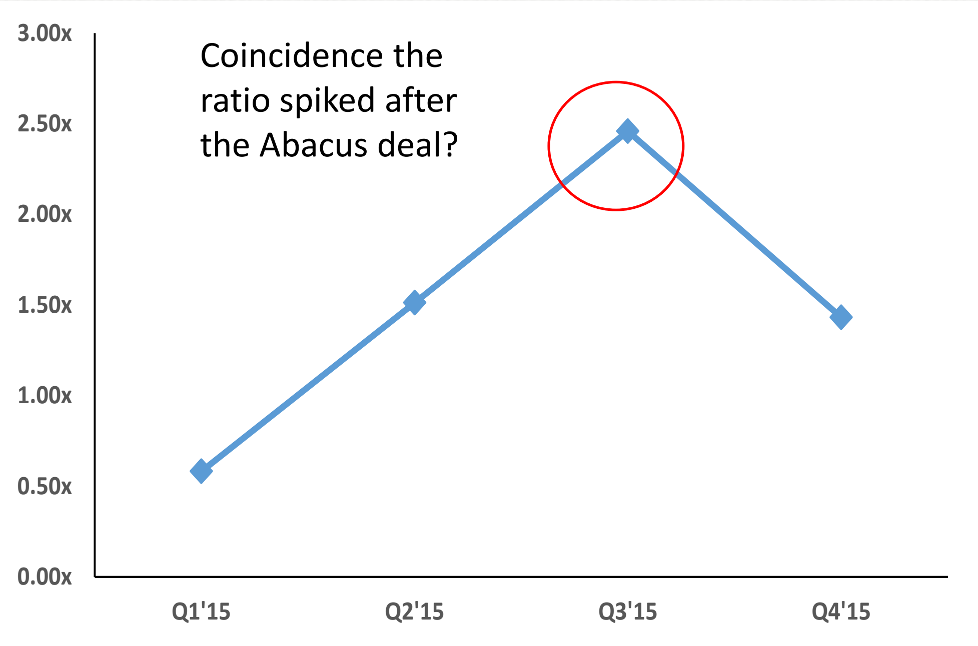
Accounts Not Reconciling (1)

$ in mm	2013	2014	2015
Beginning Balance	$69.7	$81.6	$90.0
Amortization of Upfront Incentive	($36.6)	($45.4)	($43.5)
Capitalized Upfront Incentives	$48.6	$53.7	$63.5
Ending Balance	$81.6	$90.0	$109.9

(1) Sabre discloses beginning, ending and amortization amounts. Capitalized upfront incentives can be deduced mathematically. 2014 figures not reconciling

Spruce Point Capital Management

Ratio of Upfront Incentive Capitalization to Amortization Exploded in 2015



CEO Dodges Question on Abacus Call

<Q: Analyst, James Schneider>: "*Good morning. Congratulations, and thanks for taking my question. I was wondering if you can maybe address how the new airline agreements, the long-term agreements differ from the old ones you might have had, both – maybe just if you can comment on with directionally pricing and what is the term length of the new agreements?*"

<A: CEO, Thomas Klein>: "**Yeah. I'm not going to give you a whole lot of detail there**, Jim. I appreciate why you asked the question, but there's only so much and so far I can go. They are confidential contracts. I will say they are very long-term and they lock in any of the components that we felt drove value in the joint venture."

$ in mm	Q1'15	Q2'15	Q3'15	Q4'15
Capitalized Incentives	$6.5	$16.5	$23.4	$17.1
Amortized Incentives	($11.2)	($10.9)	($9.5)	($11.9)
Ratio Capitalized/Amortized	0.6x	1.5x	2.5x	1.4x

Source: Sabre Financials

Spruce Point
CAPITAL MANAGEMENT

Also Worth Investigating Questionable Accounting for Deferred Customer Advances?

Sabre says that "Deferred Customer Advances and Discounts are amortized are amortized in future periods as the related revenue is earned." If this is true, our forensic analysis fails to identify these amortization amounts, but it appears they are rapidly growing as a % of revenue

$ in millions

	2013	2014	2015
Beginning Balance	$47.7	$89.8	$144.4
Estimated Amortization (1)	($11.9)	($22.5)	($36.1)
Estimted Capitalization	$54.0	$77.0	$103.8
YoY Growth	--	*42.5%*	*34.7%*
Ending Balance	**$89.8**	**$144.4**	**$212.0**
Total Revenue	$2,523.5	$2,631.4	$2,960.9
Capitalization % of Revenue	***2.1%***	***2.9%***	***3.5%***

(1) Assumed 4yr amortization, in line with 3-5 yr contract disclosures

Sabre only reports the annual ending account balance for Deferred Customer Discounts, contained in "Other Assets, Net" Assuming a 4yr amortization period suggests 2015 annual amortization of $36.1m The account is growing, which suggests capitalizations > amortization. Notably, capitalization is rising as a % of total revenues

$ in millions

	2013	2014	2015	Comment
Total Depreciation and Amort.	$287.0	$289.6	$351.5	from Cash Flow Statement
Less: D&A of property and internal software	$123.4	$157.6	$213.5	Page 34
Less: Intangibles Asset Amort.	$129.0	$96.0	$107.0	Note 5, Page 83
Less: Amort of Capitalized Implementation Costs	$34.1	$35.9	$31.4	Page 34
Residual D&A	**$0.5**	**$0.2**	**($0.5)**	
Also not included above related to pension:				
Amortization of Prior Service Credit	($1.4)	($1.4)	($1.4)	
Amortization of Actuarial Loss	$7.4	$4.9	$7.0	
Net Amortization	**$6.0**	**$3.5**	**$5.6**	Note 14, p. 100, inc in SG&A

Based on all amortization and depreciation disclosures, it is impossible to determine that Sabre amortizes any customer advances or discounts

Source: 2015 Annual Report

Valuation and Sell-Side Disconnect

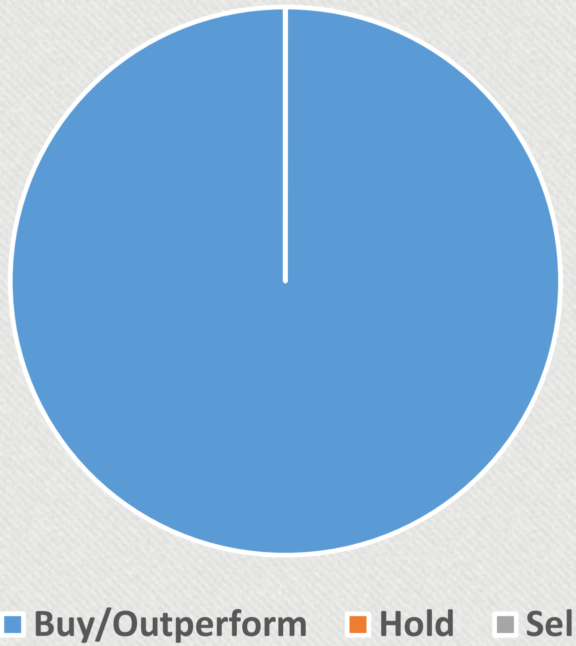
Spruce Point
Capital Management

Wall St. Analysts Hyper Bullish On Sabre Corp…Unanimous Buy!

Sabre Corp has a large roster of analysts saying unanimously "BUY!" On average analysts' see upside to $33.42 per share or approximately 17% above the current trading price.

Broker	Rating	Price Target
Morgan Stanley	Overweight	$36
Bofa / Merrill	Buy	$35
Goldman Sachs	Buy	$35
Pacific Crest	Buy	$35
Deutsche Bank	Buy	$34
Jefferies	Buy	$33
Stern Agee	Buy	$33
Bernstein	Outperform	$32
Mizuho	Buy	$32
Evercore	Buy	$32
Oppenheimer	Outperform	$32
Cowen	Outperform	$32
William Blair	Outperform	--
	Average Price **% Avg Upside** **% Max Upside**	**$33.42** **17%** **26%**

Buys vs. Holds



Upside based on $29.00 stock price
Source: Bloomberg

Easy To Refute the Bull Case on Sabre Corp.

Analysts' Investment Highlights	Spruce Point's Rebuttal
"Defensive growth + catalysts = 2016 outperformer. As one of the more defensive names in tech, potential catalysts ahead and front-end loaded guidance, we expect the shares to outperform"	There is nothing defensive about Sabre's business. Its Travel Network business (>70% of revenues and EBITDA) is not a guaranteed recurring revenue source with long sticky contracts, but rather tied to the cyclicality of the airline and travel business. Our research suggest its core business is not growing at the mid single digit rate management suggests, but in fact is at best stagnant
"Free Cash Flow generation is finally inflecting"	Yes, inflecting downward! Our forensic analysis suggests that Sabre included JV dividends in excess of JV income to bolster 2015 operating cash flow. By reclassifying the excess dividend as an investment cash flow, we find that Sabre's Adjusted Free Cash Flow declined in 2015!
"Guidance over Street expectations was a bright spot considering the company has established a track record of beating its guidance since going public in 2014"	This analyst doesn't appear to have looked carefully! In our opinion, Sabre closed the Abacus deal a month early and may have spring-loaded revenues to account for its Q2'15 earnings beat. Furthermore, by removing the effect of the Abacus deal, Sabre would have all but certainly missed its 2015 targets
"SABR is well established with over $2.7 billion in revenue, substantial barriers to entry in the core GDS business, and is set up for strong and improving fundamentals into 2016/2017, in our view"	Sounds like wishful thinking. What good are barriers when deflation is causing decreasing revenue per transaction and customer incentives are rising? Furthermore, barriers cannot stop the disintermediation away from GDS that is occurring as evidenced by the Lufthansa news and Google's entry in to the business
"As Sabre continues to execute with better visibility around core revenue growth, expanding EBITDA margins, declining leverage, long-term EPS growth, a 2.0% dividend yield and real investor return as fundamentals accelerate out of 2015, we expect Sabre's multiple to re-rate to levels closer to that of Amadeus' with headwinds and Travelocity noise behind the company."	In our opinion, Sabre's multiple should re-rate lower not higher! There's no evidence that under private ownership, and since coming public again in 2014, that Sabre's has improved its overall cash flow or capital efficiency. The fairness opinion from the LBO suggested a terminal EBITDA multiple of 6.5x -8.0x. We believe this is the appropriate valuation range given Sabre's fundamental challenges and low earnings quality
"Bull case includes the company sees a pricing lift as it penetrates new European and emerging markets which can be 20%+ higher than its concentrated market in the US."	How many times have investors been pitched "blue sky international opportunities" C'mon sell-side analysts, come up with an original selling point please! Sabre operates in a globally competitive business. It would be overly optimistic to assume Sabre can easily penetrate any mature market and achieve substantially higher pricing

Spruce Point Capital Management

What's the Right EBITDA Multiple?

Sabre's LBO multiple at 10.2x was a function of a leverage bubble that ultimately burst. Precedent transactions (including its Abacus deal), and its own fairness opinion, suggest a long-term "terminal multiple" in the 6.5x - 8.0x range. Given evidence of core deterioration in its business being masked by accounting shenanigans, Sabre should not get a multiple expansion.

*"**Goldman Sachs** selected exit multiples ranging from 5.5x to 7.5x in order to calculate the terminal value based upon factors including precedent transaction analyses and the Company's forward EBITDA Multiple prior to announcement."*

*"**Morgan Stanley** selected exit multiples ranging from 7.0x to 8.0x last twelve months EBITDA in order to calculate the terminal value by applying this multiple to Sabre Holdings' estimated fiscal year 2011 EBITDA. The exit multiples of 7.0x to 8.0x were based upon analyses of transaction multiples of selected precedent transactions."*

*"**Bear Stearns** used LTM EBITDA exit multiples of 7.0x to 8.0x for the Multi-Year Outlook cases and 6.5x to 7.5x for the Extended Outlook cases. In estimating the terminal value exit multiples, Bear Stearns considered Sabre Holdings' current and recent trading multiples, adjusted downward to reflect declining future growth in EBITDA as projected by Sabre Holdings' relative to current EBITDA growth rates."*

Precedent Acquisitions in Travel GDS

Announce Date	Acquirer	Target	EV / LTM EBITDA	Debt / LTM EBITDA
March 2003	CVC and Teachers Merchant Bank	Worldspan	5.0x	3.1x
Jan 2005	BC Partners and Cinven	Amadeus	7.8x	5.4x
June 2006	Blackstone	Travelport	7.6x	6.3x
Dec 2006	Travelport	Worldspan	5.5x	4.5x
		Average	6.5x	4.8x
Dec 2006	TPG / Silver Lake	Sabre Corp	10.2x	7.8x
May 2015	Sabre	Abacus	8.0x (1)	3.3x

(1) Based on Sabre's 2016E EBITDA

Analysts Again Fail to Include Hefty Tax Receivable Agreement in the Valuation

As noted in our previous research on Planet Fitness, we believe tax receivable agreements ("TRA") are widely misunderstood and often ignored by analysts and investors for their impact on cash flow and valuation (1). Sabre has a "TRA" with imminent cash flow implications and problematic accounting implications

According to Sabre:

- *"Based on current tax laws and assuming that we and our subsidiaries earn sufficient taxable income to realize the full tax benefits subject to the TRA, **we estimate that future payments under the TRA relating to the Pre-IPO Tax Assets to total $387 million.**"*

- *"Any payments made under the TRA will be **classified as a financing activity** in our statement of cash flows."*

Warning: We believe this would be an incorrect financial classification of TRA payments. In reality, the payments should be classified as operating cash flows! There are numerous examples of companies correctly accounting for payments as deductions of operating cash flows, and ultimately free cash flow including PBF Energy, Change Healthcare, Premier, Inc., and Berry Plastics

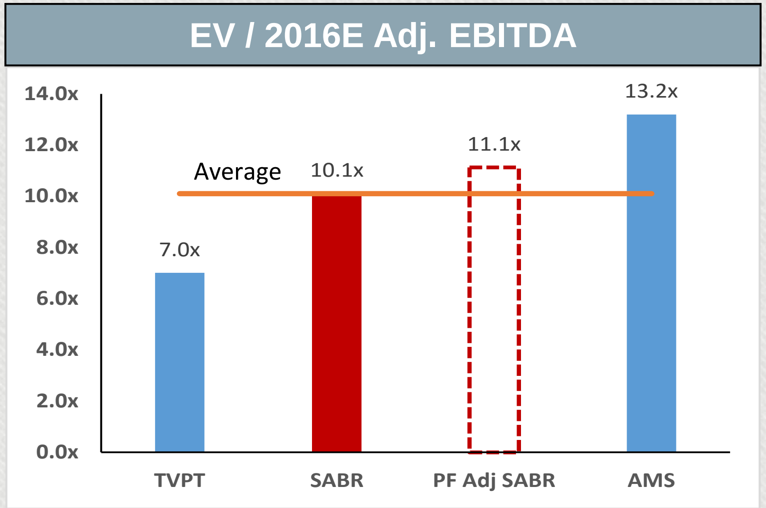
- *"The timing of future payments under the TRA is uncertain and dependent on the timing of the realization of taxable income. We expect to make the total required payments over the next five years with no material payments to occur before 2017. "*

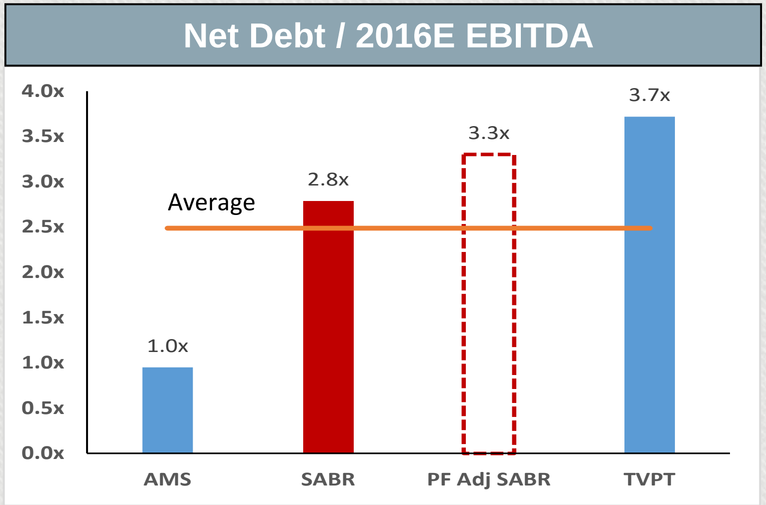
Warning: Expected payments are rapidly approaching. Analysts largely fail to account for these payments as a reduction to operating and free cash flow

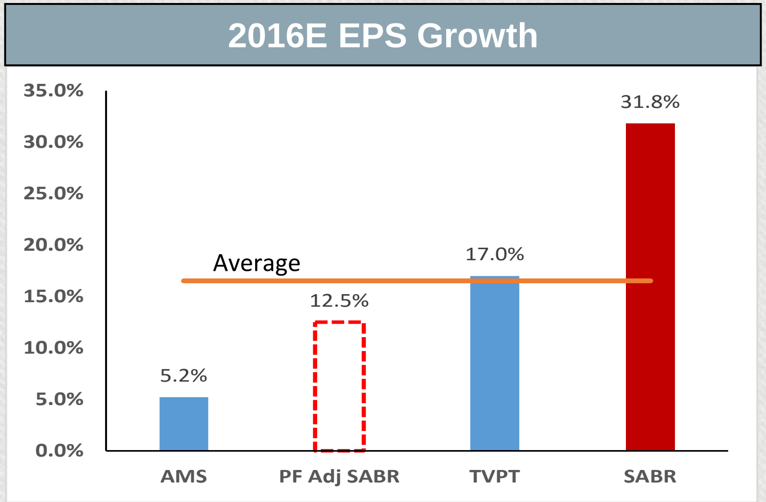
(1) Private Equity Squeezing Out Cash Long After the IPO, NY Times, March 13, 2013

Valuation Inflated on Abnormally High EPS Growth Expectations

On the surface, Sabre's valuation appears in-line with peers Travelport (Nasdaq: TVPT) and Amadeus (BME: AMS). However, by adjusting its enterprise value for the tax receivable agreement liability and its EBITDA for the aggressive capitalization of upfront incentives, Sabre's valuation is rich. Sabre's high YoY EPS growth is a function of the partial year 2015 Abacus consolidation, is supporting the valuation.







Based on Spruce Point estimate adjusted

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Realistic Price Target Implies 40% - 60% Downside

Sabre's valuation needs to be re-rated to reflect its terminal multiple indicated by the exact same analysts that conducted its fairness opinion in 2007. A lower valuation is justified by the heightened risks facing (disintermediation, deflation, greater incentives) and its inability to deliver any measurable cash flow improvement. Furthermore, Sabre should trade at a discount due to the evidence we presented which suggests accounting irregularities.

$ in millions	Enterprise Value / 2016 EBITDA	
	6.5x --	8.0x
2016E Revenue	$3,410	$3,410
2016E EBITDA (1)	$1,025	$1,025
Enterprise Value	$6,663	$8,200
(+) Cash and Equiv. (2)	$156	$156
(-) Financial Debt (2)	$3,195	$3,195
(-) Tax Receivable Agreement	$387	$387
(-) Minority Interest	$1	$1
Equity Value	$3,238	$4,775
Diluted Shares	275.2	275.2
Approx. Price Target	$12.00	$17.00
% Downside	-60%	-40%

(1) We adjust street estimates lower by approximately $65m to account for the effect of capitalizing upfront incentives
(2) Adjusted for repayment of $165m of debt that matured in March 2016